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Stock Rating
Overweight

Industry View
In-Line

Deutsche Post

Next Daimler & Chrysler?

What's Changed

Rating	**Equal-weight to Overweight**
Price Target	**€24.00 to €30.00**

New urgency to drive change and value. With the arrival of the new CFO we sense management has stepped up a gear in terms of addressing investors' longstanding sore point — the US business. Given structural solutions to the US$900 million losses at DHL Express US being considered, and the Postbank stake to be reviewed in 2H08, we see potential parallels with Daimler, and the very positive investor response when it took radical action in removing Chrysler, its own problem US operation. In addition, we now expect less competition for DP Mail as the deregulated regime looks set to play out more favourably. The increase in PT to €30 (31% potential upside) reflects the removal of our 10% execution discount and higher earnings in Mail.

Quick, radical solution at DHL Express US is key. DP now acknowledges that the problems are structural, and is considering all alternatives. A substantial cut in network size, combined with subcontracting and a focus on international services (revenues from US$4.5 to US$1.7 billion), is the most logical outcome, we think. DHL would thus preserve some presence for delivery of incoming parcels and some control over quality too. We calculate that *cash* restructuring expenses of US$1.8 billion would be almost fully offset by a quicker and more substantial reduction in losses. Cutting US losses is key to DP achieving its target of €0.9-1.1 billion Express EBIT by 2009, so a decision needs to be prompt and could be announced at the 4Q results, set for 6 March.

Less competition in Mail adds €2 per share, Postbank sale offers further potential. We raise our 2009 Mail EBIT estimate from €1.5 to €1.76 billion, the middle of DP's guidance, based on lower volume losses (83% market share versus 78%) and price declines (6% versus 8% for addressed bulk mail). A Postbank sale in the middle of our strategic value range of €80-90 per share would generate €4 billion after tax (5% rate), with the capital gain more than offsetting the US losses.

Key Ratios and Statistics

Reuters: DPWGn.DE Bloomberg: DPW GR
Surface Transportation / Germany

Price target	**€30.00**
Shr price, close (Jan 4, 2008)	€22.87
Mkt cap, curr (mn)	€27,666
52-Week Range	€26.33-19.81

Fiscal Year ending	12/06	12/07e	12/08e	12/09e
Op rev (€mn)	63,366	65,004	66,359	68,117
EBITDA (€mn)[1]	5,643	5,755	6,097	7,041
EBIT (€mn)[1]	3,872	3,895	4,205	5,139
Net inc, rpt'd (€mn)	1,916	1,918	50	2,721
EPS (€)[1]	1.68	1.67	1.86	2.33
ModelWare EPS (€)*	1.66	1.61	1.76	2.21
Prior ModelWare EPS (€)	1.66	1.48	1.84	1.99
FCFE (€mn)[1]	2,495	3,850	1,132	3,201
Div/shr (€)	0.75	0.90	1.05	1.10
Net debt (€mn)[2]	3,007	491	625	(1,249)
ROCE (%)[1]	11.8	11.1	14.6	18.5
ROE avg, diluted (%)	20.1	17.7	20.0	25.5
P/E[1]	13.6	14.1	12.3	9.8

* = Please see explanation of Morgan Stanley ModelWare later in this note.
[1] Based on company or consensus methodology
[2] GAAP or approximated based on GAAP
e = Morgan Stanley Research estimates

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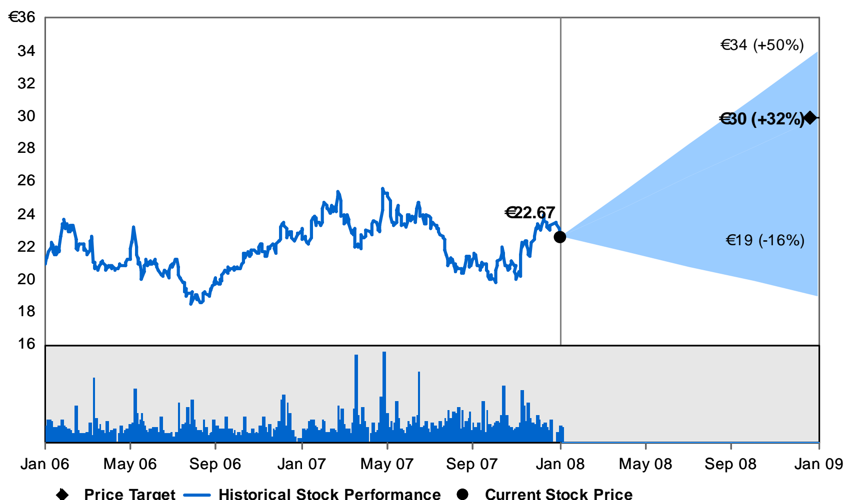
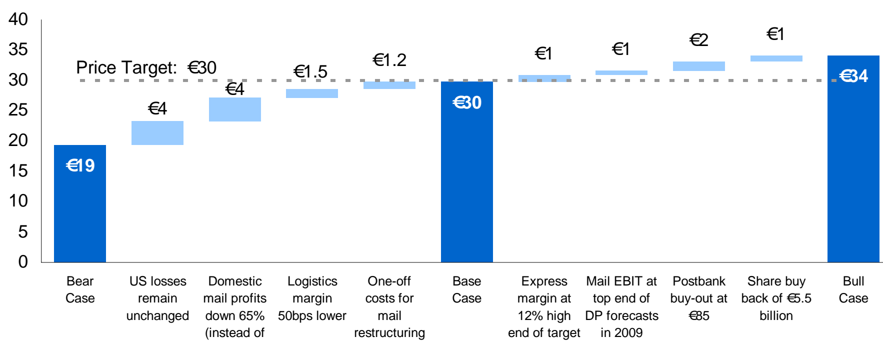
Risk-Reward Snapshot: Deutsche Post (DPWGn.DE, Overweight, PT €30)

Risk-reward balance now favourable; bull case probability has risen



Price target €30	In line with base case, management's new found sense of urgency removes the need for a discount, in our view.
Bull Case €34	**Disposal of Postbank at €85 per share.** Sustainable Express margin of 12% compared to 11% in base case. A €5.5 billion buyback in 2009. Mail EBIT at €1.85 billion in 2009, top end of DP's guidance range, €1.76 billion in base case.
Base Case €30	**Structural solution to US Express losses leads to sustainable Express margin of 11%.** Domestic mail profits down 40% by 2015 vs. 2006 (equal to 75% market share, 10% cut in mail prices, €1.5 billion cost savings). Logistics margin 3.6% (below best in class peers), Postbank mark to market at €59 per share.
Bear Case €19	**DP fails to sort out US Express again and domestic mail EBIT drops 65% by 2015:** US Express losses unchanged at 2007 level of US$0.9 billion, leading to 7% overall Express margin. Domestic mail profits down 65% by 2015 (9% extra share loss or 12% extra cut in bulk mail prices). Logistics margin at 3.1%. €1.4 billion restructuring costs for Mail.

Bear to Bull: Express and Domestic Mail are still key



Source: FactSet (historical share price data), Morgan Stanley Research estimates

Why Overweight?

- **Unique combination of events for the first time since IPO.** New personnel, combined with a share price close to the 2000 IPO price of €21, have introduced a new urgency among management
- **Express: Structural solution to US is key.** DP is clear that more structural measures are required in the US. All alternatives are on the table and being considered. Partial closure is the most logical outcome, in our view
- **Mail: Competition limited.** The combination of a VAT exemption for DP and a very high industry-wide minimum wage should lead to lower competition than we originally thought
- **Postbank holding reviewed in 2H08.** We see the strategic value of Postbank at €80-90 per share. A sale here could add €1.2-1.8 per share to our base case, or €1.5 in the mid-point of the range.

Key Value Drivers

- **Express margin:** Ex the US, we expect a 10% margin in 2007, or 3% including the US. DP's target is to get to 10-12% medium term. We assume 11% in our base case.
- **Domestic Mail profits:** 50% of group EBIT. More benign regulatory environment to lead to lower losses.

Catalysts

- 4Q results, 6 March: CFO John Allan indicated the group needs to have a structural solution to US losses by then.

The Next Daimler? Fixing US Problem to Remove Shadow from Stock

Our cautious stance during 2H07 was based on:

- Uncertainty over the effect that mail deregulation would have on German mail volumes and prices
- The slow pace of improvement in the US Express business
- Poor financial execution, in particular on the cash generation side of the business.

Our change in rating to Overweight from Equal-weight, and increase in price target to €30 from €24, reflect our view that these concerns have been or will be addressed shortly, in particular based on the following:

1. **The structural measures we expect DP to finally take** to reduce the annual losses of US$900 million at its US Express business. There are substantial one-off costs involved in partially exiting the US. However, we think one-off cash costs of US$1.8 billion, combined with the value of lost earnings in the rest of the Express network, would be nearly all offset by a more rapid and substantial decline in losses versus our previous forecasts.

2. **The combination of the new minimum wage of €9.80 in West Germany and extension of the VAT exemption** should de facto lead to lower competition in the German mail market. As a result, DP's market share should decline to 75% by 2012, rather than 65% on our previous estimates. In addition, we assume that bulk mail prices decline only 12% by 2012 rather than 15% previously. This increases our EBIT forecast by €214 million (13%) to €1.76 million in 2009 and adds €2 per share in fair value (see Exhibit 2).

3. **Review of 50.1% investment in Postbank in 2H08**. Our colleagues in the Morgan Stanley Research banking and financials team estimate the strategic value of Postbank at €80-90 per share, versus the current share price of ~€59 included in our base case sum-of-the-parts. This adds €1.2-1.8 per DP share to our valuation. The mid point of this range (€1.5) is included in our bull case.

4. **A new-found sense of urgency in the board of management,** driven by the appointment of John Allan as CFO and the relatively short remaining contract length for both the CEO and CFO (November 2008).

Exhibit 1

DP has an opportunity to replicate the effect* Daimler and BMW experienced when they removed large loss-making businesses

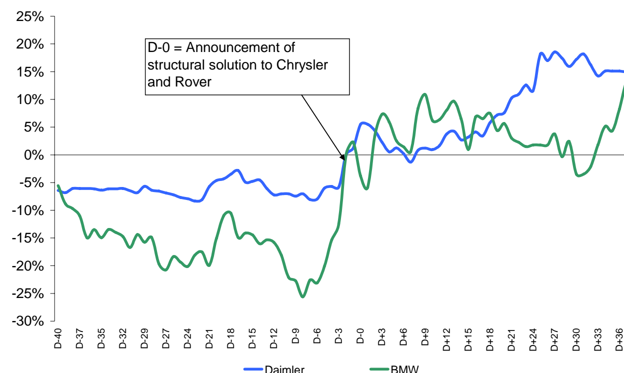
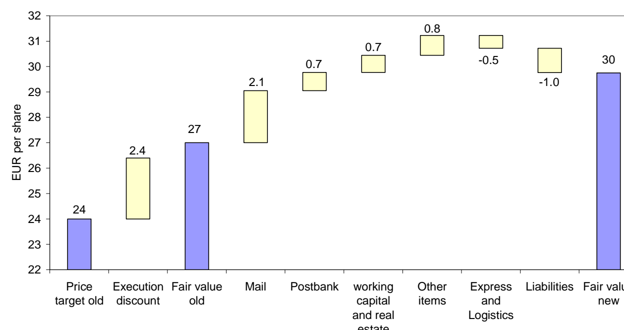


*Chart shows relative share price performance measured relative to the German DAX index
Source: Datastream, Morgan Stanley Research

Exhibit 2

Increase in price target: Execution discount removed given imminent structural solution in US, and less competition leads to higher value in Mail



Source: Morgan Stanley Research estimates

New sense of urgency at DP management

DP believes the stock market undervalues its assets substantially. It has therefore put together a package to unlock that value. The package combines some quick fixes (sale of real estate with €1 billion in book value and a working capital release of €700 million) with some slower burn measures (remuneration based on pre-tax earnings after a notional capital charge of 8.5%). These are in addition to the new earnings targets for both 2008 and 2009. Although we have seen several programmes and attempts by DP to improve its cash flows and earning generation since its IPO in November 2000, we feel this package is different, for three reasons:

a) A new CFO, John Allan, is driving it. Allan has few historical ties with the business (except in Logistics), can take a fresh look at the issues at hand and has a strong reputation for creating shareholder value.

b) CEO Zumwinkel's contract ends in November 2008. Although in theory it could be extended, it would be timely if the share price reflected the strategic value of the assets before his potential retirement.

c) There are no further places to hide. The fragile recovery at DHL Express in the US has stopped abruptly, with losses rising YoY in 3Q07. At the same time, organic growth slowed in Asia Pacific (+9% YtD compared to +14% in 2006), making it harder to finance US$900 million in US operating losses. As a result, DP management said it is now weighing all options for DHL's US Express business.

Our revised EBIT forecasts are closer to DP's new targets
CFO Allan introduced new EBIT targets for 2007-2009. DP lowered its targets in Express (from "at least €1 billion" to "€0.9-1.1 billion") and increased its guidance marginally in Mail (from "€1.6-1.8 billion" to "€1.65-1.85 billion"). The target in Logistics remains largely unchanged.

We have reviewed our estimates too, taking into account:

1. The combined effect of the high minimum wage of €9.8 in Western Germany with continued VAT exemption for DP across all mail products, at least during 2008. This results in lower volume losses and smaller price declines.

2. A base case that foresees partial closure of the US Express operations completed by the end of 2008.

3. Reported results for 2Q and 3Q 2007, in particular the low tax rate and the disappointing cash flow DP delivered in those periods.

4. Our estimates, in particular in Express, already reflected a slower global GDP environment. However, if there were to be a global recession then there is further downside to our estimates, as highlighted in Exhibit 8.

As a result of this review, our EBIT estimates for the Transport business (pre exceptional charges of €2.1 billion for DHL US) increase by 1% (€32 million) and 14% (€509 million) for 2008 and 2009, respectively (see Exhibit 3).

These new estimates place our Mail estimates still only in the middle of DP's target range. Our caution is triggered by the fact that there is no precedent for deregulation. This is the first time that a very profitable incumbent postal company in an attractive market is going through the process of deregulation.

Our Express target (EBIT of €1.262 billion by 2009) now exceeds the company's guidance of €0.9 to €1.1 billion. Our estimate is much closer to DP's old target of at least €1.2 billion and the guidance DHL provided in the December 2006 capital markets presentation. The main difference with our old forecast is the substantial decline in US losses triggered by the partial closing of the operations.

Higher value in Mail, US Express restructuring neutral
The per share changes we incorporate into our SOTP reflect (see also Exhibit 6 for full detail on valuation by division):

a) Changes in Mail operating assumptions highlighted above; €2.1 per share.

b) Marking to market Postbank; €0.7. We use the strategic value of Postbank only in our bull case, which adds €1.5 per share.

c) Higher working capital inflow than we predicted; €0.5

d) Higher real estate disposals; €0.2

e) Changes in operating assumptions for Logistics and the net effect of a partial withdrawal from the US Express business (cash costs offset by a more rapid decline and a lower level of sustainable losses in the US) and Logistics; €0.7

f) One-off costs to partially exit DHL US; -€1.2 (included in Express and Logistics in Exhibit 2).

g) Rolling forward our model including liabilities (-€1.0) and central costs etc; (+€0.8)

This leads to an increase in our fair value from €27 to €30. Furthermore, the new urgency that DP's management is displaying no longer warrants the discount we applied related to execution, in our view. As a result, we remove the 10% discount to our fair value to get to our new price target.

Exhibit 3

DP Group forecasts: Higher earnings for Transport business due to upgrade to Mail and Express divisions

	2008e				2009e			
	Morgan Stanley		DP target		Morgan Stanley		DP target	
	Old	New	Old	New	Old	New	Old	New
Sales	68,280	66,359	n.a.	n.a.	72,133	66,359	n.a.	n.a.
EBITDA	6,243	6,097	n.a.	n.a.	6,649	6,097	n.a.	n.a.
Mail	1,775	1,891	n.a.	around 1,900	1,543	1,756	1,600-1,800	1,650-1,850
Express	638	610	n.a.	around 650	933	1,262	at least 1,000	900-1,100
Logistics	1,124	1,066	n.a.	around 1,005	1,245	1,212	at least 1,200	at least 1,200
Transport EBIT	**3,536**	**3,568**	**n.a.**	**around 3,560**	**3,721**	**4,230**	**at least 3,800-4,000**	**at least 3,800-4,000**
Financial services	1,327	1,177	n.a.	at least 1,150	1,589	1,359	at least 1,000	at least 1,200
Central costs	-550	-540	n.a.	less than -600	-500	-450	-500	-400 to -500
Total group EBIT	**4,313**	**4,205**	**n.a.**	**around 4,200**	**4,809**	**5,139**	**at least 5,200**	**around 4,700**
PBT pre goodwill*	3,472	3,206	n.a.	n.a.	3,992	4,236	n.a.	n.a.
Net income pre goodwill*	2,336	2,240	n.a.	n.a.	2,542	2,811	n.a.	n.a.
Net income reported*	2,246	2,150	n.a.	n.a.	2,452	2,721	n.a.	n.a.
EPS group pre goodwill*	1.94	1.86	n.a.	n.a.	2.11	2.33	n.a.	n.a.
EPS ex Postbank pre gdwl*	1.55	1.51	n.a.	n.a.	1.64	1.93	n.a.	n.a.

*excluding one-off costs of partial exit from the US
Source: Company data, Morgan Stanley Research estimates

Probability of bull case increased…

The probability of our bull case of €34 per share has also increased. DP stated it will review its holding in Postbank in 2H08, making a disposal appear more likely. The strategic take-out value of Postbank amounts to €80-90 per share according to Morgan Stanley Research's banks team, or €1.2-1.8 extra per DP share (see Exhibit 11). In addition to reviewing Postbank, DP has made clear that buybacks and exceptional dividends are now firmly on the agenda.

…key risks remain management inaction or global recession

One of the principal risks that remains is another weak attempt to improve the US Express business via restructuring, although this looks less likely when taking into account management's apparent sense or urgency. Under a scenario of unchanged US Express losses, our fair value would drop by around €4 per share. This is reflected in our bear case of €19.

The main external risk is a synchronised global recession in 2008. In that case, organic growth in the Express business could easily swing from +4% currently to -2%. At 5% margins and a 60:40 fixed variable cost ratio, we calculate this would reduce EBIT by €515 million in 2008. In the last downturn of 2001-2003, the group's average P/E (on actual earnings) was 6.9x based on the lowest share price and 10.3x based on the average share price during these years. On such a scenario the shares could drop to €11-16 on our estimates. However, this is still a low probability event, in our view.

DHL US: Distraction for investors, and sucks up cash

At the launch of the programme, CFO Allan highlighted that his focus is to aggressively address underperforming operations. But there is only one really underperforming business at DP in our view, and that is DHL US. We expect US$900 million losses at the EBIT level for 2007. In many ways, we think DHL US is to DP what Chrysler was to Daimler and Rover was to BMW. It distracts the equity market from the value of the rest of the business and absorbs cash generated by these quality assets. Daimler's share price increased 30% in the two months after it decided to sell Chrysler, and BMW's share price increased 26% in the week after announcing the disposal of its Rover subsidiary (see Exhibit 1).

Three structural solutions possible for US Express

DHL US's operational performance has improved substantially since 2004, but it is still not generating the required revenue growth or financial result. It has become increasingly clear that the issues are structural and related to DHL's lack of scale, in particular in the domestic delivery business (7 to 8% market share versus around 15% in international express).

CFO Allan is convinced a more radical solution is required to deal with these losses. In particular, because DP's new

earnings targets for DHL Express of €0.9-1.1 billion EBIT by 2009 cannot be achieved without a substantial reduction in US losses, on our estimates. It is clear to us that Allan is no longer alone in this conviction, and there is a broader base for more radical intervention in the US.

Among all the options management is discussing, we see three theoretical solutions to the US situation:

1. **Double-up.** Arrange a transaction with FedEx, UPS or the US Postal Service, USPS, for either the whole of DHL Express or just the US business, to get the required market share and scale to reach profitability.
2. **Withdraw physical operations and enter into a contract for delivery of imports into the US.** DHL flies the parcels into the US but signs a long-term contract for delivery of these parcels with FedEx, UPS or USPS. It would attach conditions to this contract in such a way that the contractor would not back sell to DHL customers in the rest of the world. This is the model TNT currently uses in the US.
3. **Reduce size and scope of the controlled network.** There are two basic variations to this solution:
    a. **Withdraw to metropolitan areas and offer both domestic and international services.** Pick up and delivery in the rest of the US would be outsourced to FedEx, UPS, USPS or regional players. The latter group comprises 10 to 15 medium sized companies that still control around 10% of the market in total.
    b. **Withdraw to metropolitan areas and offer international services only.** This would largely replicate the structure of the original DHL business before 2003.

Options one and two are least plausible in our view. We think option one would require too much capital as well as encounter too many regulatory hurdles and remove too much connectivity from the global network.

Option two appears plausible and operationally simple to implement. However, we think there would be too much lost connectivity for the global network and it would reduce too many future strategic options for DP.

Either of the variations of the third solution appears most logical to us: this would preserve some presence to allow incoming parcels to be delivered, keep some future options open and reduce the cost base dramatically. It would replicate the old DHL business, in particular if the group refocused on international services.

Cash cost of partial pull out US$1.8 billion we estimate...
There are three types of cost associated with a partial pull out:

- **Direct cash costs:** pay off employees and buy out leases and longer term maintenance contracts, etc. These costs amount to US$1.6-1.8 billion in a partial exit scenario, on our estimates.
- **Direct non-cash costs:** Possible write downs of goodwill and assets such as the vehicle fleet, etc. Non cash costs amount to US$1.0-1.5 billion on our estimates.
- **Indirect cash costs.** A (partial) withdrawal from the US is likely to have some effect on profits in the rest of the global network due to weaker connectivity. This could amount to US$75 million or 5% of 2008 EBIT in the RoW on our estimates.

Furthermore, the smaller, remaining network in the US is likely to continue to make losses in our view. These sustainable operational losses amount to around US$150 million at EBIT level (achieved in 2009) on our estimates, similar to the losses in 2002 before the acquisition of Airborne.

DHL Express has never reported details of its cost base. Our estimates are based on the cost base of Airborne, ABX, FedEx Ground and FedEx Express. The above highlighted costs for a partial pull back scenario are based on this cost base (see Exhibit 4).

... offset by more rapid and structural decline in losses
Although these exit costs are substantial, we think they would be largely offset by the faster decline in and lower sustainable level of operating losses compared to our previous estimates. We calculate the present value of these benefits (including the negative effect of the lost earnings in the global network) is around US$1.3 billion versus the cash costs of US$1.8 billion (the difference amounts to US$0.41 or €0.30 per share).

This small net negative should be largely offset by the fact that the chances of actually achieving the smaller losses are much higher under this scenario, in our view. A partial closure could also lead to substantial intangible benefits, such as a change in perception and subsequent reduction in risk premium, reflected in a re-valuation of DP's other assets, in our view.

German mail market remains protected

We expect the combination of extensive VAT exemption and a relatively high minimum wage (€9.8 in West Germany and €8.0 in East Germany) will prevent any increase in real competition (due to DP's scale advantages) in Germany, despite the opening up of the whole market from 1 January 2008. The two strongest contenders, TNT and PIN (owned by Axel Springer), have said they are likely to downsize or close their businesses in response. Axel Springer announced in December it classified PIN as discontinued operations and would report a write down of €620 million in 2007. The many small local or regional competitors will struggle too, in our view. Even if the VAT exemption is extended to other mail companies at a later stage, we think there will not be enough around that fulfil the conditions for that exemption (nation-wide delivery coverage etc.). As a result, we have reviewed our estimates for DP's market share and prices of business mail in the next five years as follows:

a. German addressed mail market: still growing at just below 1% per year

b. Domestic market share: 83% by 2009 (was 78%) and 75% by 2012 (was 65%).

c. Prices for bulk letter mail: down 12% by 2012 versus 2007 (was 15%)

d. Prices for bulk direct mail: down 7% by 2012 versus 2007 (was 10%)

e. Prices for single item mail: unchanged, up 0.5% by 2012

f. Cost savings: €870 million 2007-12 (was €1,045 million)

As a result of the removal of competition, DP should be able to reach at least the mid point of its forecast range of €1.65-1.85 billion by 2009, versus our previous estimate of €1.55 billion.

Options for Postbank stake under review

DP stated that in 2H08 it could more intensively consider the options for its 50.1% stake in Postbank. This review will be done with a focus on shareholder value. Morgan Stanley Research's banks and financial services team believes that Postbank carries substantial strategic value as the only pure retail franchise in Germany, with a 10-15% share (depending on the type of product) of the German market. It estimates the strategic value of Postbank at between €80-€90 per share (see Exhibit 11). This would increase the value per Deutsche Post share by €1.2-1.8 compared to the value we currently include in our base case (€59 per Postbank share, which translates into €4 per Deutsche Post share). The three main conditions for the start of this review are, in our opinion: a) completion of union negotiations in Germany, b) some experience of the deregulated market and c) some delivery of synergies from Postbank's acquisition of BHW in 2006.

Short-term management contracts good for shareholders

Exhibit 5 shows the current contract length of the management board. The two most obvious issues are the limited length of the CEO and CFO contracts. The company stated that the future of these two contracts will be decided on in the summer of 2008. The advantage of a relatively short contract is the sense of urgency that it creates. In addition, we think new CFO Allan should not have to tiptoe around difficult issues. For any new CEO or CFO, we think DHL US will always remain the main issue that needs to be resolved.

Exhibit 4

DHL US: Three main cost items under partial exit scenario, cash costs of US$1.8 billion are key

Item	Amount	Comment
Direct cash costs	US$1.6-1.8 billion	Labour (2 year pay back), other fixed costs (1.5 year pay back), market value for ABX aircraft
Direct non cash costs	US$1.3 billion	Write down of goodwill and tangible assets
Indirect cash costs	US$150 million	Sustainable losses at DHL US from 2009 and onwards after partial exit
Indirect cash costs	US$75 million	Lost EBIT in the network in Rest of the World equal to 5% of 2008 EBIT

Source: Morgan Stanley Research

Exhibit 5

DP management: New sense of urgency, key board members have relatively short contracts

Individual	Role	Contract duration	Date
Dr Klaus Zumwinkel	CEO	1 year	November 2008
John Allan	CFO	1 year	December 2008
Dr Frank Appel	Logistics, CEO	5 years	October 2012
John Mullen	Express, CEO	3 years	December 2010
Walter Scheurle	HR	3 years	March 2010

Source: Company data

Valuation: Mail Worth More, Express Sustained

No change in our valuation approach: SOTP
We maintain our cash flow-based sum-of-the-parts approach to derive our fair value. Exhibit 9 shows the main assumptions for each division. The implicit earnings multiples based on our DCF-based fair values are highlighted in Exhibit 10. Comparing near-term implicit multiples with peers is difficult as near-term estimates do not capture the ability to normalise margins in Express and Logistics.

No longer applying execution discount to Fair Value
The change in management and the sense of urgency that appears to have taken hold at DP has increased our confidence. In addition, uncertainty over the process and conditions of mail deregulation has been removed too. This has driven us to remove our previous discount to our fair value in the process of setting a price target.

A global recession would seriously affect earnings
The key risk remains a concerted global recession in 2008, similar to that of 2001 and 2002. Express would be most at risk under that scenario. It could swing sales growth from 4% currently to 0% or even a negative 2%. The cost base is 60% fixed and 40% variable. As a result, under this scenario we think 2008 EBIT would decline by around €515 million and net income by around €420 million (including 19% tax rate) or €0.35 per share, or a 20% downgrade compared to our current group EPS of €1.86 (mainly from Express).

In addition, DP's earnings multiple contracted substantially during the last downturn. DP's P/E multiple declined to 6.9x actual earnings on average in 2001-2003, based on the lowest share price during the year, and 10.3x based on the average share price.

This provides a range of €11-16 per DP share if we apply the historical multiple range to our 2008 recession scenario EPS.

General risks to price target and fair value
The key drivers of both price target and fair value are reflected in our bull and bear case scenarios. These can be summarised as follows:

1. **The sustainable margin in Express:** 11% in base and 12% in bull case, 7% in bear case (basically no change in US losses compared with 2007 level).
2. **Domestic mail earnings:** Down 40% by 2015 compared to 2006 level in base case, down 65% in bear case. This is the equivalent of losing an additional 9% market share (75% market share by 2015 in base case) or 12% extra cut in bulk mail prices.
3. **Logistics margin:** Currently we project a 3.6% sustainable margin pre intangible amortisation but excluding return on pension plan assets up from 2.9% in 2007. This is below DHL's main peer Kuehne & Nagle (4.7% on our 2007 estimates), but above Exel's historical margin of 2.4% (2002-05). Our bear case assumes the synergies from the Exel deal are not delivered and includes a 3.1% sustainable margin only.
4. **Returning cash to shareholders:** If DP is successful in normalising margins, then it could return cash to shareholders. The value from a €5.5 billion buyback forms part of our bull case (€1.1 per share).
5. **Cost cutting:** It is possible that DP will not be able to reduce its cost base via natural attrition in the Mail division. We have included one-off costs equal to 1x the cumulative cost savings by 2015 in our bear case.
6. **New German labour contract in 1H08.** DP's normal labour contract with Verdi ends on 30 April. It needs to renegotiate both this contract and its master agreement from 2003 that stipulated the conditions for headcount reductions. Wage demands could exceed our current estimate of 2.5% per year. Each 1% inflation is equal to €60 million of EBIT or €49 million net income (€0.04 per share).

Exhibit 6

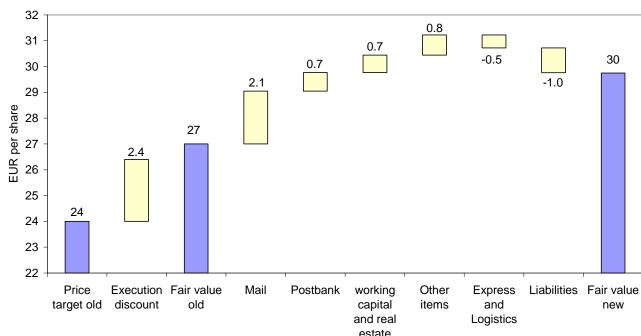
DP valuation: Sum-of-the-parts remains our preferred valuation methodology

	New		Old		
€	Total mn	Per share	Total mn	Tool	Reason for change
Mail	17,309	14	14,847	DCF	Higher EBIT due to lower competition
DHL Express	*13,262*	*11*	*12,078*	*DCF*	*Lower losses in US*
Cost of partial exit US	*-1,500*	*-1*	*n/a*		*Cash costs of exit, see Exhibit 23*
DHL Express total value	11,762	10	12,078		Total value roughly unchanged
DHL Logistics	14,098	12	14,422	DCF	No large changes
Central costs and Capex	-6,287	-5	-6,618	PV*	No large changes
Working capital investment	-488	0	-1,100	PV	DP target: €700 million release by 2009
Value of unused real estate to be sold	1,200	1	1,000	market value	DP target: sell at least €1 billion book value
Tax shield	3,392	3	3,127	PV	Higher profits in mail allow faster utilisation
Cash cost of restructuring	-640	-1	-985	PV	Lower use of normal provisions
Deutsche Post enterprise value	**40,346**	**33**	**36,771**		
add					
Postbank equity value	4,932	4	4,052	share price €59	
Associates and financial assets	915	1	852	2008e	Acquisitions, Polar-Air for example
deduct					
Net debt	3,503	3	2,917	2007e	Weaker cash generation
Lease obligations (DP)	1,887	2	1,887	2007e	No change
Unfunded pension obligations	3,929	3	3,636	2008e	Smaller cash contribution in 2007
Minorities	1,127	1	825	2008e	Acquisitions: Astar for example
DPWN equity value	**35,748**	**30**	**32,411**		
# shares	1,206		1,202		

*PV = present value
Source: Morgan Stanley Research estimates

Exhibit 7

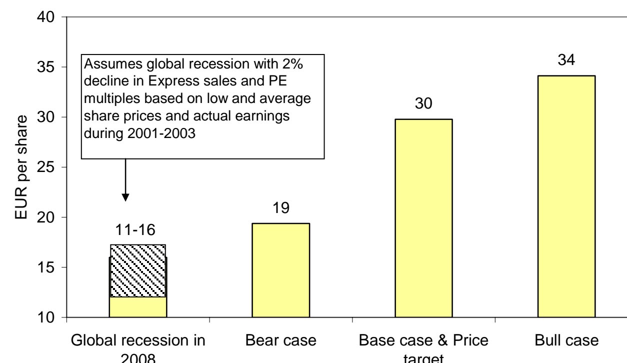
Key drivers of price target change: Removal of execution discount and higher earnings in Mail



Source: Morgan Stanley Research estimates

Exhibit 8

DP valuation range: A global recession would affect Express and lead to downside below our bear case



Source: Morgan Stanley Research estimate

Exhibit 9

Main assumptions behind cash flow valuation for sum-of-the-parts valuation in Exhibit 6

	Mail	Express	Logistics
Cost of capital (%)	6.9	8.8	7.9
Sales growth CAGR			
2007-2011 (%)	0.8	-1.4	3.4
2011-2015 (%)	2.6	7.7	6.2
Average EBIT margin			
2007-2011 (%)	11.2	7.0	4.1
2011-2015 (%)	9.9	10.2	4.3
Average capex to depreciation			
2007-2011	1.02	1.22	1.01
2011-2015	1.03	1.08	1.04
Perpetuity			
Growth (%)	0.0	3.0	3.0
After tax return on capital (%)	15.0	15.0	15.0

Source: Morgan Stanley Research estimates

Exhibit 10

Implicit earnings multiples by division based on enterprise values from Exhibit 6

	Letter Mail		Express		Logistics*	
	2008e	2009e	2008e	2009e	2008e	2009e
After allocation of working capital and central costs**						
EV/EBITDA	6.6	7.0	10.2	6.4	9.4	8.3
EV/EBITA	8.1	8.7	18.2	8.8	13.4	11.5
EV/NOPAT	12.0	12.9	27.0	13.0	21.5	18.3
Pre allocation of working capital and central costs						
EV/EBITDA	7.5	7.9	12.3	7.6	11.4	10.1
EV/EBITA	9.2	9.9	21.8	10.6	16.3	14.0
EV/NOPAT	13.6	14.6	32.3	15.6	19.7	17.3

*Excluding return on pension assets, amortization of ITFA from acquisitions and integration costs, **allocation based on the # of employees
Source: Morgan Stanley Research estimates

Exhibit 11

Postbank: Strategic value scenarios based on IRR and cost synergy targets

	IRR required in %				Implied P/BV				Implied ROE (incl synergies)
Cost Synergies Target (%)	7	8	9	10	7	8	9	10	
15	106.7	92.1	80.7	71.6	2.92	2.56	2.27	2.04	16%
10	99.0	85.5	74.9	66.5	2.71	2.37	2.11	1.90	15%
5	91.4	78.9	69.2	61.4	2.49	2.18	1.94	1.75	14%

Source: Morgan Stanley Research estimates

Company Description

Deutsche Post is a freight transport business with a 50.1% stake in Postbank, Germany's largest retail bank. It operates services across all transport modes, delivery times and weight & size categories. Profitability in the Express division is very poor because the group makes over US$900 million losses in its US operations. The management team is undertaking a review of this business after failing to turn it around in the last four years. The group will also review its strategic stake in Postbank in 2H08.

Surface Transportation/Germany

Industry View: In-Line

The Transport sector comprises a mix of both cyclical and defensive stocks and is therefore expected to trade in-line with the market as a whole.

GICS Sector: Industrials

Strategists' Recommended Weight: 9.2%
MSCI Europe Weight: 10.3%

DHL US: Partial Exit NPV Neutral Despite US$3.1 billion Total Cost

Substantial one-off cost but largely neutral to valuation
A return to the original DHL business focused on import and export services (plus the DHL@home product), combined with a much smaller fully controlled physical presence in the metropolitan areas on the ground remains the most realistic solution to reducing US losses, in our view.

The ***cash costs*** of this scenario amount to US$1.6-1.8 billion on our forecasts. It would lead to an immediate reduction in US losses to a sustainable level of US$150 million from 2009 onwards (compared to US$250 million of losses by 2015 on our previous estimates). Unfortunately it would also lead to a US$75 million decline in operating profit in the Rest of the World (around 5% of 2008 EBIT in that region) due to more limited connectivity.

The one-off cash costs (US$1.8 billion) slightly exceed the present value of the net effect of the faster and steeper reduction in US operating losses and the lower profitability in the Rest of the World plus (US$1.3 billion). However, this effect is small (€0.3 per share). And, it is offset by the fact that the probability of reaching these losses has increased substantially compared to the status quo. The latter was underlined in 3Q07 when operating losses in the US started to increase again YoY after three quarters of slow improvement.

DHL in 2002: US$1 billion sales, US$0.1 billion of losses
Until 2002, DHL operated in the US with its subsidiary DHL US Ground co. It operated an import and export service with little to no involvement in domestic shipments. It reported revenues of US$1.03 billion (€1.1 billion) and a loss at net income level of US$ 32 million or €31 million (at the level of the financial entity). The business handled 30 million shipments annually according to DP in the acquisition presentation for Airborne in March 2003. On our estimates the underlying operating losses (i.e. excluding one-offs or gains on disposal) at EBIT level were between US$100–200 million. DHL US employed 10,500 people in 2002.

Exhibit 12
Original DHL US Ground business in 2002

€ million*	2002
Sales	1,104
EBIT	-100 to -200
Net income	-34
# employees	10,500
# shipments per day	0.12
Total shipments	30
# depots	286
# hubs	7

*1 EUR = US$0.94 in 2002
Source: Company data, Morgan Stanley Research

Exhibit 13
Original Airborne business in 2002

US$ million	2002
Sales	3,344
Operating costs	3,095
EBITDA	249
D&A	191
EBIT	58
Total # employees*	22,500
Full time	15,200
Part time	7,300
Total # subcontractors	9,400
Total domestic shipments	350
International shipments	6
Total shipments	356

* Unionised = 10,200
Source: Airborne

DHL in 2003-2005: failed integration and rising losses
DHL acquired Airborne in 2003 with consolidation per 15 August. Airborne operated primarily in the domestic express business. It reported sales of US$3.3 billion and a slightly above break-even results at EBIT level of US$58 million in 2002. It employed 22,500 employees of which 15,200 full time and 7,300 part-time. Around 10,200 of these employees were unionised (7,400 full time and 2,800 part-time). Immediately before the acquisition DHL split Airborne in two: Airborne and ABX.

ABX's revenues were nearly all with Airborne. On a pro-forma basis ABX's revenues amounted to US$1.2 billion with EBIT of US$49 million in 2002. At the end of 2003 ABX employed 7,000 employees of which 4,000 full time and 3,000 part-time. These were included in the 22,500 employees that Airborne originally employed in 2002.

In 2003, DP also started to report revenue at DHL Express by region. Revenues at DHL Americas amounted to US$3,217

million (€2,844 million). This region incorporates the US, South America and Canada.

In 2004, DP reported for the first and last time full-year operating losses of DHL Americas at US$615 million, or €495 million. These losses included a gain on disposal of €50 million. Underlying losses amounted to US$677 million or €545 million. DP stopped reporting these losses after 3Q 2005. It has never provided a profit figure for DHL in South America and Canada. Although data from the 2006 DHL Express investor day suggest the combined margin in these regions is at double-digit levels.

DP reorganised its legal entities in the US, re-naming its two US subsidiaries: DHL Worldwide Express US and Airborne.

DHL US in 2006 and 2007: US$900 million cash losses
The South American and Canadian businesses continued to grow after 2003 but the US has remained under pressure. Exhibits 14 and 15 show our current estimates for revenues by product and total operating losses. Our estimate for 2007 has changed and is now at a similar level to 2006. This takes into account the fact that the improvement in operating losses experienced in 1H07 stopped in 3Q07.

Exhibit 14

DP only reports sales of DHL Americas but subsidiary accounts provide a reasonable guideline to revenues in US only

	Reported by DP	Subsidiary accounts*	Implicit revenues
€million*	DHL Americas	DHL US	Latin America + Canada
2002	1,689	1,104	585
2003	2,844	2,033	811
2004	4,326	3,547	779
2005	4,578	3,561	1,017
2006	4,379	3,359	1,020

*Average US$/EUR: 2002: 0.94, 2003: 1.131, 2004: 1.243, 2005: 1.244, 2006: 1.256
Source: Company data

Exhibit 15

DHL US: Around US$900 million losses on US$4.5 billion of sales on our estimates

	2006	2007e
Domestic air	2,500	2,400
International	1,051	1,093
Ground + DHL@home	935	1,020
Total sales	**4,486**	**4,513**
Operating costs	5,393	5,420
EBIT	**-907**	**-907**

Source: Company data, Morgan Stanley Research, e = Morgan Stanley Research estimates

The business operates with a single network where pick-up-and-delivery of air and ground products is performed by the same assets.

Three main options: partial withdrawal most logical
It is clear to us that after four years, simple operational improvements and a better sales focus are not enough to reduce the US losses. More radical options are currently being considered by DP to deal with these structural losses. There are three theoretical solutions, in our view:

1. **Double-up.** Construct a tie-up with FedEx, UPS or the USPS for either the whole of DHL Express or the US business only, to get the required market share (density) and profitability.

2. **Withdraw totally.** Close the business. DHL flies the parcels into the US but enters into a long-term contract with FedEx, UPS or USPS for delivery of these parcels. This has to be constructed in such a way that these delivery agents will not back sell their own service to DHL customers. This is similar to the model that TNT uses.

3. **Reduce size and scope of the controlled network.** There are two basic variations to this solution:

    a. **Withdraw to metropolitan areas and continue to offer both domestic & international services.** Pick up and delivery in the rest of the US would be outsourced to FedEx, UPS, USPS or regional players. The latter comprise a group of 10 to 15 medium sized companies that still control around 10% of the market in total. We think outsourcing the delivery to a single entity would make more sense than several regional operators, because it limits complexity (organisational and IT).

    b. **Withdraw to metropolitan areas and offer only international services.** This would largely replicate the structure of the original DHL business before 2003.

Doubling up is the least plausible option in our view, as this would likely require too much capital and encounter too many regulatory hurdles.

Option two appears plausible and operationally simple to implement, as it would remove all physical presence and allow DHL to choose a single agent to deliver its import shipments (around 14 million per year across the US). However, this

would be a far-reaching move and could cut off any future strategic options.

The third scenario appears most realistic to us: it would preserve some presence to allow incoming parcels to be delivered, keep some future options open and reduce the cost base dramatically. It would replicate the old DHL business, in particular if the group refocuses on international services.

Focus on DHL's cost base: similar to FedEx Ground
DHL Express has never reported the composition of either its total or US cost base. Total US operating costs including depreciation amounted to US$5.4 billion in 2006 and 2007 on our estimates. To segment this cost base we look at historical data from Airborne, ABX, FedEx Express, FedEx Ground and UPS.

DHL's US business model is a mix between FedEx Express (primarily air express services) and FedEx Ground that primarily works with subcontractors (owner operators) for pick-up and delivery. DHL's cost base is closer to the latter because it uses subcontractors for more than 80% of its pick-up and-delivery, according to Deutsche Post.

Special element to operating costs: ABX and Astar
DHL's cost base has a special element to it. It has outsourced around 25% of its cost base to ABX and Astar, its two aircraft operators.

ABX operates under a "seven + three" years Aircraft, Crew, Maintenance & Insurance contract. The ACMI contract started on 16 Aug 2003 with an automatic three-year extension in 2010 unless one year's notice has been given. ABX also operates 17 hubs (including Wilmington) under an annual Hub Management Contract. The hub contract was for four years starting 16 August 2003 with automatic annual extensions unless a 90 day notice period is given. Under the ACMI contract DHL can withdraw aircraft at will, and under the hub contract, DHL can withdraw services with a 60 day notice period. The assets in the hub contract are owned by DHL. The aircraft are owned by ABX and have an average age of around 32 years. The book value of the aircraft is around US$460 million and we estimate the market value at US$390 million based on Air-Claims data.

Exhibit 16
ABX: DHL's main subcontractor accounts for 25% of US operating costs at DHL

US$ million	2002	2006
Sales^	1,174	1,260
Operating costs	977	1,172
EBITDA	197	88
D&A	148	46
EBIT	49	43
Total # employees*	7,000	9,700
Full time	4,000	6,100
Part time	3,000	3,600
Hubs under management	n/a	18
# aircraft	n/a	99

^ 100% in 2002 and 93% in 2006 with DHL US; *650 employees are unionised
Source: Company data, Morgan Stanley Research

Exhibit 17
ABX 2006 cost base dominated by labour costs, DHL has limited liability for these costs

2006	US$ million	%
Salaries, wages and benefits*	635	52%
Purchased line haul and yard management	149	12%
Rentals and landing fees	31	3%
Depreciation	46	4%
Fuel	222	18%
Maintenance, materials and repairs	77	6%
Other operating expenses	58	5%
Total operating costs	**1,217**	**100%**

*Cost per employee US$65,465
Source: Company data, Morgan Stanley Research

Limited liability to sub contractor ABX
DHL's liability to ABX cost base or employees is limited (source: Airborne proxy statement, 11/07/03):

Hub agreement: *"In the event of such partial termination of services, Airborne will,* ***at its option****, (1) offer employment to affected staff and pay the costs of transferring such staff or termination costs for staff who do not accept such offers, or (2) pay severance or other costs for terminated staff."*

ACMI contract: *"If Airborne terminates early with respect to an ACMI Aircraft and such termination results in ABX Air having more aircraft than is needed to perform the ACMI services under the ACMI agreement, Airborne will reimburse ABX Air for any direct costs resulting from the termination (other than depreciation and employee termination costs)."*

For any aircraft removed from service during the term of the ACMI agreement, the agreement allows ABX to put the aircraft to DHL, requiring DHL to buy such aircraft at the lesser of book value or fair market value.

Exhibit 18

Cost base of Express peers as the basis for estimate of DHL US cost base

FedEx Express*	US$ million	%	FedEx Ground*	US$ million	%	UPS	US$ million	%
Salaries and employee benefits	9,308	45%	Salaries and employee benefits	1,200	26%	Salaries and employee benefits	24,421	60%
Purchased transportation	812	4%	Purchased transportation	1,947	42%	Purchased transportation	5,496	13%
Rentals and landing fees	1,841	9%	Rentals and landing fees	191	4%	Rentals and landing fees^	938	2%
Depreciation and amortization	1,117	5%	Depreciation and amortization	290	6%	Depreciation and amortization	1,748	4%
Fuel	2,906	14%	Fuel	83	2%	Fuel	2,655	6%
Maintenance and repairs	1,597	8%	Maintenance and repairs	157	3%	Maintenance and repairs	1,155	3%
Other	3,145	15%	Other	733	16%	Other	4,499	11%
Total operating costs	**20,726**	**100%**	**Total operating costs**	**4,601**	**100%**	**Total operating costs**	**40,912**	**100%**

* May 2007 adjusted for internal cost which we distribute over the different cost items; ^ also includes other occupancy costs
Source: FedEx, UPS, Morgan Stanley Research

Exhibit 19

DHL US total cost estimate based on 25% FedEx Express and 75% FedEx Ground

Sales	4,513	
Operating costs	5,420	
EBIT	-907	
Cost base based on 25% FedEx Express 75% FedEx ground		
Salaries and employee benefits*	1,669	31%
Purchased transportation	1,773	33%
Rentals and landing fees	289	5%
Depreciation and amortization	329	6%
Fuel	263	5%
Maintenance and repairs	243	4%
Other	853	16%
Total operating costs	**5,420**	**100%**

Source: Morgan Stanley Research estimates

Exhibit 20

DHL US total cost base split between ABX and the "fully controlled" cost base

	Total estimated cost base	ABX^	Controlled cost base	Type
Salaries and employee benefits*	1,669	635	1,034	Fixed
Purchased transportation	1,773	149	1,624	Variable
Rentals and landing fees	289	31	259	Mixed
Depreciation and amortization	329	46	284	Non cash
Fuel	263	222	41	Variable
Maintenance and repairs	243	77	165	Variable
Other	853	58	796	Mixed
Total operating costs	**5,420**	**1,217**	**4,202**	

*17,500 FTE employed directly by DHL US according to DP which leads to US$60,000 cost per head, ^actual costs as reported by ABX see Exhibit 17
Source: Morgan Stanley Research estimates

Exhibit 21

Wage cost per FTE in Express industry

Company	Year	US$ per year
ABX	2006	65,465
DHL US (e)	2006	60,000
FedEx Express	May 2007	65,329
FedEX Group	May 2007	57,243
UPS	2006	58,694

e = Morgan Stanley Research estimates based on data in Exhibit 18
Source: Company data, Morgan Stanley Research

Astar shares acquired for around €50 million

DHL acquired 49% of the shares and 24.9% of the voting rights in Astar in June 2007 for around €50 million. Astar operates 44 aircraft partly on behalf of DHL. DHL fully consolidates Astar which led to €10 million higher EBIT in 3Q07. We have no details on the ACMI contract between DHL and Astar.

Cost base dominated by PuD and labour

Exhibits 19 and 20 show our segmentation of DHL's cost base. The basis for this analysis is a generic cost base that consists of 25% of FedEx Express and 75% of FedEx ground.

The largest single cost element is purchased transport, even after excluding ABX. This comprises Astar operating costs and the cost for sub contracted Pick up and Delivery. There is no direct liability for these cost lines in the case of a physical pull back by DHL. It can cancel contracts with a limited notice period of 60 to 90 days according to DP.

The second biggest single cost is labour at around US$1.0 billion on our estimates. DHL US directly employs around 20,000 people or 17,000 FTEs. This is considerably less than the 26,000 it employed in 2003 when DHL acquired Airborne (see Exhibit 13). This relates to the subcontractor model that DHL adopted after 2003 for pick-up-and-delivery services compared to the fully owned network DHL had employed prior to the acquisition of Airborne. The average cost per head

amounts to around US$60,000 on our estimates. This is on par with its peers (see Exhibit 21).

Headcount is the largest cash costs

Headcount is the main cost that DHL will encounter if it decides to cut the size of its network. Unionised labour accounts for around half of DHL's workforce of 17,000 FTEs. DHL's contract with Teamsters is up for renewal in 1H08. Clearly, contract renewal could be an opportune time to deal with the effects of the restructuring.

In the last reported restructuring programme of an express business, FedEx Express paid around US$120,000 per FTE to reduce the headcount or around twice the average annual cost per FTE.

Around half of "other costs" and lease rentals are fixed

The other two (cash) cost lines that have a fixed cost nature are "other expenses" and "lease rentals". On our estimates around half of these or US$500 million per year are fixed with the other half of a short term nature and variable. In a pull back DHL would have to buy out these contracts.

Estimated cash cost of a pull-back: US$1.6-1.8 billion

There are three types of costs associated with a partial or full withdrawal:

a. **Direct cash costs:** pay off employees, buy out leases on depots and remunerate some of sub contractors under existing contractual agreements (especially the ACMI agreement with ABX).

b. **Direct non-cash costs:** DP still has around €0.5 billion of goodwill on its balance sheet originally related to DHL US. This has now been absorbed by the larger cash generating unit Express. Therefore DP might not be forced to take a write down if it (partially) closed the US. DHL also has a loan outstanding to ABX of US$92 million, which we would expect it to write down to zero too. Finally it has assets in the US some of which it recently invested in (vehicle fleet etc). These would have to be written down if it were to pull out totally, and partially if it maintains some presence.

c. **Indirect cash costs.** A (partial) withdrawal from the US would be likely to have some effect on profits in the rest of the global network. Although this argument should not be overstated, in our view. We assume DHL will maintain a delivery capability across the US either under partial control (in particular in the Metropolitan areas) or via an agent (USPS, FedEx or UPS). DHL also has much better market positions in the Rest of the World than its peers. We estimate this effect at around US$75 million per year or 5% of the profits outside the US in 2008.

   Finally, DHL US is unlikely to be profitable even if it were to withdraw to the Metropolitan areas and only focus on the international shipments, in our view. The losses would likely be similar to those experienced in 2002 at around US$150 million. These losses are likely to be achieved in the first year after restructuring.

Our analysis assumes the following:

1. Reductions in labour costs have a two-year payback.

2. "Other fixed costs" amount to around 50% of "rental and other operating costs".

3. Reductions of "other fixed costs" have a one and a half year payback.

4. Non-cash costs include write downs of tangible fixed assets and goodwill.

Exhibit 22 demonstrates the cost base DHL would have to remove under a partial withdrawal scenario.

Potential value in property and tax assets

DHL owns the land and property in several of its regional hubs and the main airport in Wilmington. Clearly, the sorting facilities have limited value outside parcel services and most of the freight handled in Wilmington is related to DHL.

DP also had around €10.3 billion of deferred losses with an unlimited life (not included on its balance sheet) in 2006. DHL US accounts for around €2.5 billion of these losses on our estimates. These could potentially be worth something to a buyer of some of the assets. However, it is difficult to quantify this given the reliance on the legal structures. DHL has also never disclosed the book value of its US-based tangible assets in Express.

We assume DHL cannot generate any cash or value from sale of assets.

Net effect of withdrawal: a wash out

We calculate the value of the cash costs of withdrawal, combined with lost earnings in the rest of network, is largely compensated by faster progress towards the sustainable losses and a lower level of losses in future compared to our original forecasts. As a result, our fair value for DHL Express is more or less unaffected.

In addition to the cash costs, we estimate DP could take around US$1.3 billion non-cash write-downs under a partial closure scenario. This would affect DP's equity. However, a possible sale of its 50.1% stake in Postbank would more than compensate for this. After tax gain on sale could amount €3.7-4.5 billion (5% tax rate) if it takes place at Postbank's strategic value of €80-90 per share (based on estimates from Morgan Stanley Research's financials team.

Exhibit 22

Estimate of US cost base that needs to be removed under partial withdrawal scenario…

	DHL now	DHL new^	Total costs to remove	ABX Air costs	Remaining costs to remove
Total sales	**4,513**	**1,693**			
Domestic air	2,400	N/a			
International	1,093	1,243			
Ground and DHL@home	1,020	450			
Operating costs	5,420	1,875			
EBIT	-907	-182			
Operating costs					
Salaries and employee benefits	1,669	577	1,092	635	457
Purchased transportation	1,773	613	1,160	149	1,011
Rentals and landing fees	289	100	189	31	158
Depreciation and amortization	329	114	215	46	170
Fuel	263	91	172	222	n/a
Maintenance and repairs	243	84	159	77	81
Other	853	295	558	58	501
Total operating costs	**5,420**	**1,875**	**3,545**	**1,217**	**2,377**

^ Based on international and DHL @home services only
Source: Morgan Stanley Research estimates

Exhibit 23

. . .Estimate of one-off cash cost that DHL has to make to remove these operating costs

	Costs to be removed	Type of costs	Comment	Cost of cost reduction
Salaries and employee benefits	457	Fixed	Reduction has 2 year payback	913
Purchased transportation	1,011	Variable	No cost of removing	0
Rentals and landing fees	158	Partly fixed	Assume 50% fixed with 1.5 year payback	119
Depreciation and amortization	170	Variable	No cost of removing	0
Fuel	n/a	Variable	No cost of removing	0
Maintenance and repairs	81	Variable	No cost of removing	0
Other	501	Partly fixed	Assume 50% fixed with 1.5 year payback	375
Total operating costs	**2,377**			**1,407**

Source: Morgan Stanley Research estimates

Exhibit 24

DHL US: Total cost of restructuring

	US$million
Direct cash costs (see Exhibit 23)	1,407
Payment to ABX for aircraft	389
Total cash costs	**1,796**
Non cash costs	1,332
Total costs	**3,128**

Source: estimates Morgan Stanley Research estimates

Exhibit 25

DHL US: Small impact of partial pull back

	€million	US$ million
Improvement in US losses^	1,565	2,316
Reduction in Rest of World profits	-713	-1,055
Present value cash costs	-1,214	-1,796
Net effect (total)	**-362**	**-535**
Net effect (€ per Deutsche Post share)	**-0.30**	**-0.44**

^compared to our previous forecasts
Source: Company data, Morgan Stanley Research

New Targets versus Morgan Stanley Estimates

Exhibits 26 and 27 compare DP's old and new targets with our estimates. The following points stand out:

1. **We have lifted our estimates in both Mail and Express.** In Mail due to the smaller impact from deregulation. In Express due to the structural measures we expect DP to take. We reduced our estimates for Financial Services.

2. **Our estimates now exceed DP's 2009 targets for Express and Financial Services**. The latter does not affect our valuation since we use the current market cap of DP's stake in Postbank in our SOTP. Our Mail projections are now in the middle of DP's guidance range of €1.65-1.85 billion.

3. **Our working capital assumptions have changed as well**, on the back of the introduction of DP's new targets. We assume DP will use part of the €700 million working capital release it is targeting to finance organic growth.

4. **We also increased the inflow from asset disposals**. The combined inflow amounts to €1.25 billion and exceeds the book value of €1.0 billion that DP expects to dispose of. Exhibit 28 shows that DP has always made substantial gains on its assets disposals since 2000.

Exhibit 26

Deutsche Post targets versus Morgan Stanley earnings estimates: Ahead in Express and Financial Services

	2007e		2008e		2009e	
	Guidance	Morgan Stanley	Guidance	Morgan Stanley	Guidance	Morgan Stanley
New						
Group EBIT	**Around 3,700**	**3,895**	**Around 4,200**	**4,205**	**Around 4,700**	**5,139**
Mail	around 2,000	2,021	around 1,900	1,891	1,650-1,850	1,756
Express	min 400	437	around 650	610	900-1,100	1,262
Logistics	min 900	934	around 1,005	1,066	> 1,200	1,212
Financial Services	min 1,054	1,127	>1,150	1,177	>1,200	1,359
Central Services	around -700	-625	< -600	-540	-400 to -500	-450
Old						
Group EBIT	**around 3,700**	**3,827**	**na**	**4,313**	**>5,200**	**4,809**
Mail	2,000	2,029	na	1,775	1,600-1,800	1,543
Express	>400	448	na	638	>1,000	933
Logistics	876	937	na	1,124	>1,200	1,245
Financial Services	>1,054	1,081	na	1,327	>1,000	1,589
Central Services	-700	-668	na	-550	-500	-500

Note: ^Postbank at equity
Source: Company data, Morgan Stanley Research estimates

Exhibit 27

DP targets and Morgan Stanley estimates: Higher inflow from working capital and disposals^

€million	2008e	2009e	Total	DP target by 2009
New				
Working capital inflow	281	234	515	700
Disposal of tangible fixed assets	625	625	1,250	About €1billion of book value*
Old				
Working capital inflow	13	173	186	
Disposal of tangible fixed assets	450	225	675	

^ Postbank at equity; * We estimate the company has made an average gain on book value of 50% since 2000 on asset disposals
Source: Company data, Morgan Stanley Research

Exhibit 28

DP has booked substantial gains on fixed asset disposals Since 2000

€million	2000	2001	2002	2003	2004	2005	2006	average
Book value of divested tangible assets	583	627	423	281	367	164	422	410
Land & Buildings	*282*	*165*	*304*	*161*	*251*	*118*	*324*	*229*
Technical Equipment & machinery	*97*	*46*	*20*	*24*	*11*	*0*	*8*	*29*
Other equipment + office equipment	*204*	*416*	*99*	*45*	*24*	*13*	*34*	*119*
Aircraft	*na*	*na*	*125*	*13*	*52*	*0*	*2*	*38*
Vehicle fleet	*na*	*na*	*na*	*38*	*29*	*33*	*54*	*39*
Book value of divested intangible assets	26	69	145	87	26	56	324	105
Total book value	**609**	**696**	**568**	**368**	**393**	**220**	**746**	**514**
Gain on sales of non current assets	248	228	402	177	171	247	274	250
as % of book value	41	33	71	48	44	112	37	49

Source: Company data, Morgan Stanley Research

New Reporting Structure Reveals Large Opportunity

DP is pushing through one further change in reporting structures. It is re-allocating the cost of central (global) services to the divisions, removing the charge for real corporate overhead from the divisions and moving the fleet management business and the losses from the post office branches from the centre to the Mail division. This will lead to the following changes according to Deutsche Post:

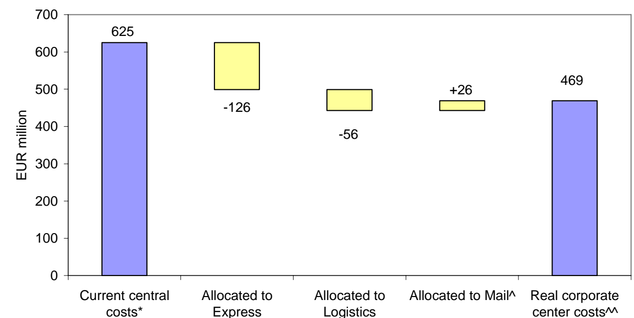
- From central costs to Express: -€126 million in 2007
  - This reflects the allocation of the full costs of the global services used by the Express division partly offset by reduction of the internal charge for real corporate costs. Global services used to be allocated internally based on market prices rather than total costs. DP's total costs to produce these services still exceed market prices. As a result allocating the full costs reduces Express profits and the centrally losses.
- From central costs to Logistics: -€56 million in 2007
  - This effect is due to the same drivers as in Express.
- From central costs to Mail: +€26 million in 2007
  - This is the combined effect of moving the fleet management business and excess losses (over and above the allowance by the regulator which is already included in the Mail division) from the post offices.
  - The fleet management business is profitable and its profits exceed the operating losses from the post offices.
- From the divisions to central services: not separately disclosed.
  - DP will no longer allocate charges for the corporate centre to the divisions. This raises the losses in the centres and leads to higher profits in the divisions. The numbers highlighted above already include this effect.

Under this new structure all global services (GBS) remain centrally organised and managed. GBS comprises real estate, IT, procurement, insurance and the finance operations. However, it has a zero result because all associated costs are allocated to the divisions.

Real corporate centre expenses continue to be reported centrally. These costs amount to around €0.5 billion based on DP's estimates. This is a very large number in our view. It is difficult to benchmark central cost with other companies given the differences in reporting structures. Nevertheless, corporate centre expenses amount to more that €1,000 per head based on 435,000 employees (excluding Postbank). This suggests to us that substantial savings could be made by more efficient use of resources.

Exhibit 29

Real corporate costs amount to €0.5 billion or €1,000 per employee, this appears significant



Note: * Around 700 according to Deutsche Post; ^ Mail actually receives a profit allocation from the centre. This is the net result of losses from the post office offset by profit from the fleet management business; ^^ Based on DP's guidance for 2007 this figure would amount to around €540 million
Source: Company data, Morgan Stanley Research

Appendix: Financial Statements

Exhibit 30

DPWN: Summary information, 2006-09e

Year End Dec 31 (€million)	2006	2007e	2008e	2009e
DP Group^: Income Statement				
Total Sales	63,366	65,004	66,359	68,117
EBITDA	5,643	5,755	6,097	7,041
Depreciation and amortisation	1,682	1,770	1,802	1,812
EBITA	3,961	3,985	4,295	5,229
Goodwill and ITFA amortisation	0	0	0	0
EBIT	3,872	3,895	4,205	5,139
Pretax Profit*	2,931	2,934	3,296	4,236
Tax rate (%)	19.7	13.5	18.5	21.5
Net Profit*	2,005	2,008	2,240	2,811
Net Profit Reported	1,916	1,918	2,150	2,721
EPS (Adjusted for Consensus)*	1.68	1.67	1.86	2.33
EPS (Reported)	1.60	1.59	0.04	2.26
# shares	1,196	1,204	1,206	1,206
DP Group: Balance Sheet				
Tangible Fixed Assets	9,388	9,197	8,417	7,930
Intangible Fixed Assets	14,652	14,744	14,095	13,953
Total Assets	217,698	229,681	237,045	246,507
Equity (ex minorities)	11,220	12,054	10,838	12,233
Net debt (cash)	3,007	491	625	-1,249
DP Group: Cash Flow Statement				
Cash from operations	3,524	5,361	2,495	4,474
Net capex	(1,029)	(1,511)	(1,363)	(1,273)
Free cash flow	2,495	3,850	1,132	3,201
DP Group: Valuation				
DP Group market cap	27,461	27,579	27,579	27,579
Net debt (cash)	2,450	-44	90	-1,784
Pension provisions	4,557	4,458	5,398	5,191
Restructuring provisions	2,191	2,116	2,016	1,916
Market value Postbank minorities	5,313	5,112	5,112	5,112
Market value of other minorities	1,127	1,127	1,127	1,127
PV tax shield	(4,555)	(4,062)	(3,407)	(2,760)
Market value associates	(915)	(915)	(915)	(915)
DP Group Enterprise Value	**37,629**	**35,372**	**37,001**	**35,467**
PE pre goodwill	13.7	13.7	12.3	9.8
P / FCF	11.0	7.2	24.4	8.6
EV / EBITDA	6.7	6.1	6.1	5.0
EV / EBITA	9.5	8.9	8.6	6.8
EV / CE	1.2	1.1	1.1	1.0

Year End Dec 31	2006	2007e	2008e	2009e
DP Transport^^: Income Statement				
Total Sales	54,234	55,280	56,134	56,895
EBITDA	4,200	4,390	4,679	5,438
Depreciation and amortisation	1,527	1,541	1,570	1,577
EBITA	2,673	2,849	3,109	3,861
Goodwill and ITFA amortisation	0	0	0	0
EBIT	2,599	2,775	3,035	3,787
Pre tax*	1,707	1,868	2,180	2,938
tax rate (%)	19.3	16.7	12.8	17.9
Net income*	1,313	1,496	1,826	2,329
Net income reported	1,253	1,434	1,761	2,268
EPS (Adjusted for Consensus)*	1.10	1.24	1.51	1.93
EPS reported	1.05	1.19	1.46	1.88
# shares	1,196	1,204	1,206	1,206
DP Transport: Balance Sheet				
Tangible Fixed Assets	8,446	8,353	7,580	7,107
Intangible Fixed Assets	13,138	13,214	12,640	12,566
Total Assets	35,941	36,504	35,688	37,283
Equity (ex minorities)	9,609	10,062	8,580	9,666
Net debt (cash)	3,083	3,503	3,457	1,606
DP Transport: Cash Flow Statement				
Cash from operations	2,002	2,284	2,510	4,281
Net capex	(888)	(1,348)	(1,197)	(1,104)
Free cash flow	1,114	936	1,313	3,177
DP Transport: Valuation				
DP Group market cap	27,461	27,579	27,579	27,579
Value of 50 stake in PB	5,339	5,137	5,137	5,137
DP Transport market cap	22,122	22,442	22,442	22,442
Net debt (cash)***	3,083	3,606	3,683	1,976
Pensions and other provisions	6,748	6,574	7,414	7,107
Market value other minorities	1,127	1,127	1,127	1,127
PV tax shield	(4,555)	(4,062)	(3,407)	(2,760)
Market value associates	(915)	(915)	(915)	(915)
DP Transport Enterprise Value	**27,610**	**28,772**	**30,344**	**28,978**
PE pre goodwill	16.8	15.0	12.3	9.6
P / FCF (ex PB dividend)	19.9	24.0	17.1	7.1
EV / EBITDA	6.6	6.6	6.5	5.3
EV / EBITA	10.3	10.1	9.8	7.5
EV / CE	1.0	1.1	1.2	1.1

Source: Company data, Morgan Stanley Research
e = Morgan Stanley Research estimates
^ DP Group = All four divisions consolidated
^^ DP Transport = Mail, Express and Logistics divisions only, no income or dividend from Postbank
* Pre-goodwill pre-exceptionals
** Please see explanation of Morgan Stanley ModelWare initiative later in the note
***Adjusted for dividend received from Postbank

Exhibit 31

DP Group: Profit & loss statement, 2005-09e

Year-end Dec (EUR million)	2005	1Q 06	2Q 06	3Q 06	4Q 06	2006	1Q 07	2Q 07	3Q 07e	4Q 07e	2007e	2008e	2009e
Total External Revenue	44,594	14,815	14,488	14,887	16,355	60,545	15,473	15,436	15,638	16,084	63,204	64,609	66,367
Other operating income	3,685	586	470	872	893	2,821	471	410	727	192	1,800	1,750	1,750
Operating Cost	42,613	14,092	13,890	14,317	15,424	57,723	14,526	14,708	15,077	14,365	59,249	60,262	61,076
EBITDA	**5,666**	**1,309**	**1,068**	**1,442**	**1,824**	**5,643**	**1,418**	**1,138**	**1,288**	**1,911**	**5,755**	**6,097**	**7,041**
Depreciation and amortisation	1,402	370	405	390	517	1,682	397	413	425	536	1,770	1,802	1,812
EBITA Reported	**4,264**	**939**	**663**	**1,052**	**1,307**	**3,961**	**1,021**	**726**	**864**	**1,375**	**3,985**	**4,295**	**5,229**
Goodwill and ITFA amortisation	440	22	22	22	23	89	23	23	23	22	90	90	90
EBIT	**3,755**	**917**	**641**	**1,030**	**1,284**	**3,872**	**998**	**703**	**841**	**1,353**	**3,895**	**4,205**	**5,139**
Interest Cost	(228)	(71)	(81)	(74)	(104)	(330)	(78)	(59)	(85)	(104)	(326)	(271)	(247)
Interest on provisions	(545)	(175)	(166)	(180)	(183)	(704)	(184)	(180)	(184)	(181)	(729)	(733)	(751)
Associates	71	1	2	2	(1)	4	0	0	3	1	4	6	6
Total financial result	(773)	(245)	(245)	(252)	(288)	(1,030)	(262)	(239)	(266)	(284)	(1,055)	(1,004)	(998)
Pre tax Pre Goodwill	**3,562**	**694**	**418**	**800**	**1,019**	**2,931**	**759**	**487**	**598**	**1,091**	**2,934**	**3,296**	**4,236**
Pre tax Reported	3,053	672	396	778	996	2,842	736	464	575	1,069	2,844	3,206	4,146
Tax	(605)	(134)	(79)	(151)	(196)	(560)	(147)	(96)	(6)	(135)	(384)	(593)	(891)
Minorities	(213)	(56)	(63)	(90)	(157)	(366)	(90)	(86)	(219)	(147)	(542)	(463)	(534)
Net Profit Pre Goodwill	**2,744**	**504**	**276**	**559**	**666**	**2,005**	**522**	**305**	**373**	**809**	**2,008**	**2,240**	**2,811**
Net Profit Reported	2,235	482	254	537	643	1,916	499	282	350	787	1,918	2,150	2,721
Per Share €													
EPS Reported	**1.99**	**0.40**	**0.21**	**0.45**	**0.54**	**1.60**	**0.41**	**0.24**	**0.29**	**0.65**	**1.59**	**0.04**	**2.26**
Growth (%)						-19.7					-0.6	-97.4	5304.6
EPS Adjusted for Consensus	**2.45**	**0.42**	**0.23**	**0.47**	**0.56**	**1.68**	**0.43**	**0.25**	**0.31**	**0.67**	**1.67**	**1.86**	**2.33**
Growth (%)						-31.5					-0.5	11.4	25.5
ModelWare EPS	**2.23**					**1.66**					**1.61**	**1.76**	**2.21**
Dividend	0.70					0.75					0.90	1.05	1.10
Shares Outstanding (mn)	1,121	1,194	1,194	1,198	1,198	1,196	1,204	1,204	1,208	1,208	1,204	1,206	1,206
Margins on External Revenues (%)													
EBITDA	12.7	8.8	7.4	9.7	11.2	9.3	9.2	7.4	8.2	11.9	9.1	9.4	10.6
EBITA reported	9.6	6.3	4.6	7.1	8.0	6.5	6.6	4.7	5.5	8.5	6.3	6.6	7.9
EBIT	8.4	6.2	4.4	6.9	7.9	6.4	6.4	4.6	5.4	8.4	6.2	6.5	7.7
Pre tax pre all goodwill	8.0	4.7	2.9	5.4	6.2	4.8	4.9	3.2	3.8	6.8	4.6	5.1	6.4
Net profit pre goodwill	6.2	3.4	1.9	3.8	4.1	3.3	3.4	2.0	2.4	5.0	3.2	3.5	4.2
Tax rate (%)	20.2	19.9	19.9	19.4	19.7	19.7	20.0	20.7	1.0	12.6	13.5	18.5	21.5

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Exhibit 32

DP Group: Balance sheet, 2001-09e

Year-end Dec (EUR million)	2001re	2002	2002re	2003	2004	2005	2006	2007e	2008e	2009e
Tangible	*8,395*	*9,085*	*9,085*	*8,818*	*8,439*	*9,505*	*9,388*	*9,197*	*8,417*	*7,930*
Intangible	*1,787*	*5,076*	*5,076*	*6,404*	*6,846*	*12,749*	*14,652*	*14,744*	*14,095*	*13,953*
Financial	*2,122*	*375*	*375*	*735*	*743*	*961*	*1,116*	*1,116*	*1,116*	*1,116*
Other non current assets						*1,256*	*918*	*841*	*723*	*589*
Total Fixed Assets	12,304	14,536	14,536	15,957	16,028	24,471	26,074	25,898	24,351	23,588
Inventory	163	214	214	218	227	282	268	280	286	294
Debtors	4,834	6,168	5,972	5,484	6,297	8,204	8,917	8,898	9,022	9,137
Bank receivables	135,904	137,641	137,641	128,928	125,009	136,213	179,280	189,006	198,041	206,402
Other Current Assets	1,491	1,446	1,446	916	764	604	726	649	531	397
Cash and investments	2,005	2,642	2,838	3,430	5,032	2,119	2,433	4,949	4,815	6,689
Total Assets	**156,701**	**162,647**	**162,647**	**154,933**	**153,357**	**171,893**	**217,698**	**229,681**	**237,045**	**246,507**
Equity	5,353	5,095	5,095	6,106	7,217	10,707	11,220	12,054	10,838	12,233
Minority	75	117	117	59	1,611	1,833	2,732	3,172	3,512	3,903
Provisions (other)	3,010	5,006	5,006	4,804	4,954	3,345	6,109	6,074	6,014	5,954
Provisions (Healthcare)	1,334	1,386	1,386	1,518	1,603	96	97	101	106	111
Provisions (Pensions)	6,627	6,292	6,292	6,351	5,882	5,780	6,134	6,235	6,206	6,194
Other long term liabilities						3,989	5,285	5,285	5,285	5,285
Interest bearing debt	2,308	3,816	3,816	4,749	5,240	5,666	5,440	5,440	5,440	5,440
Bank liabilities	131,532	132,851	132,851	123,317	117,026	128,568	168,663	179,381	187,534	195,138
Provisions (current)						2,450	1,893	1,893	1,893	1,893
Creditors	6,462	8,084	8,084	8,029	9,824	9,459	10,125	10,046	10,217	10,358
Ordinary Net Debt (cash)	**303**	**1,174**	**978**	**1,319**	**208**	**3,547**	**3,007**	**491**	**625**	**(1,249)**
Ordinary Net Debt (cash) adjusted	**303**	**1,174**	**681**	**963**	**(144)**	**3,184**	**2,450**	**(44)**	**90**	**(1,784)**
Pension Obligations	3,983	3,831	3,831	3,918	4,151	4,479	4,460	4,357	5,292	5,081
Healthcare Obligations	1,334	1,386	1,386	1,518	1,603	96	97	101	106	111
Operating leases (Nominal Value)	3,827	5,607	5,607	5,560	5,028	6,778	6,414	6,487	6,487	6,749
Operating Leases (Present value)	2,738	4,040	4,040	4,104	3,845	5,368	4,975	5,242	5,242	5,462

e = Morgan Stanley Research estimates, re = restated

Source: Company data, Morgan Stanley Research

Exhibit 33

DP Group: Cash flow statement, 2001-09e

Year-end Dec (EUR million)	2001re	2002	2002re	2003	2004	2005	2006	2007e	2008e	2009e
Pre-Tax Profit Reported	2,147	1,856	1,856	1,915	2,156	3,053	2,842	2,844	3,206	4,146
Interest accruals	144	92	639	723	837	702	1,030	1,055	1,004	998
Depreciation + Amortisation	1,285	1,893	1,893	1,693	1,837	1,911	1,771	1,860	1,892	1,902
Gain on Disposal of Non-Current Assets	(139)	(312)	(312)	(85)	(26)	(168)	(160)	0	0	0
Provisions (pensions)	(246)	1,552	1,005	(963)	(1,276)	(2,531)	(783)	(583)	(718)	(719)
Provisions (other employment)						0	0	0	0	0
Provisions (Star and reorganisation)						0	0	(75)	(100)	(100)
Other (Negative Goodwill)	258	(229)	(189)	228	426	280	104	0	0	0
Extraordinaries	0	(907)	(907)	0	0	0	0	0	(1,200)	0
Working capital	(316)	(1,095)	(952)	(440)	(1,542)	631	(539)	919	(840)	(740)
Inventory	*6*	*(4)*	*(7)*	*9*	*(9)*	*17*	*(51)*	*(12)*	*(6)*	*(8)*
Debtors	*1,752*	*257*	*421*	*614*	*(711)*	*(503)*	*(917)*	*19*	*(124)*	*(115)*
Receivables/Liabilities Postbank	*(1,169)*	*(1,757)*	*(1,762)*	*(697)*	*(2,550)*	*221*	*(368)*	*992*	*(882)*	*(757)*
Creditors	*(898)*	*377*	*396*	*541*	*1,728*	*896*	*797*	*(79)*	*171*	*141*
Other	*(7)*	*32*	*0*	*(907)*	*0*	*0*	*0*	*0*	*0*	*0*
Operating cash	**3,133**	**2,850**	**3,033**	**3,071**	**2,412**	**3,878**	**4,265**	**6,020**	**3,245**	**5,489**
Net Interest Paid	(148)	(82)	(82)	(122)	(218)	(150)	(293)	(326)	(271)	(247)
Taxes Paid	(81)	(66)	(66)	(65)	(76)	(313)	(343)	(230)	(356)	(624)
Dividend Minorities/Associates	0	0	0	0	0	(76)	(105)	(102)	(123)	(143)
Cash Flow from Operations	**2,904**	**2,702**	**2,885**	**2,884**	**2,118**	**3,339**	**3,524**	**5,361**	**2,495**	**4,474**
Capex	(2,228)	(1,844)	(1,844)	(1,484)	(1,743)	(2,041)	(1,972)	(1,986)	(1,988)	(1,898)
Disposals	1,047	738	738	476	503	605	943	475	625	625
Acquisitions	(1,240)	(1,256)	(1,256)	(1,362)	(793)	(4,135)	(2,094)	(325)	0	0
Divestments	2	0	0	32	1,535	156	331	75	0	0
Other	0	0	32	71	0	0	0	0	0	0
Cash Flow from Investments	**(2,419)**	**(2,362)**	**(2,330)**	**(2,267)**	**(498)**	**(5,415)**	**(2,792)**	**(1,761)**	**(1,363)**	**(1,273)**
Equity Issued	0	0	0	0	0	65	124	0	0	0
Debt Proceeds	335	2,810	2,810	1,798	1,396	153	(5)	0	0	0
Debt Repayments	(460)	(2,065)	(2,065)	(1,401)	(1,068)	(302)	345	0	0	0
Dividend Paid	(300)	(412)	(412)	(445)	(490)	(556)	(836)	(1,084)	(1,266)	(1,327)
Other	0	0	0	0	0	0	0	0	0	0
Cash Flow from Financing	**(425)**	**333**	**333**	**(48)**	**(162)**	**(640)**	**(372)**	**(1,084)**	**(1,266)**	**(1,327)**
Change in Cash	**60**	**673**	**888**	**569**	**1,458**	**(2,716)**	**360**	**2,516**	**(135)**	**1,875**
Free Cash Flow (Geared)	**1,723**	**1,596**	**1,779**	**1,876**	**878**	**1,903**	**2,495**	**3,850**	**1,132**	**3,201**
As % of Net Income Pre Goodwill	109	101	112	115	45	69	124	192	51	114
Gross Capex / Depreciation	2.1	1.3	1.3	1.1	1.2	1.4	1.2	1.1	1.1	1.0
Tax Paid versus Tax Charge (%)	14.5	13.7	13.7	11.3	17.6	51.7	61.3	60.0	60.0	70.0

e = Morgan Stanley Research estimates, re = restated

Source: Company data, Morgan Stanley Research

Exhibit 34

DP with Postbank accounted for as associate[1]: Profit & loss statement, 2001-09e

Year-end Dec (EUR million)	2001re	2002	2002re	2003	2004	2005	2006	2007e	2008e	2009e
Revenues	26,408	32,343	32,343	33,907	37,387	38,881	51,939	53,840	54,734	55,495
Other operating income	1,093	1,479	1,479	1,001	1,010	3,291	2,295	1,440	1,400	1,400
Total operating cost	24,511	31,995	31,486	31,177	34,390	37,398	50,034	50,890	51,455	51,457
EBITDA	**2,990**	**1,827**	**2,336**	**3,731**	**4,007**	**4,774**	**4,200**	**4,390**	**4,679**	**5,438**
Depreciation and amortisation	943	1,292	1,292	1,280	1,330	1,343	1,527	1,541	1,570	1,577
EBITA	**2,047**	**535**	**1,044**	**2,451**	**2,677**	**3,431**	**2,673**	**2,849**	**3,109**	**3,861**
Amortisation of goodwill/acquired ITFA	169	448	448	318	369	434	74	74	74	74
EBIT	**1,878**	**87**	**596**	**2,133**	**2,308**	**2,997**	**2,599**	**2,775**	**3,035**	**3,787**
Net interest	(115)	(137)	(132)	(145)	(193)	(227)	(334)	(326)	(271)	(247)
Interest on provisions	0	0	(514)	(543)	(600)	(508)	(636)	(659)	(663)	(681)
Associates	(130)	(1)	(1)	(28)	4	71	4	4	6	6
Net income from Postbank	379	1,640	1,640	353	340	330	663	484	389	453
Pre tax profit pre goodwill	2,010	538	2,037	2,088	2,228	3,097	2,370	2,352	2,569	3,391
Pre tax profit after goodwill	2,012	1,589	1,589	1,770	1,859	2,663	2,296	2,278	2,495	3,317
Tax (+ = income, - = cost)	(426)	(223)	(223)	(429)	(227)	(379)	(315)	(300)	(269)	(512)
Minorities	(9)	(15)	(15)	(32)	(44)	(49)	(65)	(60)	(76)	(84)
Net income pre goodwill	1,575	300	1,799	1,627	1,957	2,669	1,976	1,977	2,215	2,782
Net income	1,577	1,351	1,351	1,309	1,588	2,235	1,916	1,918	2,150	2,721
Extraordinaries (after tax)	0	-692	-692	0	0	0	0	0	-2,100	0
Net income reported	1,577	659	659	1,309	1,588	2,235	1,916	1,918	50	2,721
DP Group per share										
EPS Transport (ex Postbank)	1.07	NA	NA	1.14	1.45	2.08	1.10	1.24	1.51	1.93
Avg # shares	1,113	1,113	1,113	1,113	1,113	1,123	1,198	1,204	1,206	1,206
Margin analysis										
EBITDA	10.9	5.4	6.9	10.7	10.4	11.3	7.7	7.9	8.3	9.6
EBITA	7.4	1.6	3.1	7.0	7.0	8.1	4.9	5.2	5.5	6.8
EBIT	6.8	0.3	1.8	6.1	6.0	7.1	4.8	5.0	5.4	6.7
Net profit pre goodwill	5.7	0.0	5.3	4.7	5.1	6.3	3.6	3.6	3.9	4.9
Net profit reported pre extraordinaries	5.7	4.0	4.0	3.7	4.1	5.3	3.5	3.5	3.8	4.8
Tax rate (pre goodwill ex Postbank)	26.1	NM	NM	24.7	12.0	13.7	18.5	16.1	12.3	17.4
Tax rate (post goodwill ex Postbank)	26.1	NM	NM	30.3	14.9	16.2	19.3	16.7	12.8	17.9

e = Morgan Stanley Research estimates, NM = Not meaningful, NA = Not applicable, re = restated

Source: Company data, Morgan Stanley Research

[1]Postbank included as equity investment. This is the only difference with figures in Exhibit 31

Exhibit 35

DP with Postbank accounted for as associate[1]: Balance sheet, 2001-09

Year-end Dec (EUR million)	2001re	2002	2002re	2003	2004	2005	2006	2007e	2008e	2009e
Tangible	7,373	8,108	8,108	7,857	7,513	8,752	8,446	8,353	7,580	7,107
Intangible	3,195	4,937	4,937	6,236	6,677	12,527	13,138	13,214	12,640	12,566
Financial	5,393	4,728	4,728	5,579	3,869	4,304	2,553	2,934	3,200	3,509
Including Postbank	*3,337*	*4,405*	*4,405*	*4,876*	*3,167*	*3,473*	*1,611*	*1,992*	*2,258*	*2,567*
Other non current assets						822	674	674	674	674
Total Fixed Assets	**15,961**	**17,773**	**17,773**	**19,672**	**18,059**	**26,405**	**24,811**	**25,176**	**24,094**	**23,856**
Inventory	159	211	211	215	224	279	268	280	274	277
Debtors	4,641	5,931	5,736	5,298	6,124	7,888	8,427	8,991	9,195	9,212
Other Current Assets	667	862	862	352	244	554	632	652	673	635
Cash and investments	633	1,830	2,025	2,408	4,969	1,419	1,803	1,405	1,451	3,302
Total Assets	**22,061**	**26,607**	**26,607**	**27,945**	**29,620**	**36,545**	**35,941**	**36,504**	**35,688**	**37,283**
Equity	5,353	5,095	5,095	6,106	7,217	10,707	11,220	12,054	10,838	12,233
Minority	16	103	103	45	39	110	128	188	264	348
Provisions	9,330	11,030	11,030	10,970	10,449	9,672	9,485	9,486	9,331	9,193
Long Term Debt	2,383	3,816	3,816	4,808	5,289	4,811	3,495	3,495	3,495	3,495
Other	0	0	0	0	0	233	242	242	242	242
Short Term Debt	0	0	0	0	0	930	1,948	1,948	1,948	1,948
Creditors	4,979	6,563	6,563	6,016	6,626	10,082	9,423	9,091	9,569	9,824
Ordinary Net Debt	**1,750**	**1,986**	**1,791**	**2,400**	**320**	**4,322**	**3,640**	**4,038**	**3,992**	**2,141**
Ordinary Net Debt (cash) adjusted	**1,750**	**1,986**	**1,494**	**2,044**	**(32)**	**3,959**	**3,083**	**3,503**	**3,457**	**1,606**
Pension Obligations	3,983	3,831	3,831	3,918	4,151	4,479	4,460	4,357	5,292	5,081
Healthcare Obligations	1,334	1,306	1,306	1,430	1,511	96	97	101	106	111
Capitalised Leases (Nominal Value)	3,648	3,829	3,829	3,909	3,559	5,368	4,975	4,985	4,985	5,194
Working capital	(179)	(421)	(616)	(503)	(278)	(1,915)	(728)	180	(100)	(334)
Capital Employed	13,047	16,609	16,609	18,420	21,598	25,240	27,491	26,057	24,396	25,428
Capital Employed incl Lease Obligations	16,695	20,438	20,438	22,329	25,157	30,608	32,466	31,042	29,381	30,623
RoAE (%)	**na**	**na**	**na**	**61.2**	**38.4**	**30.6**	**11.9**	**12.0**	**15.4**	**20.1**
RoACE (%)	**na**	**na**	**na**	**10.9**	**12.4**	**13.1**	**8.3**	**9.1**	**11.0**	**13.1**
Coverage Ratios (excluding pension provisions and notional interest on pensions)										
Interest Cover (EBITA / net interest)	17.8	3.9	7.9	16.9	13.9	15.1	8.0	8.7	11.5	15.6
Fixed Charge Cover (EBITDA / net interest)	26.0	13.3	17.7	25.7	20.8	21.0	12.6	13.5	17.3	22.0
Net debt to EBITDA	0.59	1.09	0.64	0.55	-0.01	0.83	0.73	0.80	0.74	0.30

e = Morgan Stanley Research estimates, NA = Not applicable, re = restated

Source: Company data, Morgan Stanley Research

[1]Postbank included as equity investment. This is the only difference with figures in Exhibit 32

Exhibit 36

Year-end Dec (EUR million)	2002	2002re	2003	2004	2005	2006	2007e	2008e	2009e
Pre-Tax Profit Reported	1,589	1,589	1,770	1,859	2,663	2,296	2,278	2,495	3,317
Interest accruals	92	600	685	800	664	966	985	934	928
Depreciation + Amortisation	1,777	1,777	1,580	1,715	1,777	1,601	1,615	1,644	1,651
Gain on Disposal of Non-Current Assets	(315)	(315)	(85)	(32)	(165)	(164)	0	0	0
Provisions	1,540	1,032	(875)	(1,207)	(2,466)	(1,055)	(583)	(718)	(719)
Provisions Other	0	0	0	0	0	0	(75)	(100)	(100)
Other (Negative Goodwill)	(820)	(785)	134	100	77	105	0	(1,200)	0
Postbank net income	(1,640)	(1,640)	(353)	(340)	(330)	(663)	(484)	(389)	(453)
Working capital	864	1,011	(320)	(272)	(303)	(657)	(908)	281	234
Inventory	*(6)*	*(9)*	*9*	*(9)*	*17*	*(54)*	*(12)*	*6*	*(4)*
Debtors	*334*	*465*	*519*	*(806)*	*(277)*	*(865)*	*(564)*	*(204)*	*(17)*
Receivables/Liabilities Postbank	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Creditors	*536*	*(352)*	*59*	*543*	*(43)*	*262*	*(332)*	*478*	*254*
Other	*0*	*907*	*(907)*	*0*	*0*	*0*	*0*	*0*	*0*
Operating cash	**3,087**	**3,269**	**2,536**	**2,623**	**1,917**	**2,429**	**2,828**	**2,948**	**4,859**
Net Interest Paid	(82)	(82)	(118)	(218)	(149)	(313)	(326)	(271)	(247)
Taxes Paid	(49)	(49)	(45)	(45)	(260)	(251)	(320)	(290)	(475)
Dividend received from Postbank	137	137	99	589	137	137	103	123	144
Cash Flow from Operations	**3,093**	**3,275**	**2,472**	**2,949**	**1,645**	**2,002**	**2,284**	**2,510**	**4,281**
Capex	(1,588)	(1,588)	(1,356)	(1,662)	(1,905)	(1,813)	(1,823)	(1,822)	(1,729)
Disposals	667	667	496	534	521	925	475	625	625
Acquisitions	(1,197)	(1,197)	(1,358)	(767)	(4,135)	(440)	(325)	0	0
Divestments	0	0	23	1,535	1,142	239	75	0	0
Other	0	32	71	0	0	0	0	0	0
Cash Flow from Investments	**(2,118)**	**(2,086)**	**(2,124)**	**(360)**	**(4,377)**	**(1,089)**	**(1,598)**	**(1,197)**	**(1,104)**
Equity Issued	0	0	0	0	65	124	0	0	0
Debt Proceeds	2,854	2,854	1,867	1,407	0	0	0	0	0
Debt Repayments	(2,184)	(2,184)	(1,410)	(1,090)	(121)	267	0	0	0
Dividend Paid	(412)	(412)	(445)	(490)	(564)	(873)	(1,084)	(1,266)	(1,327)
Other	0	0	0	0	0	0	0	0	0
Cash Flow from Financing	**258**	**258**	**12**	**(173)**	**(620)**	**(482)**	**(1,084)**	**(1,266)**	**(1,327)**
Change in Cash	**1,233**	**1,447**	**360**	**2,416**	**(3,352)**	**431**	**(398)**	**46**	**1,850**
Free Cash Flow incl. Postbank dividend	2,172	2,354	1,612	1,821	261	1,114	936	1,313	3,177
Free Cash Flow excl. Postbank dividend	2,035	2,217	1,513	1,232	124	977	833	1,189	3,033
Gross Capex / Depreciation	1.2	1.2	1.1	1.2	1.4	1.2	1.2	1.2	1.1
Net Capex / Depreciation	0.7	0.7	0.7	0.8	1.0	0.6	0.9	0.8	0.7
Tax Paid versus Tax Charge (%)	22.0	22.0	10.5	19.8	68.6	79.7	106.7	107.7	92.7

e = Morgan Stanley Research estimates, re = restated

[1]Postbank included as equity investment. This is the only difference with figures in Exhibit 33

Source: Company data, Morgan Stanley Research

Exhibit 37

DP Group: Divisional breakdown, 2005-09

Year-end Dec (EUR million)	2005	1Q 06	2Q 06	3Q 06	4Q 06	2006	1Q 07	2Q 07	3Q 07e	4Q 07e	2007e	2008e	2009e
External Revenue													
Mail	**12,165**	**3,133**	**2,972**	**3,003**	**3,441**	**12,549**	**3,840**	**3,511**	**3,547**	**4,009**	**15,479**	**15,587**	**15,669**
Letter products	6,442	1,647	1,437	1,448	1,615	6,147	1,594	1,418	1,439	1,516	5,967	5,770	5,560
Direct marketing	2,820	726	622	645	773	2,766	744	659	687	708	2,798	2,759	2,692
Press distribution	805	204	209	192	213	818	210	202	194	220	826	834	843
Parcels							628	586	596	730	2,540	2,642	2,721
Solutions & International	2,098	556	704	718	840	2,818	804	785	779	980	3,348	3,583	3,853
DHL Express	**17,775**	**4,467**	**4,464**	**3,680**	**3,976**	**16,587**	**3,221**	**3,305**	**3,240**	**3,339**	**13,105**	**13,189**	**12,129**
Total Europe	11,746	2,923	2,893	1,950	2,340	10,106	1,588	1,600	1,545	1,663	6,396	6,587	6,917
Of which DHL Freight	*3,300*	*845*	*870*	*0*	*0*	*1,715*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Of which DHL Express	*8,446*	*2,078*	*2,023*	*1,950*	*2,340*	*8,391*	*1,588*	*1,600*	*1,545*	*1,663*	*6,396*	*6,587*	*6,917*
Americas	4,578	1,109	1,068	1,103	1,099	4,379	1,047	1,053	1,029	969	4,098	3,904	2,050
Asia Pacific	2,424	569	606	621	647	2,443	591	647	657	619	2,514	2,556	2,787
Emerging markets	873	224	242	234	269	969	243	265	269	367	1,144	1,195	1,345
Reconcilliation	(1,846)	(358)	(345)	(228)	(379)	(1,310)	(248)	(260)	(260)	(279)	(1,047)	(1,054)	(969)
DHL Logistics	**7,807**	**4,935**	**4,916**	**5,822**	**6,572**	**22,245**	**6,058**	**6,147**	**6,361**	**6,660**	**25,226**	**25,926**	**27,665**
Intercontinental	5,723	2,227	2,231	2,417	2,396	9,271	2,194	2,274	2,420	2,448	9,336	9,558	10,438
Solutions	2,239	2,827	2,835	2,876	3,419	11,957	3,188	3,224	3,305	3,600	13,317	13,717	14,540
Freight				968	1,031	1,999	917	905	877	1,025	3,724	3,817	3,932
Reconciliation (intra division)	(13)	(86)	(116)	(172)	(114)	(488)	(82)	(114)	(102)	(102)	(400)	(395)	(421)
Reconciliation (inter division)	(142)	(33)	(34)	(267)	(160)	(494)	(159)	(142)	(139)	(310)	(750)	(771)	(823)
Deutsche Post	**37,747**	**12,535**	**12,352**	**12,505**	**13,989**	**51,381**	**13,119**	**12,963**	**13,148**	**14,008**	**53,810**	**54,703**	**55,463**
Financial Services	6,636	2,212	2,077	2,375	2,355	9,019	2,350	2,465	2,486	2,062	9,363	9,875	10,872
Global Services / Reconciliation	211	68	59	7	11	145	4	8	4	14	30	31	32
Group External Revenues	**44,594**	**14,815**	**14,488**	**14,887**	**16,355**	**60,545**	**15,473**	**15,436**	**15,638**	**16,084**	**63,204**	**64,609**	**66,367**
Growth External Sales (%)													
Mail	**0.6**	**1.2**	**2.1**	**3.6**	**5.6**	**3.2**	**2.8**	**-0.6**	**0.1**	**16.5**	**23.4**	**0.7**	**0.5**
Letter Products	-4.9	-0.2	-8.2	-6.4	-3.9	-4.6	-5.6	-3.9	-4.2	-6.1	-2.9	-3.3	-3.6
Direct Marketing	0.4	-1.1	-3.6	-2.7	-0.6	-1.9	-1.7	2.0	2.7	-8.4	1.2	-1.4	-2.4
Press Distribution	1.0	2.5	2.0	1.1	0.9	1.6	2.4	-3.3	0.5	3.4	1.0	1.0	1.0
Parcels							na	na	na	na	na	4.0	3.0
Solutions international	22.3	8.2	41.9	43.9	42.6	34.3	39.3	7.2	6.0	16.7	18.8	7.0	7.6
DHL Express	**2.2**	**7.9**	**-0.8**	**1.7**	**-1.2**	**-6.7**	**1.0**	**3.4**	**2.3**	**-16.0**	**-21.0**	**0.6**	**-8.0**
Total Europe	0.1	3.7	-1.1	-3.1	2.6	-14.0	1.5	1.2	1.6	-29.0	-36.7	3.0	5.0
Of which Eurocargo	*-13.2*	*-8.6*	*-8.4*	*nm*	*nm*	*-48.0*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
Of which Other Europe	*6.5*	*9.4*	*0.9*	*0.6*	*-10.1*	*-0.7*	*-23.6*	*-20.9*	*-20.8*	*-29.0*	*-23.8*	*3.0*	*5.0*
Americas	5.8	4.5	-7.5	-0.9	-3.4	-4.3	-5.6	-1.4	-6.6	-11.8	-6.4	-4.7	-47.5
Asia Pacific	23.2	15.2	11.0	9.3	16.6	0.8	3.9	6.8	5.8	-4.3	2.9	1.7	9.0
Emerging markets	13.5	14.3	14.7	12.5	17.0	11.0	27.2	28.6	36.5	36.3	18.0	4.5	12.5
DHL Logistics	**16.9**	**199.5**	**166.2**	**104.9**	**115.2**	**184.9**	**6.8**	**8.3**	**9.8**	**1.3**	**13.4**	**2.8**	**6.7**
Intercontinental	14.7	81.9	61.8	58.4	50.3	62.0	79.2	64.9	58.6	53.6	0.7	2.4	9.2
Solutions	24.2	524.1	455.9	371.5	413.4	434.0	603.8	532.2	434.8	415.8	11.4	3.0	6.0
Freight													
Group Revenues	**3.3**	**40.7**	**32.2**	**35.0**	**35.4**	**35.8**	**4.4**	**6.5**	**5.0**	**-1.7**	**4.4**	**2.2**	**2.7**

e = Morgan Stanley Research estimates, NA = Not applicable

Source: Company data, Morgan Stanley Research

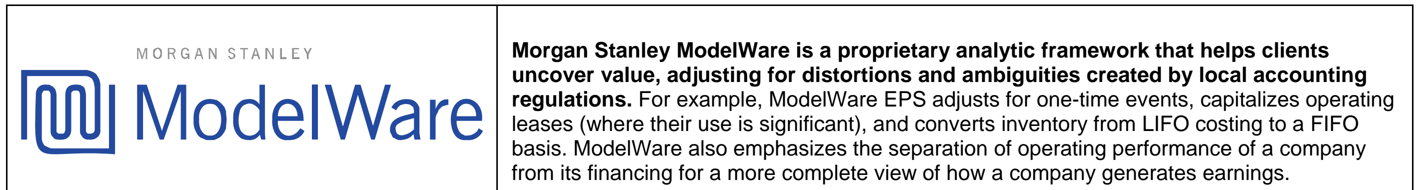
Exhibit 38

DP Group: Divisional breakdown, 2005-09 (cont.)

Year-end Dec (EUR million)	2005	1Q 06	2Q 06	3Q 06	4Q 06	2006	1Q 07	2Q 07	3Q 07e	4Q 07e	2007e	2008e	2009e
EBITA													
Mail	**2,030**	**674**	**350**	**428**	**602**	**2,054**	**618**	**331**	**315**	**757**	**2,021**	**1,891**	**1,756**
Domestic	1,883	na	na	na	na	1,859	na	na	na	na	1,737	1,567	1,379
Parcels	na	na	na	na	na	na	na	na	na	na	57	66	88
International	147	na	na	na	na	195	na	na	na	na	228	258	289
DHL Express	**445**	**(37)**	**42**	**86**	**234**	**325**	**62**	**99**	**85**	**191**	**437**	**610**	**1,262**
DHL Express Europe	510	91	104	99	187	481	130	130	96	143	499	593	692
of which DHL Freight	*50*	*8*	*8*	*nm*	*nm*	*16*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
of which DHL Express	*460*	*83*	*96*	*99*	*187*	*465*	*130*	*130*	*96*	*143*	*499*	*593*	*692*
DHL Express Americas	(435)	(225)	(175)	(125)	(100)	(625)	(180)	(155)	(135)	(92)	(562)	(507)	(8)
DHL Express Asia Pacific	260	na	na	na	na	320	77	84	85	87	333	345	376
DHL Express Emerging markets	110	na	na	na	na	149	35	40	39	53	167	179	202
DHL Logistics	**315**	**154**	**170**	**189**	**249**	**762**	**214**	**200**	**204**	**316**	**934**	**1,066**	**1,212**
DHL Air & Ocean	225	49	75	77	119	320	50	83	103	122	357	371	418
DHL Solutions	90	51	76	81	135	343	60	106	91	165	422	445	480
DHL Freight				12	22	34	6	4	1	11	22	38	49
Pensions/Synergies/Costs		54	19	19	(27)	65	39	7	10	18	74	213	265
Deutsche Post	**2,790**	**791**	**562**	**703**	**1,085**	**3,141**	**894**	**630**	**604**	**1,265**	**3,393**	**3,568**	**4,230**
Financial Services	796	221	243	238	302	1,004	242	251	371	263	1,127	1,177	1,359
Global Services/Intercompany	609	(95)	(164)	125	(103)	(237)	(134)	(164)	(152)	(175)	(625)	(540)	(450)
Group EBITA Reported	**4,195**	**917**	**641**	**1,030**	**1,284**	**3,872**	**998**	**703**	**841**	**1,353**	**3,895**	**4,205**	**5,139**
Goodwill	440	0	0	0	0	0	0	0	0	0	0	0	0
Group EBIT Reported	**3,755**	**0**	**0**	**0**	**0**	**3,872**	**0**	**0**	**0**	**0**	**3,895**	**4,205**	**5,139**
Margin (Total Revenue) (%)													
Mail	15.8	20.3	11.1	13.5	16.5	15.5	15.7	9.2	8.6	18.5	12.8	11.8	10.9
DHL Express	2.4	(0.5)	0.9	2.3	5.5	1.9	1.9	2.9	2.5	5.5	3.2	4.5	10.0
DHL Logistics	4.0	3.1	3.4	3.1	3.7	3.4	3.4	3.2	3.1	4.5	3.6	4.0	4.3
Deutsche Post	**7.1**	**6.1**	**4.4**	**5.4**	**7.4**	**5.9**	**6.6**	**4.7**	**4.5**	**8.7**	**6.1**	**6.3**	**7.4**
Financial Services	10.9	9.4	11.0	9.5	12.1	10.5	9.7	9.7	14.0	11.7	11.3	11.2	11.8
Group EBITA Reported	**9.4**	**6.2**	**4.4**	**6.9**	**7.9**	**6.4**	**6.4**	**4.6**	**5.4**	**8.4**	**6.2**	**6.5**	**7.7**
Margin (External Revenue) (%)													
Mail	**16.7**	**21.5**	**11.8**	**14.3**	**17.5**	**16.4**	**16.1**	**9.4**	**8.9**	**18.9**	**13.1**	**12.1**	**11.2**
Domestic mail	18.7	na	na	na	na	19.1	na	na	na	na	18.1	16.7	15.2
Parcels	nm	nm	nm	nm	nm	nm	na	na	na	na	2.3	2.5	3.3
International mail	7.0	na	na	na	na	6.9	na	na	na	na	6.8	7.2	7.5
DHL Express Total	**2.5**	**(0.8)**	**0.9**	**2.3**	**5.9**	**2.0**	**1.9**	**3.0**	**2.6**	**5.7**	**3.3**	**4.6**	**10.4**
DHL Express Europe	4.3	3.1	3.6	5.1	8.0	4.8	8.2	8.1	6.2	8.6	7.8	9.0	10.0
of which Freight	1.5	0.9	0.9	nm	nm	0.9	nm	nm	nm	nm	nm	nm	nm
of which Express	5.4	4.0	4.8	5.1	8.0	5.5	8.2	8.1	6.2	8.6	7.8	9.0	10.0
DHL Express Americas	(9.5)	(20.3)	(16.4)	(11.3)	(9.1)	(14.3)	(17.2)	(14.7)	(13.1)	(9.5)	(13.7)	(13.0)	(0.4)
DHL Express Asia Pacific	10.7	na	na	na	na	13.1	13.0	13.0	13.0	14.0	13.3	13.5	13.5
DHL Express Emerging Markets	12.6	na	na	na	na	15.4	14.5	15.0	14.5	14.5	14.6	15.0	15.0
DHL Logistics	**4.0**	**3.1**	**3.5**	**3.2**	**3.8**	**3.4**	**3.5**	**3.3**	**3.2**	**4.8**	**3.7**	**4.1**	**4.4**
DHL Air & Ocean	3.9	2.2	3.4	3.2	5.0	3.5	2.3	3.6	4.3	5.0	3.8	3.9	4.0
DHL Solutions	4.0	1.8	2.7	2.8	4.0	2.9	1.9	3.3	2.7	4.6	3.2	3.2	3.3
DHL Freight	nm	nm	nm	1.3	2.1	1.7	0.7	0.4	0.1	1.1	0.6	1.0	1.3
Deutsche Post	**7.4**	**6.3**	**4.5**	**5.6**	**7.8**	**6.1**	**6.8**	**4.9**	**4.6**	**9.0**	**6.3**	**6.5**	**7.6**
Financial Services	12.0	10.0	11.7	10.0	12.8	11.1	10.3	10.2	14.9	12.8	12.0	11.9	12.5
Group EBITA Reported	**9.4**	**6.2**	**4.4**	**6.9**	**7.9**	**6.4**	**6.4**	**4.6**	**5.4**	**8.4**	**6.2**	**6.5**	**7.7**

e = Morgan Stanley Research estimates, NA = Not Applicable, nm = Not Meaningful
Prices for other stocks: Postbank €63

Source: Company data, Morgan Stanley Research



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(as of December 31, 2007)

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Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**997**	**43%**	**324**	**44%**	**32%**
Equal-weight/Hold	**996**	**42%**	**309**	**42%**	**31%**
Underweight/Sell	**352**	**15%**	**96**	**13%**	**27%**
Total	**2,345**		**729**		

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Industry Coverage:Surface Transportation

Company (Ticker)	Rating (as of)	Price (01/04/2008)
Antonio Rodriguez Vicens		
Abertis (ABE.MC)	O (07/03/2007)	€21.38
Atlantia S.p.A. (ATL.MI)	O (03/12/2007)	€25
Brisa (BRI.LS)	E (07/23/2003)	€10
Cintra (CCIT.MC)	U (12/01/2006)	€9.9
Ferrovial (FER.MC)	E-V (12/01/2006)	€45.07
Sacyr Vallehermoso (SVO.MC)	E (01/11/2007)	€24.5
Jaime B Rowbotham		
Arriva (ARI.L)	O (07/19/2007)	776p
FirstGroup (FGP.L)	O (11/05/2007)	757p
Go-Ahead (GOG.L)	U (11/29/2007)	2,458p
National Express (NEX.L)	O (07/19/2007)	1,213p
Stagecoach (SGC.L)	U (07/19/2007)	275p
Menno Sanderse		
ADP (Aeroports de Paris) (ADP.PA)	E (07/31/2006)	€74.56
AP Moller-Maersk (MAERSKb.CO)	E (11/22/2007)	DKr51,600
Deutsche Post World Net (DPWGn.DE)	O (01/07/2008)	€22.87
Fraport (FRAG.DE)	E (04/05/2007)	€51.35
Kuehne & Nagel (KNIN.S)	E (07/17/2007)	SFr106
Panalpina (PWTN.S)	O (07/17/2007)	SFr188
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