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PRESENTATION

Operator

Good day, and welcome to the Deutsche Post AG Half Year 2009 Results Conference Call. Today's conference is being recorded. At this time, I'd like to turn the call over to your host today, Mr. Martin Ziegenbalg, Head of Investor Relations. Please go ahead, sir.

Martin Ziegenbalg - *Deutsche Post AG - Head of IR*

Thank you, and a warm welcome to everyone out there on the conference call on our half year 2009 results. I've got here with me, as you know, our CEO, and current CFO, also Frank Appel, and the CEO of our MAIL division, Jurgen Gerdes. Both are going to take you through the presentation. I take it you have in front of you.

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It's going to be the same presentation that we used for the press conference this morning. Don't be scared about the number of slides. The gentlemen are going to focus on the certain number of slides, and will take you quickly through that. For those still looking out for the full interim report, the full set of accounts, and the usual IR deck as announced earlier, this will all be available as per July 31st.

And without further ado, I'd like to hand over to our CEO Frank Appel.

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, good afternoon, everybody, and thank you for joining us for this call. What I would like to do is to we're going to highlight the major things you see in the presentation, and I would like to start with page one, where you see the agenda. I will first highlight the key decisions and trends and developments in the first half, then Jurgen will report what's going on in MAIL. I will make some remarks to the DHL divisions, and finally conclude with the outlook.

If I start with the first half, what is definitely showing, the numbers are showing is that we are successfully navigating through the crisis. Definitely, we are impacted by volume decreases as well, but we think particularly in the second quarter, we have -- we are on the right track. The long-term strategy is also defined, and we get pretty good feedback from customers, from employees, as well as from -- of you, or the shareholders, who said, "You know, this is definitely something we would like to see."

And particularly, I'm excited about especially about the customers, and they are particularly excited about the customer promise, and the employees are very much driven by the purpose and our guiding principle, but I will come to that later on.

If I go to page four and jump over page three, the reason why we have navigated through the crisis freefall first is the clear focus on profitability. So, on page four, you see what we have achieved with our overhead reduction program index, where we set a target originally that would deliver a EUR1 billion savings until end of 2010.

And we have achieved, including savings we got already in 2008 of roughly EUR140 million. We are now at EUR550 million at all divisions, and as the corporate headquarters are in the green area, and if we look for the traffic lights. So, we are very confident that we can deliver a EUR1 billion already by the second quarter 2000 channel, in the second quarter 2000 to be precise, which is an acceleration of half a year roughly. And we have so far seen good track records of achieving these goals.

If we look then on page five, we see as well that our -- another roadmap of value program started, tight cash management is paying off as well, because we see now constantly our networking capital as a negative one, and that is definitely particularly good in these circumstances we are in from the environment. And the CapEx is also down by EUR300 million.

I can assure you that we are not missing now investments in important improvements of our business model. These savings are coming from the change incentive approach we have, that management is much more measured on EBIT after asset charge. And we have taken firm actions like we delayed the purchase or replacement of company cost by a year, so that we reduce their -- the spend for our executives, just to name one, which is definitely not needed to run our operations. But then, we are expecting a EUR0.5 million savings on CapEx. So, we are good in tight cash management.

Nevertheless, we are continuously investing in the future. For instance, the launch of the AeroLogic operation, the inauguration of the first 777. Though definitely the time is not perfect if you are at the bottom of the curve. And we think that through these 777, we will improve not only our service quality, but also our green footprint, or carbon footprint. So, we have committed to do that in conjunction of Lufthansa, and we think that this will improve our services even further.

Investment in network infrastructure is also something we are continuing, particularly in Asia. We expect that if the economy is coming back, it will happen first in Asia. So, we are still investing in -- you might have seen some of the smaller announcement



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in the last couple of months. We're definitely in particular happy about the development of new business, which we gained in year-to-date EUR2 billion across the group.

If that order materialized finally in our bottom line, we will see because obviously, we include only the volumes until they are delivered. And I have no doubt that some customers overstated the revenue we can expect, so therefore we have to check what really comes into our P&L finally, but it's good that the size of the business is pretty large, so we are pretty optimistic for the second half, when new businesses (inaudible - technical difficulty).

When we go to page seven, we see that the volumes are still declining year-over-year, the deterioration rate has reduced a little bit. In TDI, our international express business, we are now a little bit better than minus 10%. In airfreight, we are a little bit better than the first quarter, and then in ocean freights, we are also better than the first quarter. So, significant drop still in volumes year-over-year, but the deterioration rate is a little bit smaller. So, that doesn't tell us that we have already a recovery of the market, but at least it says we have reached the bottom of the cycle.

That all translated, the improvement in the operation performance of tight cash management, which is the numbers on page eight, where you'll see for the first half year, the comparison year-over-year. You see that we lost roughly EUR4 billion in revenue, which is minus 15%, and that lead including all the restructuring expenses we have in different parts to a reduction in our reported EBIT of 85% down to EUR140 million.

If you look into the underlying, half year is still down by 40%, but as you will see in the second -- we had on a group level, a little bit better second quarter than in the first quarter. The consolidated net profit is quite a lot up. I bet it's related to what we explained, I think last time, the accounting and the booking of the post bank sale, which lead to a significant increase of our net profits, and also a significance increase of our EPS.

Operating cash flow is negative, which is a result of definitely the weaker underlying performance, but in more importantly the expenses we have due to the restructuring, which is going on, and you will see in a second that the second quarter was already cash positive again, and we had only a negative cash flow, operating cash flow in the first quarter.

So, then I flip to page nine, where you'll see although volumes are coming back a little bit, on the revenue front, we still have a significant downswing, which is even larger in the second quarter. In the first quarter, that comes from many aspects in parts of the world, less working days, reduction in fuel surcharge, reduction in rates. And that lead to the situation that we have in all divisions, further stronger reduction in revenue than we had in the first quarter.

On the EBIT, on page 10, underlying EBIT, I think we have some good trends here. Maybe start with the group, if we recognize the full impact of the Arcandor solvency, we were down from EUR413 million to EUR257 million, which is roughly minus 38%. So, 4 -- the percentage points better than the first quarter, but if you exclude that for the second, that's the number in the bracket, you see that we are more or less, almost -- and we were only EUR50 million less on the underlying bottom line, as you [could see] in Q1, which is obviously a quite good achievement.

Because usually with Q1, as you can see from last year, it's significantly stronger than the second quarter. We were not too far away from that, which I think is encouraging. It's good for the divisions. We have still the largest drop in -- if I forget a little bit, the extraordinary effect in supply chain, in MAIL, where we had a 38% reduction if you exclude the Arcandor, it was a little bit less. In absolute terms, the reduction was smaller than in the first quarter, but percentage-wise, it's still quite high.

If you talk about EXPRESS, after a significant loss in the first quarter, we are now back on the last year's number, which I think is showing that we have really taken the right actions to reduce cost, and I feel very much encourages that EXPRESS, although the volumes are pretty much down at delivery, a pretty good second quarter.

Also, forwarding was still down, the deterioration is smaller in relative, as well as in absolute terms than in the first quarter, which I think is also a good indication that we are heading in the right direction. And if you look now into the supply chain, the



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EUR16 million is not satisfactory, but if you go back in the Arcandor solvency, we were at EUR41 million, that means the same level as the first quarter.

And as you know, we have always some real estate sales over the years. Some of them were in the second quarter last year. That is our underlying business, because we're housing and real estate. It's a part of that. So, we think that this is still showing that we are on the right track with the supply chain.

You look into page 11, you see the same more or less what I've just said, what the impact is, where we have organic reduction and increase. You see that we had an organic increase even in EXPRESS, if you exclude the restructuring cost from last year. On the basis of foreign exchange effect we have here in EXPRESS, and because we have restructuring cost obviously excluded here. So, overall we had a reduction still, but I think we are heading in the right direction as already said.

So, if you look on page 12 then, the cash flow. What you see there is that all divisions, except EXPRESS, have a positive operating cash flow. And even if you exclude from EXPRESS the restructuring cost, then EXPRESS has also operated cash flow, which is better than last year.

So, all divisions had a positive operating cash flow, before one time effect. And if you look here on the right side, you see that we were pretty close to the last year operating cash flow, if you exclude restructuring expenses, which I think is showing that we are still very much working on improving networking capital as well as converting EBIT into cash.

On page 13, you then see the development. We were down in the first quarter negative. That already said, the second quarter is positive, which is good. Our net cash position is still EUR1.15 billion. At the end of last year, we were negative here. That comes mainly from -- that comes dominantly from the sale of Postbank shares, and we got a lot of cash, as you know.

So, the overall summary of that is, as I said, we are navigating successfully through the crisis. We have some encouraging result already in the Q2 number. Nevertheless, I will come to the outlook later on, but I think that was a good quarter for us.

On page 14, as already mentioned earlier, we have made this our long-term strategy now, the basis for long-term success by saying we want to remain the Post for Germany and become the Logistics Company for the World. This is very much appreciated by customers, and even more by employees. But also, investors said that's a good vision, that's a good purpose.

The guiding principle is highly regarded, particularly internally, because it shows the balance between what we have to do to be successful as a company, but also that we need our customers and employees to remain successful. And therefore, this is highly regarded.

And finally, the clear customer promise. What we hear from our customers, they are saying that absolute to the point, we want to have a services which makes our life easier, and which can be transferred from one customer to another or from one region, for wanting a customer to another. And also, employees understand more and more, that this gives them a very clear advice or direction what they have to do day by day. So, we are very much happy with that.

I will drop page 15. This is more or less the summary I explained, we are making good progress here. So, overall, as I said, we are successfully in the crisis somehow, although definitely we are impacted as well, and we have laid the foundation for the future. And that's where we are at the moment.

And now, will -- Jurgen will explain a little bit more what kind of actions we are taking to stabilize the MAIL business, what we have going forward with more fundamentally transformation of the core, and what our ambition to jump to the digital world. So, and then I will come back to DHL as the outlook. So, thank you for listening for the time being, and now Jurgen takes the floor.



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Jurgen Gerdes - Deutsche Post AG - CEO - MAIL Division

Yes, thank you very much, good afternoon and warm welcome from my side. I have a short agenda today, that means the current situation in MAIL corporate division, and the future outlooks. That means the challenges and our answers to that.

When we look on page 17, you can see that the revenue was down by 7%. Reason for that is mainly the electronic substitution, regardless of the competition and the economic downturn. EBIT reported was down by 45%, underlying by 38%, difference of that is the divestment of special kind of a business in France called [Coba].

Operating cash flow of EBIT is down in terms of the macro decline on one end, and significant wage increases on the other end. The operating cash flow is down by 48%, and CapEx is plus 25%. Reasons for that is that we still believe in the future of mail and parcel, and we are investing in for example, the MAIL division for sorting machines, and in the parcel business for taxations.

On the next slide on page 18, you can see that except parcel or mail products, there was lower volumes than in the second quarter the year before. The reason for that, as explained further, it's the economic downturn, it's substitution and intriguing competition.

From page 19, you can see that we have not only a problem with the economic downturn, but also structure problem. And the reason for that is to cover the cost increases, you have to relay the first of that is, you have gross, market gross, we don't have it, because we are under the pressure of these substitutions. Second thing is that you have the chance to increase the prices. Our prices -- the last price increase was in 1997, that means 12 years ago. So, our prices in 12 years are more or less flat in the second, which I think is an increase of productivity.

As you know, we are working much of the cost by related to our postmen, to the guys who are delivering the [lower end] parcels. And so, there is no, let's say technological improvement, and we are coming to a bottom, to an end in terms of productivity entry. So, we are under pressure. We have to find new measures to cover up increasing costs, and which is shown on the next couple of pages.

Page 20, you can see what we [said, promise] on the capital markets to see what our expectations we have there. In dialogue marketing, we said -- which will be the part of the business which is most affected by the current economic situation. The reason for this electronic substitute and the charging market becomes under pressure because of false budgets from the customer side.

Results for the first half-year is direct marketing is down by 5.9%. It gives a little bit hope that we are clearly outperforming other mediums, for example TV and print, but still at the end of the day we are 6% under, and second, that little light at the end of the tunnel is very effective, the dialogue margins are very effective, certainly in terms of tight marketing budgets, but nonetheless 6% after missing.

In Mail Communication, we said at the beginning of May, that digital substitution is accelerated by economic crisis that was coming out of the first six months. We are down by 4.3%, and the good news is that the parcel business is growing, besides all these problems with the mail order businesses. We gained our chances on the online trade business. So, we are 0.6% above.

Yes, on the next page, page 21, you can see the EBIT reached first half 2008, we had EUR821 million, the personnel factor costs or wage increase was EUR125 million minus volume decreases, closer to EUR115 million and so therefore, the structural effects coming out of the Postbank divests are some allocation topics.

So, without cost management measures, we would end -- we would have entered in this minus 54% (sic - see slides), that means EUR374 million EBIT. The good news is that we were able to compensate a part of these losses. That means EUR183 million by a strict cost management in terms of stock productivity, material cost and driving cost and some other things.



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More so, we are coming out now in the first six months with minus 32%, that means EUR557 million. So, the central message of this page is we had a structural problem besides other economic downturn, discussions with structural problem, and the current or existing instruments in the past are not able to cover us by 100%. So, we have to find new instruments, new measures to cover more in the future.

These EUR180 million we covered in the first half of 2009 were more or less done by cost cutting measures in all functions, and in marketing for example by cutting down the communication cost by 25%, using development cost for IT, for product development. I think our gross general management costs were down by 30% in terms of consulting costs, yes, that was probably on a very, very low level in MAIL, but still now 30% lower.

We finished our -- we are done our measures in delivery, and in operations that means implementing packed bag concept, compact regions I think are good. Anyway, the couple of budget freezes in IT, all the stopped projects, which are not urgently needed in the next 12 months and save the money. What we expect for the year is in total a saving of EUR300 million.

So, we'll go on with these measures in the next six months in terms of sorting, shutting down mail sorting centers for example on selected working days. Transportation, for example the legal prices of continuing -- discontinuing the night airmail network will be established 1st of July. In sales, in terms of introducing a sales performance program. And also, in my team, that means continuing with the task of development costs.

Yes, that's not enough, we believe for the mid and long-term future. So, we developed the program to transform our core business in the next couple of years, not only in operations, but reconfiguring the value chain by thinking about the numbers of new sorting centers, thinking about outsourcing the different functions. But also in discussing things like working time, like wage increase, which is -- what's possible and what is not possibly in terms of flexibility and capitalization of cost.

And in terms of downsizing IT, which is how much IT is really needed for the business, and how can we cut down, for example, the maintenance costs. And at the end of the day, also by restructuring the marketing and the sales organization, in terms of restructuring account management, introducing new incentive schemes, improve product/service portfolio and things like that.

To do all these things, we need a very, very strong communication program. We started that a couple of months ago, it works very well, so that we are in discussion with more or less all employees, a good idea to compensate them about an incentive of these matters.

Yes, on page 24, you can see our last big program, that means we had all these cost cutting measures, which will help us to reduce the costs at the end of the day. It is to be honest not a obvious -- these programs are not a weapon to stop this increase in terms of -- the decrease in terms of volumes.

So, we decided that we want to step into the electronic world, because communication itself is growing, and not in terms of physical communication, but in terms of electronic traffic communication. So, we decided to bring our values in the new communication arena, and development market arena, through the electronic world, and to offer the same values for our customers as they are.

That's what we are testing now for example, and in terms of new communication, we are offering a thing called Letter on the Internet, where we want to test and to find out if the customers really appreciate that and are willing to pay for that by the way, if we can put ourselves at the top of this technological revolution.

Yes, and in parcel on page 25, we also as I mentioned before, in testing, we have a clear positioning as the best parcel service in Germany with what we want to defend, and what you want to expand. That means we have to invest for example in the expansion of the 24/7 access. That means we want to build up a couple of packstations, more from 1,500 at the moment by the end of last year, to 2,400 by the end of 2009.



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So, (inaudible - technical difficulty) of the population Germany is able to reach a packstation within 10 minutes with a car. And of course, the same with 1,000 parcel boxes, which is the yellow post boxes for mail. Look for that. And we are investing in the online business. That means that we are improving the value to end customers by offering website where they can search for special product, which (inaudible) and deliver them to the packstation.

And also, the logic behind it, it's like the best price buying logic, and same with the senders, where we want to implement our software of course into the value chain of the senders or for the business customers, so it is easier for them to use our services.

Finally, we have five learning points coming out of my short presentation. The first one is, we have a structural challenge, a structural problem in MAIL, which has a lot to do with the economic downturn, which is affected by the economic downturn, but it's economic downturn -- we have to deal with structural problems or we have to solve that.

Good thing is we are very, very sharp in terms of making costs, and in terms of avoiding costs, and searching for new revenues. We need [short term], we need the structural transformation in terms of operations, marketing sales and IT, and the last one is, we believe to have stepped into the electronic world to offer our services through the same benefits and the same values we have for our customers.

Thank you so far.

Frank Appel - Deutsche Post AG - CEO, current CFO

Okay, thank you Jurgen. Now, I'm turning and I'm flipping over to page 28 to DHL results and I will make that pretty short. On 28, you see the EXPRESS development. You see that we've reported EBIT still negative. That comes from ongoing restructuring expenses, which we funneled through the P&L.

The underlying is up, and from these -- no, the underlying is flat, but from off this, the underlying EBIT for the US was in the second quarter 2008 minus 225 million, and it's now down to minus 108 million. So, it's a 52% improvement. So, it's from minus 225 million down to minus 108 million, and the respective number for the outside US, you can easily calculate.

So, we are pretty happy with that progress, but that's not the only reason in the US. It's also that we have underlying improvements in the rest of the world from the restructuring measures [Canal] is taking. If you look for the operating cash flow as already mentioned briefly, if you deduct the restructuring expenses were roughly EUR340 million, you see that we had on the operating cash flow, even an improvement year-over-year, as well as we managed the CapEx pretty tight.

So, we went with -- flip to the next page with 29. We are still convinced that on the current achievement, we can deliver the less than \$400 million result in the fourth quarter. The service quality remains at an all time high in the US. We have still more than 50% of the international shipments per day than plants. Restructuring is going on, on plan, and we are on the right track to move from Wilmington to Cincinnati soon.

So, we then go to page 30, where you'll see the numbers for forwarding. As already said, the number went down due to the volume drop, but less on the bottom line than on the revenue line. Operating cash flow is up, that means we are managing our networking capital pretty tight. And therefore, we think it's a pretty good development in global forwarding and freights, still absolute terms down, but I think we are getting more than one traction than we've used in the direct operating expenses.

Supply chain on page 31, I mentioned already that we have a significant hit from a couple year. You see that your operating cash flow is still -- is now positive instead of negative. We are managing pretty much CapEx as well. On the bottom left, you see that our new gains is still on the good track. Second quarter initially is weaker anyway, but we have now achieved EUR550 million, and renewal rate was still very high.



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To see one example I will not get into on page 32. So, coming then to the outlook on page 34, at the moment we assume that we probably have reached the bottom of the volume decline, but we have not seen any clear recovery yet, and we don't expect that, in particular, as we see at the moment prolonged factory closures in the third quarter, and may have to face in addition to customer intolerance, which we don't know yet, but we probably are on the safe side if we consider them.

So, if that all happens, we are nevertheless convinced that we can deliver upon full year in underlying group EBIT of EUR1.2 billion. That means that the second half should be a little bit better than the first half. And we are also confirming what we said already. Due to the positive effect of Postbank, that we will have overall a positive net profit.

So, that's more or less what we wanted to share with you, and now we are more than happy to answer any of your questions. Thank you.

Martin Ziegenbalg - Deutsche Post AG - Head of IR

Okay, thanks Frank and Jurgen, and operator, please start the Q&A sequence.

QUESTIONS AND ANSWERS

Operator

Certainly, thank you, sir. The question-and-answer session will be conducted electronically. (Operator Instructions).

We'll now move to our first question from Robin Byde of HSBC. Please go ahead.

Robin Byde - HSBC - Analyst

Good afternoon, everybody, just two to get going. Firstly, on the full year guidance, the EUR1.2 billion. Is that based on Q2 earnings of EUR257 million or EUR297 million? In other words, are you including Arcandor or not, and should we assume any more one-offs for Arcandor in the second half? And then just secondly, on new business wins, this EUR2 billion of new business. Can you break that out by division or even region? Thank you.

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, so for the EUR1.2 billion, that includes the -- so far a write-down on the Arcandor, so we are assuming on the lower basis, EUR257 million, and not the higher, the EUR297 million. So, yes, we see Arcandor as an underlying item, and not as a one time. It might be an often time, but we see -- you have that happening that you sometimes can't collect the receivables of the customers.

And that is a part of the business you are doing. So, we are only disclosing that to get an understanding of what it is, what this is. We can't exclude at the moment that we have additional impact from Arcandor. Arcandor has not defined yet, and you know what the insolvency restructuring plan will be, and we are watching that carefully.

And we are definitely preparing for different scenarios which I can't share with you at the moment, because we have to listen first to the Arcandor's management, what might happen. So, we have to watch that, and we might see additional things, besides I can't tell you at the moment, because we don't know yet the business plan yet.

The second question --



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Robin Byde - HSBC - Analyst

The business wind.

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, the business wind, the problem is in MAIL -- or the problem in MAIL, we don't win too much new business, because we are still market dominance, so we are keeping -- if I trust what I read in the newspapers about TNT's German business, we are not losing market shares, they are declining the same amount. If I trust the press, but you should ask them yourself, we are not losing market share there.

In EXPRESS, it's much more difficult to judge, because what we do there is definitely working on SME level, and to calculate that, how much that is, is very difficult. So, the dominance of these wins are coming from forwarding, and you have seen the number of supply chain of EUR550 million. So, the majority of the remaining parties of the forwarding business at the moment.

Robin Byde - HSBC - Analyst

Thanks Frank, and can I just asking one follow-up on MAIL? You didn't mention much about the working day adjustments. So, just to clarify, Q2 and H1 generally were a short period, is that correct?

Frank Appel - Deutsche Post AG - CEO, current CFO

You have 2.4 working days less in Germany in the second quarter, yes.

Robin Byde - HSBC - Analyst

And so, in my numbers, the actual mail communication Q2 volumes were down 1.7%, does that sound about right?

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, this is always interesting, because we have avoided to discuss at this point too much, because you have always this discussion due to vacation period whatsoever, we will see it by the end of the year. If that reduction is as strong as you suggested or less we don't know, definitely there is an impact on their communications coming from our working days, which is a positive bet, but also it has a negative means.

We lost 35%, but definitely, hopefully we will see that coming back on the second half, but nobody knows at the moment, and therefore we are a little bit cautious to overstate that maybe the number in there would be better than it's shown at the moment.

Robin Byde - HSBC - Analyst

Well, I guess the key point is the negative 6.4% number is not a true number, is that a fair conclusion?

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, whatever the true number is, there is definitely the impact, you're right. It maybe is overstated in comparison, but whatever the true number is, we live in time of their predictability so limited that we are a little bit cautious not to accelerate -- we are

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saying we lost in the second quarter EUR100 million, we might get something back in the second half when additional working days will come.

But instead of now making a big fuss of that and saying it was better, we say the second quarter was still significantly under pressure. And I think that's the case still. Nevertheless, Jurgen is working hard to mitigate it, it's not just possible.

Jurgen Gerdes - Deutsche Post AG - CEO - MAIL Division

At the moment, the (inaudible) of minus 6.4% is unfortunately true. We know that every -- not every, but a couple of huge transactional customers are working on reducing that, the budget for transaction, mainly in terms of bringing the physical Letter to the Internet, to the online approach.

And that's -- nobody knows at the moment if these algorithms we had in the past, in terms of working days are still working in the future because with economic downturn, that's the problem at the moment. So, an estimation is very, very difficult, and so we are very, very cautious and very defensive in terms of forecasting.

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, so at the moment, the 6.7% are definitely presents -- that is on the conservative side, and not on the optimistic side.

Robin Byde - HSBC - Analyst

Okay, thanks everyone, thank you.

Frank Appel - Deutsche Post AG - CEO, current CFO

You're welcome, Robin.

Operator

Thank you, we now move to our next question from Markus Hesse of Sal. Oppenheim. Please go ahead.

Markus Hesse - Oppenheim Research GMBH - Analyst

Yes, hi, actually I have two questions. The first one is in the presentation, you show the EXPRESS TDI volumes, which go by 9.8% in Q2, a touch lesser than your first quarter. And at the same time, your effort volumes declined a bit more than the market. So, and what we hear is that you and GPS are chasing aggressively for effort volumes that you may use the excess capacity in EXPRESS.

So, basically the question is, in case you're so aggressive in airfreight, why you're performing worse than the market, or do we see these airfreight volumes, which includes into TNT EXPRESS capacity, and the EXPRESS TDI volumes? And then, the second quarter is no longer sequentially proven. If you'd like the first question.

Frank Appel - Deutsche Post AG - CEO, current CFO

No, we -- definitely we are not putting effort into the TDI volumes, these are the TDI volumes. And if you look into the -- first of all, nobody knows yet exactly what the market development has been, but we have definitely analyzed to certain extent airfreight

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through our high exposure to technology and manufacturing. And if you see some numbers of these companies, construction companies as well as -- or construction equipment companies or high tech companies, they are falling much more than some other, other parts.

And therefore, I would say we are at the moment seeing more or less a development in markets, and we are not overly aggressive. Whatever our competitors are saying, we are not overly aggressive. I think we have a terrific platform, and therefore we win business, and sometimes other companies are saying we are overly aggressive because that's the easy excuse.

So, we are not overly aggressive, but we have lost in the Q2. Still, if that's true, and maybe I will say we are more or less inline. If we lost a little bit more, then it comes because we are exposed quite a lot to high tech and construction equipment manufacturing.

Markus Hesse - *Oppenheim Research GMBH - Analyst*

Okay, that's the first question. The second is -- there was obviously some leak to the press from the supervisory board meeting regarding the budget of mail figure of EUR1.38 billion. So, basically let's say, regarding the full year target, let's say the other EBIT line is some EUR380 million, then you need for the full EBIT target of EUR1.2 billion, only EUR200 million of an additional EBIT, and you already generated some EUR130 million thereof in EXPRESS and logistics.

So, going at the same time, Q4 and EXPRESS has the strongest quarter, and in MAIL, you have more than two working days, in addition momentum is stabilizing, how would you call your target? Is that really a worst case scenario, and at the same time, I mean the consensus was rather close to EUR1.4 billion. Would you agree that this could be still kind of a base case scenario, and therefore the EUR1.4 billion regarding the consensus is still doable?

Frank Appel - *Deutsche Post AG - CEO, current CFO*

So, first of all, I'm not commenting on whatever some press is writing about, figures which they got from somewhere. Maybe I'm saying -- I think we take a prudent decision to say this is our best estimate for the remainder of the year, if there is no recovery of economy, and we haven't seen any signs in taking to consideration.

Like we have recognized Arcandor in underlying, we might see additional ones, and beyond that I think it's all speculation. I will not -- I think this is -- if we would now put a worse, worse case scenario in place, then we should call it a worst case. Then, we should not give a guidance, when we can give you any numbers.

I think it's prudent what we did, and we tell you that this is at the moment what you think is achievable, assuming that there is still a some benefit and challenge in the third quarter due to the vacation break, which might be extended in many cases. And the overall environment, which triggers maybe some customer insolvencies later on. So, that's where we are. However, you call that, it's your judgment call, I think it's a prudent guidance we have given to the market today.

Markus Hesse - *Oppenheim Research GMBH - Analyst*

Okay, thank you.

Frank Appel - *Deutsche Post AG - CEO, current CFO*

Thank you.



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Operator

Thank you. We now move to our next question from Menno Sanderse of Morgan Stanley, please go ahead.

Menno Sanderse - Morgan Stanley - Analyst

Yes, good afternoon everybody. Just starting with the MAIL division first. You mentioned the need for structural transformation, and clearly the MAIL division reminds me a little bit of newspapers and yellow pages, and the top line is not moving in the right direction.

Frank, in your experiences in Germany, has there been any people intensive business that has successfully achieved a transformation while they were a listed company? I know they all did it when they were private or run by the government, but as a listed company? You look at telecom, Siemens, Lufthansa, none have really achieved that. So, for what do you think you've put in place to make Deutsche Post the first one to really achieve this structural transformation?

Frank Appel - Deutsche Post AG - CEO, current CFO

First of all, Menno, I would say we have provided that already once. We went through a massive, a massive restructuring of our activities in the '90s, and even the first part of this century. And that lead to these terrific results we have generated in the MAIL divisions. So, I would say we have proved that ourselves.

And to be honest, even now -- and I think even Lufthansa, if you compare this with any other airline, that's not the most attractive industry, but if you compare Lufthansa with other airlines, they are in a pretty good shape I think. So, I think that's another proof. And to be honest, we now, Jurgen and I were pretty much out in the last weeks in the fields, talking to our middle management and our employees.

And I think the message is now at the shop -- reached the shop floor level, people are saying we understand that life is tough and we have to do something going forward. And therefore, we have I think a change in sentiments. That doesn't mean that it will be easy. We've said there's already a big capital market there Menno, that it will not be easy, but I seem very much encouraged by listening to what our employees are telling us.

And if you look at the noise, we gather that combining Monday delivery, which was pretty long, because we got an agreement with the social partner or even shutdown of some assorting centers during the summer period also agreed, and also agreed that we can implement now the new sorting equipment. I think that tells me that we can achieve something.

Definitely, the higher mountain is there to climb, but I'm confident that we can achieve something. And as I said, I think our own history tells us, if you are consistent, straightforward and tell your folks in the organization what is needed, then you get acceptance as well. So, I still feel positive, I mean I feel a little more encouraged if I listen to what my employees tell me.

And I just did the other week a delivery with an employee, and it was not selected by -- we need just the last night's mail or mailwoman, but it was a regular mailwoman, and she was critical about certain aspects, but it was refreshing. I was last week in an assorting center of mail, and parcel delivery and delivery centers, and I could talk to our people. They are pretty smart. They understand what's going on outside, they understand that their dropped security and a decent salary is more important than the number of working hours. Nevertheless, it will be a tough discussion without a doubt.

Menno Sanderse - Morgan Stanley - Analyst

So, if you turn that into -- because obviously in 1990, the company was private, and it could spend any money it wanted, because it didn't really matter because the government owned it. Now, it is a private company. Do you think about your balance sheet,

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which obviously is in excellent shape, and the need for a dividend from shareholders? How much money do you think this structural transformation will absorb? Are we talking billions, a couple of hundred million? Can you give us any scope yet, or is it way too early to talk about these things?

Frank Appel - Deutsche Post AG - CEO, current CFO

I think it's way too early, but I think we only will find a way anyway if we use not natural fluctuation, which we told you already might be up to 20,000 in the upcoming two to three years. That means there is not a significant one time payment, because we don't have to pay massive severance, nevertheless, there will be some retraction cost, but it will not be in billions.

I think we can -- because we -- as you know, we have a time limit to contracts already quite a lot, and we have natural fluctuation anyway. So, I don't anticipate massive restructuring expenses. Nevertheless, if we can accelerate that, then we will definitely invest some money, but I think this is not -- this is very different from the US situation, because we prepared for volume drop somehow.

Nevertheless, we need still some to get productivity up, and that's more of a challenge. How do we get the productivity up, and how do we get less payment per hour? That's the key driver and if we can achieve something there, it will not be billions of money. I don't know the number yet, because that depends very much which way we want to go, and together with the union.

Menno Sanderse - Morgan Stanley - Analyst

Okay, and then two small ones. In terms of, if it's not yet the US, I totally appreciate it, but a point was made that a lot of large mailers are looking for ways to cut their costs, that are trying to switch people to the web. What is the risk at minus 6.4%, adjusted or not adjusted for working days? It becomes minus 12% next year. And not only for you obviously, but also for same situation with TNT, same situation for (inaudible). So, what is the risk in your view that MAIL is going the way of the Yellow Pages and the dodo in a very short period of time?

Frank Appel - Deutsche Post AG - CEO, current CFO

I think we see already a significant impact at the moment in combination with all aspects. If this will accelerate or not, it's very difficult to judge. I don't think so that it will accelerate further, but nobody knows. We have also -- if you look into the details, you'll see some encouraging numbers for our MAIL organization in the parcel development.

We were up in volume 1%, although the insolvency of our Arcandor really happened in the second quarter. I can't tell you how much impact that negatively was, because that's customer sensitive information obviously, but you can imagine that they definitely were not up by 1% in the second quarter.

So, the underlying business is in good shape, and that will lead to additional work for our mail delivery organization, which was cushioned a little bit the downturn. That is encouraging. Second, that's the reason why we are investing in the online metric, because we think the only answer is that we get a share of the juncture instead of sitting here waiting until we shutdown or switch off the lights.

Menno Sanderse - Morgan Stanley - Analyst

Yes, okay, clear. And then finally, also the US is also going very, very well. You're saying \$400 million of losses will be achieved. This year, you're running 50% higher than your base budget was for international volumes. Are you putting the money back into the business to make it stronger, i.e. to be sure that you can sustain that \$400 million or better losses going forward, or do you think \$400 million is really easily achievable?

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Frank Appel - Deutsche Post AG - CEO, current CFO

Menno, I would say we are very happy that we kept more business, and more business means as well that we are still flying to more destinations than we originally planned, and we delivered more cost. I'm very cautious. I'm happy that you say we are very well on track or whatever, very, very well on track. And I like to hear that some so well, but nevertheless I think it's too early.

Let's show assure we will deliver what we have promised for quite a while, and then we can see what we can do in addition. But definitely, Ken and I are ambitious enough that we're not standing in rain or we wait forever. And we will invest definitely in sales, because we see an opportunity, because customers see us as the global player. And also out of the US and inbound US, and that's probably the reason why we kept so much revenue. And therefore, we would like to work on that more internally, instead of giving you guidance to the markets.

Menno Sanderse - Morgan Stanley - Analyst

Understood, thank you very much.

Frank Appel - Deutsche Post AG - CEO, current CFO

Welcome, thank you.

Operator

Thank you, we now move to our next question from Samantha Gleave from Bank of America-Merrill Lynch, please go ahead.

Samantha Gleave - Bank of America-Merrill Lynch - Analyst

Thank you, good afternoon, everyone. I'm just going back to the supply chain business and the weaker result there. I'm excluding Arcandor, can you give us a bit more color on the factors behind the volume declines you're seeing there, and the pressure on margins? Thank you.

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, we see definitely some pressure, and they are small impact, as I said from the real estate sale here or there. That's why the underlying was down somehow, but we can still mitigate the volume drop, which we see in the revenue in these higher single digits. We can significantly mitigate that you take off temporary labor out of these contracts.

So, we still think that this is pretty resilient business, and we will see a stable trend in the second half in that business. Nevertheless, we have to see the half year's figures, where we are, if you include Arcandor, closer to the last year, because there's also impact from Easter this year and last year.

So, overall, we think we can mitigate the volume drop pretty good, and we see in the retail business, and that's threatened a frightening pressure than in some other industries. But overall, we think that we are heading in the right direction. Because in the last year, we had 98 supply chain year-to-date, and now if we exclude Arcandor, we have 83. That's also working the effect there, so I would say we are more or less on a similar, maybe a slightly lower level, but not a significant hit.



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Samantha Gleave - Bank of America-Merrill Lynch - Analyst

If you can, could you just follow-up on EXPRESS? Can you maybe just tell us a bit more about the preparations for the move to Cincinnati, and then sort of any risks that that might involve?

Frank Appel - Deutsche Post AG - CEO, current CFO

I think we have a -- first of all, that's a very different move than the move from Cincinnati to Wilmington, because we are now dealing with much less volume, because the fully automatic (inaudible - background noise), we have run some tests, and the tests were pretty successful. So, I think we are on the right track.

We have enough contingency to mitigate, because the volumes are much smaller, inside we have -- in term, we have in the night is longer than the last time when we moved the big volumes or had a big volume with the traditional sort. So, we are pretty confident that this will work. Our customers are pretty confident as well. I think so far so good, but let's celebrate that if that happens, I think we are on the right track there.

Samantha Gleave - Bank of America-Merrill Lynch - Analyst

Okay, thank you very much.

Frank Appel - Deutsche Post AG - CEO, current CFO

You're welcome.

Martin Ziegenbalg - Deutsche Post AG - Head of IR

Thanks Samantha, the next question please.

Operator

Thank you, our next question now comes from Andy Chu of Deutsche Bank, please go ahead.

Andy Chu - Deutsche Bank Securities - Analyst

Thanks very much, good afternoon, three questions if I may. Firstly, starting with EXPRESS, Frank, I wonder if you could just give us a little bit of flavor what's happening, like geography in terms of EXPRESS, ex the US losses your EUR173 million profits in Q2, that's EUR66 million. So, I just wondered if you could scale by geography sort of Europe, Asia, what you see in terms of transplacement?

Frank Appel - Deutsche Post AG - CEO, current CFO

I think if you log in to -- we are in pretty good in shape in Asia, where we are getting back from a loss to similar levels. Also, International Americas is holding up pretty well, although they have lots of trading with the US. Europe is coming back now, as always that the restructuring expenses are -- not the restructuring, the time before you really see the impact from restructuring, is taking longer.

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So, I think we see overall an improvement in all regions, if I see in the last three months in the trends. So, it's not only one region. Definitely the pace is different, and Europe is always the slowest pace, but we also have seen a trend between April and to June that Europe is coming back on the bottom line as well.

If we got to the training, we don't see too much improvement yet in any regions. It smells like Asia probably will be the first regions coming out. Middle East and Latin America had holded it up anyway pretty well. So, that's why we don't see any specific difference, but I think overall, Asia probably will be of the three major regions. North America, Europe and Asia are the first one who is this year recovering. This at the moment is my gut feeling, but not proven yet by the numbers.

Andy Chu - Deutsche Bank Securities - Analyst

Okay, and then moving back to Arcandor. I appreciate it's quite difficult to give a scenario, you're search about this, the outcome of what the administration is going to say, but could you just maybe paint us a worst case scenario? If you lost all the Arcandor business today, what will that do to your numbers? Are you talking tens of millions of euros lost or you're talking as big as a triple digit?

Frank Appel - Deutsche Post AG - CEO, current CFO

We are talking about -- the question is do we talk about cash or our write-down, non-cash write-down? So, I think we can't give you any number, because we don't know really. The worst case scenario, I don't want to put a number into the world, because I would like to see first what happens. We have some people working there, but the longer it takes to -- the longer they survive, the better it is, because we definitely have contingency plans in place.

We have this two men delivery for quell in, where we have other customers as well who are working in that network, so that we can restructure that network also for [cash tight]. We are not owning the rest of the facilities for cash tight, so that makes life also easier, because we have in these areas quite sizeable other activities to mitigate some of that risk.

So, I don't want to give you any number. There is some risk, but there might be a significant non-cash -- significant, we had a significant impact already. That's a maybe significant non-cash risk, and we can mitigate a significant chunk of the catch related risk. And it improves -- the situation improves every day, because we definitely are working on our own plans, what we can do for people who are working at the moment, who are Arcandor.

Andy Chu - Deutsche Bank Securities - Analyst

Okay, that's clear. And then, just on -- finally on MAIL, just in terms of amount of investment. What sort of investment do you think you might need into the transforming the business, just sort of more online networks in mail and parcels? And just in terms of profitability profile, well, what do you have at this early stage, in terms of your mind, in terms of pricing and cost base?

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, maybe you can answer that, Jurgen. I think -- maybe I'll talk about the investments. We go there a pragmatic approach. We invest limited number until we have seen that the business model is proven. If a business model is proven, and then we get revenues for that, definitely then we have to invest in marketing extension of the platform.

But the IT cost, which is needed for that is not hundreds of millions. At the end of the day, we can stagger that in a way that you only have to invest more money than a couple of millions, if we really see that this business model is working. And therefore, I think that's a pretty much interesting approach, that you can launch something, and we launch it now internally.

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And the cost hourly for launching that already got adjusted in our numbers. We are not talking about hundreds of millions. If it's successful, we definitely have to invest more in marketing and advertising to get a threshold on this platform. That would be more expensive, but that's true -- I won't to say how much that is because I would like to see first the results of the pilots, and then the way to the market.

And maybe Jurgen, you can comment on the pricing for that kind of product, why we think we can earn money with that, as an addition to what I've just said.

Jurgen Gerdes - Deutsche Post AG - CEO - MAIL Division

Well, at the moment I can't tell you what exactly the pricing will be, because we're working on that, on the price scheme and the conditions, and then on the structure of the prices. And there are a couple of possibilities how we can do that. While we are able that customers will take, so that it's very easy to answer because we asked a couple of customers, if they were willing to pay for that in the focus groups, and I said yes, the customers, we believe that first we need these products.

Secondly that you, Deutsche Post, you are the natural owner to bring this service in the market, and certainly we want to pay for that. How much this will be, it's not definitely sure, but we have a feeling for range of upper range and lower range and we will find it out in the next couple of months when we develop. At the moment, we are testing inside with some thousand employees, and the next step will be to make a test with external customers, and then we get a better feeling how much it could be here.

Andy Chu - Deutsche Bank Securities - Analyst

Okay, thank you very much.

Frank Appel - Deutsche Post AG - CEO, current CFO

Welcome.

Operator

Thank you, and we move onto our next question from Damien Brewer of JP Morgan. Please go ahead.

Damien Brewer - JP Morgan - Analyst

I guess good afternoon and thanks for taking the question. I've got two or three questions, and the first one really revolves around the EXPRESS business. I'm just wondering whether you could tell us a little bit more about what happened in terms of weight per shipment, either generally across the business or specifically by regions or product if that's possible? And also, if you could put a little bit more flash on what happened with the day domestic -- sorry, day definite domestic and the time definite domestic volumes, as well as the TDI volumes we have?

Frank Appel - Deutsche Post AG - CEO, current CFO

To be honest, I don't have the numbers in my mind. And although you might ask me now, as the CFO I should know that, I don't know it I'm afraid. And whenever you can follow up that later on. Certain things we don't disclose, so we should -- can get that information later on from Martin if we have disclosed it. So far, we will not disclose additional information right now as I clearly

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mentioned, but I don't have it at heart to be honest. And I'm struggling being the CEO and the CFO, and I'm happy that I can answer most of your questions, but not all I'm afraid.

Martin Ziegenbalg - *Deutsche Post AG - Head of IR*

But Damien, be assured that we're going to report the same scope of data on the EXPRESS volumes that you're used to, but the IR that goes out July 31st. So, that analysis is still being concluded.

Damien Brewer - *JP Morgan - Analyst*

Okay, perfect. There are then just three other questions are burning. First one, in terms of the monthly volume trend, or sorry these quarterly volume trends you have released, are you able to tell us a little bit more about the month to month progression during Q2? Was the decline getting worse or better during that period, in both forwarding and EXPRESS?

For the sake of completeness, the second question I have is just on the MAIL business. A EUR183 million cost saving you've made, is that including or ex any fuel price benefits that will have happened on the year-on-year comparison? And then finally, it helps us to get that feeling at least with the sort of EUR1.2 billion EBIT number that sort of feels somewhat in isolation at the moment.

Could you give us some idea on sort of how you thought about the receivable risk from other clients, and maybe if you have it, what the sort of the age-debtor profile of the business looks like at the moment at the end maybe of Q2 versus a year ago, and whether that's flagging any particular issues or a particular industries to you as potential risk areas? Thank you.

Frank Appel - *Deutsche Post AG - CEO, current CFO*

So, I don't have the precise numbers month by month, but if I recollected somewhere, I think there is not a strong upside trend. It might be a little bit better. The problem is, month by month is very much driven in this quarter, in particular by the different occasions we had. Easter in April, so therefore -- but overall, I would not say that it went up and down again.

I would say that's more like that we are on a slightly positive trend, but not a massive trend. With regard to fuel price savings, I can tell you by heart, I think we are now -- we have not anticipated too much for price savings in the total. And if we talk about -- maybe you could, Martin --

Jurgen Gerdes - *Deutsche Post AG - CEO - MAIL Division*

Savings coming up with fuel price hedging, it's --

Frank Appel - *Deutsche Post AG - CEO, current CFO*

[Martin may now]. Managing here. Yes, so and what was the question around EUR1.2 billion? I already thought about they have our answers. So, would you repeat that?

Damien Brewer - *JP Morgan - Analyst*

Sure, just try and get us a feeling of sort of how you came to EUR1.2 billion and not EUR1.1 billion or EUR1.3 billion? Could you give us a feel about how you've been thinking about the debtors and potential payment risks you have in other parts of the business?

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Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, so on that, we are monitoring the DSO very tight, and also that debt is a lot, man, and I think we have seen now for months a positive trend in reducing the days outstanding. And not having the numbers at hand, I think we have probably recollected matter, and that's the reason why we have a much better networking capital. So, we are monitoring that very carefully. We have that as one of the prime themes on a monthly discussion.

And DSOs went down for quite a while now, and therefore we don't expect to be new. We have a watch with our customers, which I can't share with you obviously, which we discussed on the Board level every month or even meet every other week to get a mitigation of potential negative impact. So, we are watching that very carefully.

How did we come to the EUR1.2 billion? I think we have taken -- we said we have assumed that there will be not too much upside in the second half from the market, and therefore it's probably prudent to say we'll end up with EUR1.2 billion based on the progress we made so far. And there's not a wild or crazy theory behind that. At the moment, we are looking at the different divisions, and what can be achieved in the second half. And that's the basis for the guidance at the end of the day.

Damien Brewer - JP Morgan - Analyst

Okay. Can I just have one quick follow-up, and that is just to get to that, and on those kind of assumptions. Well, what happens with the momentum that one would expect to be building, for example in the index and other cost saving programs?

You're effectively assuming that if there's no improvement in the external market, there would also be correspondingly very little in the way of improvement or added momentum, even year-on-year effects, or the build from the cost savings programs, and the various parts of business, of which EXPRESS seems pretty imminent at the moment.

Frank Appel - Deutsche Post AG - CEO, current CFO

Damien, maybe we answered to that. Definitely, we think we had a good second quarter where we gained momentum, and nevertheless I think we are prudent with what we said. Knowing a little bit our track record in the past, and therefore we can only tell you yes, we were better in the second quarter than the first quarter.

We are taking the right actions at the moment. We don't know what will happen in the second half in the environment, and therefore we think we are on a prudent path if we say we will deliver EUR1.2 billion. But I agree, the second quarter was better than the first quarter without a doubt.

Damien Brewer - JP Morgan - Analyst

That's very clear, thank you very much.

Frank Appel - Deutsche Post AG - CEO, current CFO

You're welcome.

Operator

Thank you, we now take our next question from Axel Funhoff of ING, please go ahead.



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Axel Funhoff - ING Financial Markets - Analyst

Yes, hi good afternoon. I have two more or less follow-up questions. The first one relates to the quite nice sequential turns in the ocean freight division, where you can see two sequential quarters of improvement. I just want to understand, is there -- in your view if there's like an inventory replacement cycle that kicks in or is there any reason from any of your larger customers to be more optimistic than let's say, six months ago?

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, if they trade with us, I would say that this is not only optimism, but it's obviously coming I guess from some prospect in their order pipeline of their sales. I don't think that anybody is preparing now for a major upswing, and therefore saying let's transport more. I think that's the reflection of some of the news -- we have read in the newspapers as well, that people say yes, we have sold more on a quarter-by-quarter improvement. I think that's a reflection, so --

Axel Funhoff - ING Financial Markets - Analyst

I mean, there is no early optimism yet, it's just basically -- it's on a very low level, but with some positive fluctuation essentially?

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, it might even that there is some underlying improvement there, but it's too early to celebrate that. I don't see at the moment that customers are just saying they will be crazy if they said let's just fill the warehouses in Europe, and be west, because the economy will come back soon. I think I would be concerned about that if I am a shareholder of these companies. So, I think we definitely have some emptiness in the pipeline or in the supply chain, because people went down quite enormously with their volumes, so.

Axel Funhoff - ING Financial Markets - Analyst

Let me phrase the question slightly differently. Would it surprise you if you saw some sequential decline again over the next couple of quarters, even on a low level, but if shipments were to sequentially decline, would you be surprised?

Frank Appel - Deutsche Post AG - CEO, current CFO

You asked me now something, you better ask an economist somehow, because there is some speculation about a W recession. Some CEOs I talked to said there might be now recovery, but then it will go down again, and then we will see only the fundamental recovery, because we went pretty much leveraged.

Is that true? It sounds reasonable, but is it right? I don't know. Really, it's very difficult today. One day, you read from World Bank, the economy is coming back. The next day, you read from WGEO, Mr. Delaney, that it will take longer. So, I don't know. How can I be smarter than all these smart people?

Axel Funhoff - ING Financial Markets - Analyst

No, no, I mean that's fair enough. I just wondered whether you may have gotten some early indications of some of your larger customers about future volume trends? But okay, let me get to the second question --

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Frank Appel - Deutsche Post AG - CEO, current CFO

They are -- sorry Axel, they are even more silent. They close their lips to say anything, their future prospect. If they have a better order taken, they don't tell us at all, and that is true for all logistics companies. We are an early indicator, but unfortunately nobody is telling us that. So, we see that only after it happened.

Axel Funhoff - ING Financial Markets - Analyst

No, fair enough. Let me get to the second question. This is really a follow-up question to the question that has been asked earlier. Really need to get back to this. I think specifically [Coon and Nargel] has mentioned that DHL is really aggressively trying to win airfreight capacity by really selling EXPRESS capacity, under your [latest] EXPRESS capacity pretty much with marginal costs, and therefore being significantly cheaper than general market prices.

You were saying earlier that you are not that aggressive, but I just wonder is there any policy in this respect? I mean is the policy maybe just to fill empty capacity at whatever price, or what would be your policy in this respect?

Frank Appel - Deutsche Post AG - CEO, current CFO

No, we don't have to fill empty capacity, because you can't -- how much asset is forward the EXPRESS airlines. It's not -- first of all, we have taken out airplanes as well. So, that's why it's not huge over capacity, particularly in the US due to restructuring, and in Europe, teach our capability to fly [north over], because they have a sophisticated hub, so there is not enormous over capacity.

So, we are not doing that. I think you can test it in two ways. It's very much observed by the top management team of my colleague [Hamen Udier] what's going on with regard to pricing. We think sometimes as well that others are pretty aggressive. I think we are not overly aggressive, but yes, that's obviously a good excuse if you have lost the business, to blame the competitor that he dropped the prices, which are pretty below the market. I think we are not doing this, and we are doing exactly what our capabilities are to leverage our scale.

Axel Funhoff - ING Financial Markets - Analyst

Okay, thanks.

Martin Ziegenbalg - Deutsche Post AG - Head of IR

Thanks Axel.

Operator

Thank you, we now move to our next question from George Gregory of (inaudible). Please go ahead.

George Gregory - - Analyst

Hi there. I just wanted to just clarify one thing. Are you saying that you haven't assumed any impact, cash impact for Arcandor within the EUR1.2 billion guidance or are you simply making a comment on that? Thanks.

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Frank Appel - Deutsche Post AG - CEO, current CFO

I can make -- I talked early about that, and I also have understanding that in the situation we are in, we are cautious to make any statements on that. So, sorry that I can't give you any answer, but we will inform you if we have more transparency. The insolvency administrator will give the guidance on his plan by end of August I think.

George Gregory - Analyst

Okay, thanks.

Martin Ziegenbalg - Deutsche Post AG - Head of IR

Thanks, Gregory, and I think we've got time for one or maybe two further questions.

Operator

Thank you, and now we move onto our next question from Per-Ola Hellgren of LBBW, please go ahead.

Per-Ola Hellgren - LBBW - Analyst

Yes, good afternoon. I had a question regarding the material cost savings, amounting to EUR183 million. Could you break out roughly, if possible, how much of that was pure materials expense, and how much of it was due to staff productivity and consulting costs on the other hand? And in addition, could you give a flavor as to how much of these cost savings are the pure result of your response to the economic downturn, and how much of it is more in the category of pure efficiency gains? Thank you.

Jurgen Gerdes - Deutsche Post AG - CEO - MAIL Division

Sorry, I've not got the exact numbers, but most of that is coming out of the material cost of OpEx, and most of that is not due to the economic downturn, but it's closing of measures is budget freeze, something like that.

Per-Ola Hellgren - LBBW - Analyst

Okay, could you maybe give a couple of examples of materials expense that has been cut in order to achieve the sufficiency gains?

Jurgen Gerdes - Deutsche Post AG - CEO - MAIL Division

For example, the cutting of the communication cost for 25% has nothing to do with economic downturn. Same with the converging costs these IT projects from [Scott] has nothing to do with economic downturn. It's all measures, which are more or less maybe necessary in the long-term future, but not at the moment, so we skipped that.

Per-Ola Hellgren - LBBW - Analyst

Okay, thank you.

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Operator

Thank you, we now move to our next question from Andre Mulder of Kepler. Please go ahead.

Andre Mulder - Kepler Capital Markets - Analyst

Good morning from the mail order side. So far, you've been telling us that you're preparing for a 20% decline in mail volumes, and now you're also saying that MAIL EBIT will be significantly lower in the future. Without mentioning a period, those statements will be rather meaningless. Looking at your competitors, Austria Post is saying that the annual decline will be less than 2%. TNT is going for 6%. You're being a more traditional market, and also looking at the development [from last to gate]. Would you say that your decline will be closer to that of Austria Post, or closer to that of TNT?

Frank Appel - Deutsche Post AG - CEO, current CFO

Well, I don't know, there is some -- it's very difficult. Our market, it overall has less letters per inhabitant than I think Austria and the Netherlands. Therefore, it surprises me that they say these all different things. I don't know the reasons. I think that we might suffer less, because we have less direct mailings than at least TNT.

But I agree that it is not meaningful to you know that, but the problem is, if we knew what will happen in the next two or three years with our volumes, then we would tell you, but nobody can tell us what might the behavior -- how the behavior of customers is changing. And as long as we don't know that, it's extremely difficult to give any guidance.

My -- our fear is, to be honest, that if you have an impact from the economy at the end of the day, people will not come back easily, and we will see then a recovery overall. So, we might see a slowdown in reaction in the next years, but we will not see a recovery from the hit we just got because that is accelerating the restructuring change, which just happened.

Andre Mulder - Kepler Capital Markets - Analyst

You're of course, the market will -- with the market share of 90%, there's -- if any one party would know, you would be the one there. Another question to then.

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, well, sorry, but can you tell me what outcome on the factuals, how much direct mailing they will do in the future, or can you tell me how many people will prefer to get their bills sent by e-mail?

Andre Mulder - Kepler Capital Markets - Analyst

No.

Frank Appel - Deutsche Post AG - CEO, current CFO

Nobody knows that because nobody is answering these questions. Therefore, if we asked our customers, they don't tell us.

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Jurgen Gerdes - Deutsche Post AG - CEO - MAIL Division

I can give you a very interesting example. All the telco companies in Germany are doing whatever they can to put their -- to transform their physical invoices to electronic invoices, to online invoices. And now, when they have done that for, what is it, four or five years, there is a nice discussion about the question if they are losing customer contact. If it makes really sense to switch off these invoice, that means month by month to put it on the internet, and with a price that you have to maybe to find new ways to get in contact with the customers.

And so, maybe there will be a revival of physical invoices on a monthly basis or a quarterly basis, I don't know that. But a couple of questions, how much does it make sense to switch from physical communication to the online communication? So, it's very, very difficult to forecast that, and to really serious estimation about this development.

Andre Mulder - Kepler Capital Markets - Analyst

And then, a question related to this. When do you see margins of MAIL stabilizing?

Frank Appel - Deutsche Post AG - CEO, current CFO

This is a tough question as well. That's a EUR1 billion question. We don't know yet, how much of the revenue would they lose in the next year, and where do we get a platform again? Either 20%, 50%, 70% or maybe 80% of the current volumes and from there -- then again a recovery and a growth in line with GDP.

If that is on 80% of the current volume, it's different then on 20%, and that's the reason why we are saying the workers council and the union, we have to find a way and we have to find an agreement depending on the market development going forward. We have to take more cross-outs if volumes are dropping faster, unless it's -- unless we have some less cost, all these volumes are stabilizing.

So, that's -- but this is unfortunately not predictable. It's very challenging, and that is definitely a challenge for us in the coming location to the market as well as to find the right measures internally.

Andre Mulder - Kepler Capital Markets - Analyst

And then, more so your competitors are mentioning these numbers?

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, but I -- they might mention these numbers, but I don't know where they drew out these numbers from, to be honest.

Andre Mulder - Kepler Capital Markets - Analyst

Other than the -- I think the [DDL fall] answer to such a question would be that they will not compare to majority of their clients or their most important clients with these projections.

Frank Appel - Deutsche Post AG - CEO, current CFO

Not very clear, can you repeat the -- recap a little bit maybe?

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Andre Mulder - Kepler Capital Markets - Analyst

I think that that will -- like TNT. They explained to us that they contacted a lot of their customers to find out what the direction would be, and therefore, they are saying it's now more conservative to go for a 6% decline instead of a 3% to 4% decline that we've seen in the last few years. I think the same would go for Austria Post.

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, we definitely know. The problem is you can ask your customers, and we see at the moment a 5% to 7% reduction. Whatever the customers will tell you, they don't know what they want to do exactly in the future either. So, definitely, what we say as well, there is definitely not a situation at the moment that we will be back to only minus 1% or minus 2%, which we have seen in the past too. And beyond that, I think it's all speculation, even if you talk to your customers.

Andre Mulder - Kepler Capital Markets - Analyst

Okay, fine.

Martin Ziegenbalg - Deutsche Post AG - Head of IR

Okay, thanks Andrew. And to the next question please, if there's any.

Operator

Certainly. We now have a question from Tobias Sittig of MainFirst Bank. Please go ahead.

Tobias Sittig - MainFirst Bank - Analyst

Yes, good afternoon. On the number crunching questions remaining. Firstly, on MAIL, could you give us the staff cost of mail in the second quarter, and secondly on the freight forwarding site you gave on the investor day, gross profits for airfreight and for freight. Is that information you can share with us as well? Thank you.

Frank Appel - Deutsche Post AG - CEO, current CFO

Yes, maybe we it should be as we will give you that in conjunction with the final quarter report where all these numbers will be included if you are fine, because we are a little bit earlier with our report, and you would gather information out of that report, and I hope that you understand that we are not commenting, because as always, until the final report is done, some numbers might slightly change. And I don't want to give you a new number, which has been slightly different in the primary report. Hopefully, you can understand that.

Tobias Sittig - MainFirst Bank - Analyst

Okay.

Jurgen Gerdes - Deutsche Post AG - CEO - MAIL Division

Again to reiterate, we're going to have a full set of data that you're used to in a week's time.

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Tobias Sittig - MainFirst Bank - Analyst

Okay, super, thank you.

Martin Ziegenbalg - Deutsche Post AG - Head of IR

Okay, thanks, Tobias. Any further questions out there?

Operator

We have no further questions at this time sir.

Martin Ziegenbalg - Deutsche Post AG - Head of IR

Okay, well with that, we all want to thank you for your time and your interest, and thanks to Jurgen and Frank, and to talk to you soon. And in the meantime, have a good summer. Bye.

Operator

Thank you. That will conclude today's conference call. Thank you for participation, ladies and gentlemen. You may now disconnect.

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