



## figures at a glance

	1995	1994
Turnover (DM million)	<b>29.824</b>	28.933
Pre-Tax Results (DM million)	<b>553</b>	491
Number on Payroll (at year end)	<b>312.579</b>	336.042
Balance Sheet Total (DM million)	<b>52.064</b>	42.037
Equity Capital (DM million)	<b>12.279</b>	12.161
Capital Expenditure (DM million)	<b>10.131</b>	10.927
Cash-flow (DM million)	<b>2.537</b>	2.578
Investment Ratio % (excluding line investment)	<b>11,9</b>	17,6





<b>List of Contents</b> .....	<b>1</b>
<b>Report of the Supervisory Board</b> .....	<b>2</b>
<b>Foreword by the Supervisory Board Chairman</b> ..	<b>5</b>
<b>Foreword by the Board Chairman</b> .....	<b>6</b>
<b>Composition of Corporate Bodies</b> .....	<b>8</b>
<b>Annual Report</b> .....	<b>10</b>
General Economic Development. ....	12
Developments in Transport Markets .....	12
Trading Developments .....	14
Results .....	16
Manpower .....	18
Capital Expenditure .....	19
Changes with regard to Equity Stakes .....	20
Research and Development .....	22
Board Report on Relations with Affiliates .....	22
Outlook .....	23
<b>Group Organisation</b> .....	<b>24</b>
<b>Reports of the Business Units</b> .....	<b>25</b>
Long-Distance Passenger Traffic .....	26
Local Passenger Traffic .....	32
Passenger Stations. ....	36
Freight Traffic .....	38
Rail Network. ....	40
Railway Construction .....	41
Traction .....	41
Workshops and Depots .....	42
<b>Substantial Investments</b> .....	<b>43</b>
Tourism/Long-Distance Travel .....	44
Local Travel .....	46
Freight Operations .....	48
Services .....	49
Miscellaneous. ....	51
<b>Miscellaneous Information</b> .....	<b>54</b>
Staff .....	54
Research & Development .....	58
Environmental Measures. ....	60
Buying .....	62
Real Estate .....	65
<b>Annual Accounts</b> .....	<b>66</b>
Balance Sheet .....	68
Consolidated Balance Sheet. ....	70
Profit and Loss Account .....	72
Consolidated Profit and Loss Account .....	73
Notes to the Accounts and Consolidated Accounts .....	74

# Report of the Supervisory Board

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Throughout the business year the Supervisory Board has monitored the running of the business and has been actively consulted and received in-depth information on the company's development and all major decisions. At the four rotational meetings with the Board, fundamental questions of business policy and the financial position of the group and of the individual operations were discussed, whilst business items submitted for assessment and consultation in line with legal and company provisions were duly processed. The chairman of the Supervisory Board was in constant touch with the chairman of the Board of Directors and was furnished with information on all major business transactions and decisions.

The annual accounts of DB AG and the group to 31 December 1995 were inspected together with the consolidated annual report for DB AG and the group by auditors C & L Deutsche Revision Aktiengesellschaft, Frankfurt/Main, and endorsed without qualification. All members of the Supervisory Board had access to the auditor's report, which was thoroughly discussed in the presence of the auditors at a meeting of the Supervisory Board on 22 May 1995.

The Supervisory Board has duly scrutinised the annual accounts, the annual report, and the proposal concerning appropriation of the balance sheet profit without finding cause for objection. In accepting the outcome of the audit it sanctions the annual accounts drawn up by the Board of Directors, and these are accordingly adopted. The Supervisory Board endorses the proposal of the Board of Directors concerning appropriation of the balance sheet profit.

The group accounts and annual report, accorded an unqualified audit opinion, were similarly presented to the Supervisory Board and explained by the Board of Directors. The Supervisory Board duly apprised itself of the report by group auditors C & L Deutsche Revision Aktiengesellschaft, Frankfurt/Main.

As of 31 March 1995, Dr Wilhelm Knittel ceased to be a member of the Supervisory Board. The Federal Republic of Germany delegated Mr Hans Jochen Henke to succeed him as from 1 April 1995 and Dr Jürgen Stark to succeed Dr Gert Haller, who left on 31 December 1994, as from 19 May 1995.



The term of office of the first Supervisory Board ended upon completion of the first ordinary general meeting on 31 August 1995. Mrs Erika Albers, Mr Robert Dera and Mr Willi Klussmeier all left the Supervisory Board at this juncture. Messrs Christian Bormann, Norbert Hansen and Lothar Schöte were elected to replace them. All other members were re-elected or else their delegation by the owner was confirmed.

We wish to thank departed members for their input and commendable services to the company.

The mandate of Mr Peter Conrad, who died on 20 December 1995, was assumed on that day by his own choice of replacement, Mr Heinz Hermanns. We shall honour Mr Conrad's memory.

At its constituent meeting on 31 August 1995, the Supervisory Board re-elected Mr Günther Sassmannshausen as its chairman and Mr Rudi Schäfer as his deputy. Mr Adolf Hartmann ceased to be a member of the DB AG Board on 30 April 1995. We would like to take this opportunity to thank him for his services to the company. The Supervisory Board elected Dr Horst Föhr to succeed him as a full Board member and labour-relations director on 1 May 1995.

The Supervisory Board wishes to thank the Board, members of staff, and workforce representatives at DB AG and affiliates for their efforts over the past year.

Berlin, May 1996

On behalf of the Supervisory Board:



Dr Günther Sassmannshausen  
Supervisory Board Chairman







What had begun to be discernible during Deutsche Bahn AG's first year in business has assumed definite shape in the second. The opportunities presented by the rail reform have been recognised and grasped not only by those who bear the main responsibility for the company but also by the vast majority of the company's workforce.

The facts speak for themselves: the past year has seen a marked rise in transport services, greatly improved productivity in some areas, increases in passenger traffic turnover, a new market-driven approach to freight traffic and finally a tripling of the operating result inclusive of interest but not of tax and equity-stake figures.

Sights were firmly set on future success in 1995 with a DM 77 billion investment programme. Of overriding importance here is the DM 51 billion of funding pledged by the Federal government for infrastructural works. This will remove a glaring competitive imbalance – those using the roads, inland waterways, or skies, after all, have not traditionally had to finance their "networks" from their own pockets.

What Deutsche Bahn AG is investing in its track system it is also investing in Germany as a business location. Given the present employment situation, the programme has important short-term benefits. In the medium and long term, however, the benefits engendered by an advanced high-performance rail infrastructure will be more significant still. One upshot of the rail reform is that the German network is now open to any national or international rail company. That means that, for the first time, real competition can occur on the railways, leading to services and products with greater appeal and hence to an increase in traffic on the railways. With Germany so centrally located in Europe, her economic prospects can only be enhanced.

Given the immense macro-economic, strategic, and also ecological significance of this investment scheme, it is imperative that solutions be found that allow scarce budgetary resources to be used more effectively. In strict pursuance of the provisions of budget law, there is a need to ensure this multi-billion investment package can be channelled cost-effectively and flexibly.

Deutsche Bahn is currently investigating ways and means both of funding track expansion in a more enterprise-compatible manner and of putting the existing network to better use.



Dr Günther Sassmannshausen  
Supervisory Board Chairman

## Foreword by the Board Chairman

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Two years on from the rail reform, Deutsche Bahn is well on the way to becoming a modern service enterprise that follows the market. In crucial areas, the all-important decisions have already been taken and our customers are responding warmly to the effects these are having. Just how far-reaching this shift towards following the customer and the market actually is will become clearer and clearer in the years ahead.

The process was initiated by a package of measures designated "AGP 1", an enhancement scheme comprising some 180 individual projects 90 % of which had been concluded by the end of the business year under review. These have necessitated significant investment input. The Board and Supervisory Board accordingly decided to invest approx. DM 26 billion from DB AG's own account up to the year 2000 in new trains, locomotives, passenger coaches and freight wagons, in modernising passenger stations and travel centres, and in sophisticated information and communications technology. These DB AG funded projects are supplemented by DM 51 billion worth of investment in the infrastructure, i.e. the track system, which the Federal government has underwritten either in the form of interest-free loans or construction grants. At the same time, new products and services have been launched by all divisions.

In line with regionalisation policy, responsibility for local services passed to the regions (länder) on 1 January 1996. For the first time, Deutsche Bahn had to compete for contracts with other service providers. The operating division within the com-

pany with the highest turnover has been able to conclude transport contracts with all the länder. The volume of orders is marginally up on last year's figures.

By setting up DBKom Gesellschaft für Telekommunikation mbH & Co. KG, Deutsche Bahn has opened up the way for utilisation of advanced information technology. For the technology-intensive railways, IT is the key to competitive products and services. The reason for adopting a strategic partner from the telecommunications sector is to enable this subsidiary to set up a high-efficiency network and gain a deeper understanding of the market.

Strategic guidelines were evolved for our corporation, the Deutsche Bahn Group, in the year that has ended. The prime objective to which all



else is subordinate is to get more traffic running by rail and at the same time improve cost-effectiveness whilst also making the best use of public funding.

Important areas to which we will address ourselves in the coming years are:

- Increasing productivity by installing leading edge technology, but also by foresaking hierarchical structures in favour of greater process control.
- Expanding international business. Co-operative and joint ventures with other railway companies at European level serve this end.
- Strategic alliances and syndicate enterprises. Deutsche Bahn will enter into partnerships in such areas as help further its prime strategic objective but in which partners can provide know-how to which we do not as yet have access. Such partnerships will, of course, be required to generate additional investment resources.
- Stakes that do not further the prime strategic objective are available for disinvestment.

Two years on from the rail reform it can be stated that Deutsche Bahn AG has set the scene for a renaissance of the railways in Germany. The process of modernisation is being fully and punctually implemented, though further intense efforts will be required from all involved in the years to come.



Heinz Dürr  
Board Chairman

# Composition of Corporate Bodies

## Supervisory Board

Günther Sassmannshausen <i>Supervisory Board Chairman</i> Hanover	Norbert Hansen* Member of the Executive Committee of the German Railworkers Union (GdED) Frankfurt/Main (from 31 Aug 1995)	Roland Kohn Member of Parliament Bonn
Rudi Schäfer* <i>Deputy Supervisory Board Chairman</i> <i>Chairman of the German Railworkers Union (GdED)</i> Frankfurt/Main	Hubert Heil* DB AG Fulda	Dr Hermann Krämer Member of the VEBA AG Board
Erika Albers* DB AG Berlin (to 31 Aug 1995)	Marlies Helling* DB AG Berlin	Helmut Maucher President and delegate of the Nestlé S.A. Board Vevey/Switzerland
Christian Bormann* DB AG Erfurt (from 31 Aug 1995)	Heinz Hermanns* DB AG Cologne (from 20 Dec 1995)	Werner Mössinger* Chairman of the DB AG General Works Council Frankfurt/Main
Niels Lund Chrestensen N. L. Chrestensen GmbH Erfurt	Hans Jochen Henke State Secretary Federal Transport Ministry Bonn (from 1 Apr 1995)	Friedel Neuber Board Chairman of the West- deutsche Landesbank Düsseldorf
Peter Conrad* DB AG Hamburg (to 20 Dec 1995)	Bernhard Ivo* GdED Area Head	Lothar Schote* DB AG Frankfurt/Main (from 31 Aug 1995)
Robert Dera* National Chairman of the Transport Union GDBA Frankfurt/M (to 31 Aug 1995)	Willi Klussmeier* DB AG Essen (to 31 Aug 1995)	Horst Skrzipeitz* DB AG Cologne
Dr Hermann Franz Supervisory Board Chairman Siemens AG Munich	Dr Wilhelm Knittel Permanent Secretary Federal Transport Ministry Bonn (to 31 Mar 1995)	Dr Jürgen Stark Permanent Secretary Federal Finance Ministry Bonn (from 19 May 1995)
	Dr Horst Köhler President of the German Savings Bank and Giro Association Bonn	

\* Workforce representatives



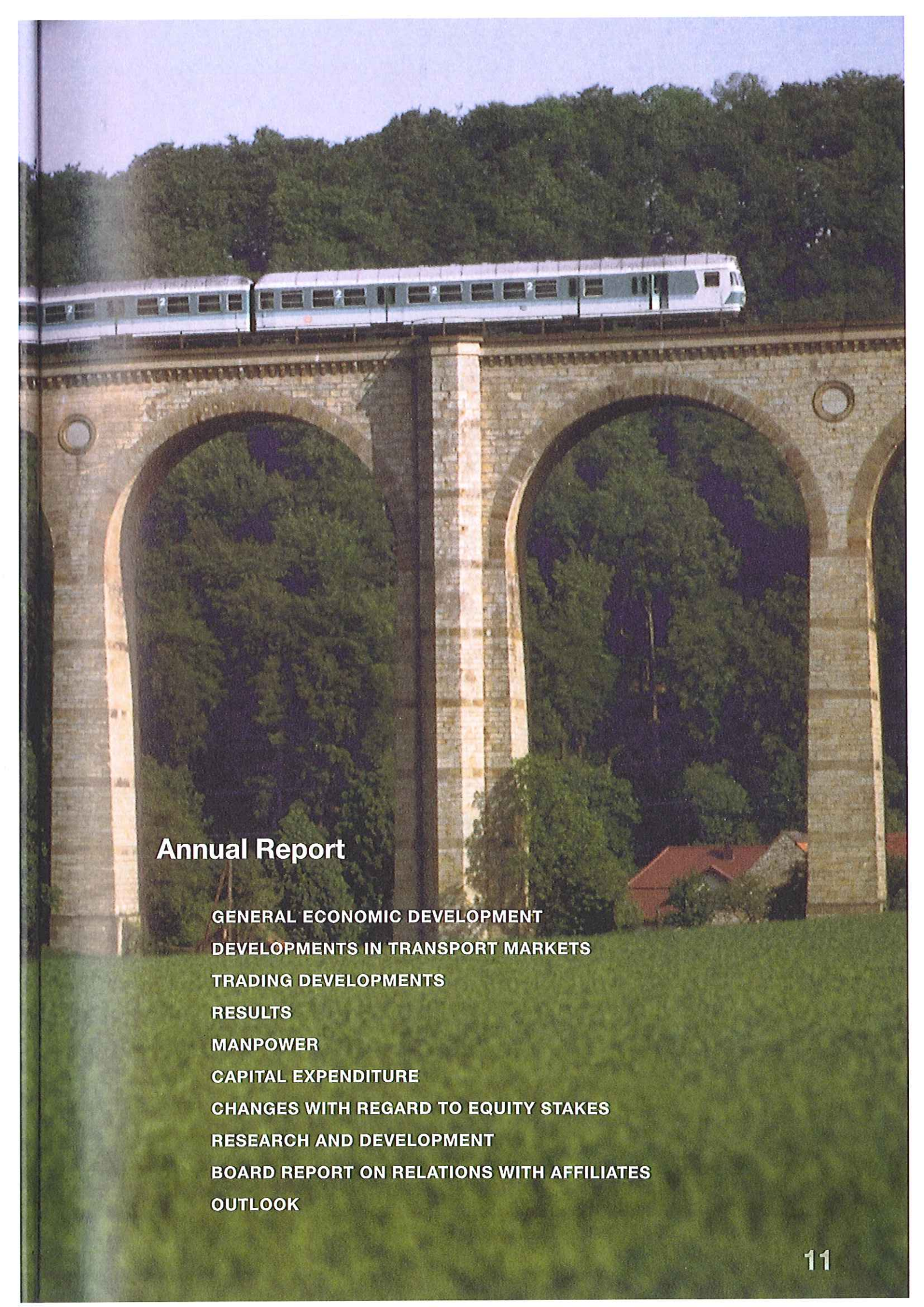
**Board of Directors**

Heinz Dürr <i>Chairman</i>	Klaus Daubertshauser <i>Local Passenger Traffic</i>
Diethelm Sack <i>Finance and Controlling</i>	Dr Eberhard Sinnecker <i>Freight Traffic</i>
Adolf Hartmann (to 30 Apr 1995) <i>Manpower</i>	Peter Münchschwander <i>Track</i>
Dr Horst Föhr (from 1 May 1995) <i>Manpower</i>	Professor Ulf Häusler <i>Track</i>
Peter Reinhardt <i>Real Estate, Legal Affairs, Passenger Stations</i>	Hermann Wolters <i>Traction and Works (to 29 Feb 1996) Works (from 1 Mar 1996)</i>
Roland Heinisch <i>Research and Technology Freight Traffic (to 29 Feb 1996) Traction (from 1 Mar 1996)</i>	Dr Hermann Lenke (to 5 Mar 1996) <i>Deputy Director Group Development and Auditing</i>
Heinz Neuhaus <i>Long-Distance Passenger Traffic</i>	Wolfgang Gemeinhardt <i>Group Purchasing (to 28 Feb 1996 Deputy Director)</i>







A photograph of a high-speed train, possibly a TGV, crossing a large, multi-arched stone viaduct. The train is white with blue accents and is moving from left to right. The viaduct is made of light-colored stone and has several large arches. The background is a lush green valley with dense trees and a small house with a red roof visible in the distance. The sky is a clear, pale blue.

## **Annual Report**

**GENERAL ECONOMIC DEVELOPMENT  
DEVELOPMENTS IN TRANSPORT MARKETS  
TRADING DEVELOPMENTS  
RESULTS  
MANPOWER  
CAPITAL EXPENDITURE  
CHANGES WITH REGARD TO EQUITY STAKES  
RESEARCH AND DEVELOPMENT  
BOARD REPORT ON RELATIONS WITH AFFILIATES  
OUTLOOK**



“Deutsche Bahn's improved products and services will lead to rising traffic performance levels.”

## GENERAL ECONOMIC DEVELOPMENTS

GDP grew by 1.9 per cent in 1995. This represents a marked fall-off, since the figure for 1994 was 2.9 per cent. For the first half-year, growth was on a par with the previous year, but it slowed dramatically in the second half-year. The rate of growth in eastern Germany was 6.3 per cent in 1995 (8.5 per cent in 1994).

The 1994 figure mainly stemmed from exports, which rose by 7.5 per cent. Export growth slowed to 3.7 per cent in 1995, with domestic demand unable to offset the drop in expansion in export markets. Investment in fixed assets rose by 1.8 per cent in 1995 (4.3 per cent in 1994) and private consumption by 1.3 per cent (0.9 per cent in 1994).

Productive output in western Germany was 0.3 per cent down overall on 1994, with December posting a 4.4 per cent fall. Productive output in eastern Germany rose by 10.9 per cent in 1995, but here too the trend was less auspicious in the second half-year. Production of raw steel – a sector with a crucial bearing on Deutsche Bahn's freight operations – rose by 2.3 per cent last year.

Overall economic trends were not such as to produce any notable improvement in the labour market. The unemployment rate fell from 9.6 per cent in 1994 to 9.4 per cent in 1995.

At 1.8 per cent, inflation was fairly modest.

The generally weak state of the German economy in the second half of 1995 has continued into the early months of the current year. Early forecasts of a 2 per cent rise in GDP have been significantly scaled down. Any boost in growth is not expected to occur before the second half of the year.

## DEVELOPMENTS IN TRANSPORT MARKETS

### Passenger Services

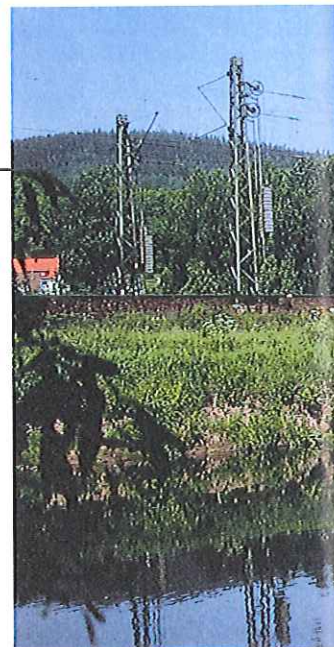
The overall market for passenger services in Germany expanded by 2 per cent in 1995.

The overall rate of growth reflects the increase in leisure traffic, whose share of the "modal split" is in excess of 80 per cent. Empirical analysis of the traffic output of motor vehicles has led to the adoption of a new basis for calculating leisure traffic volumes since 1970. This has produced corresponding shifts in the modal split. Factors stimulating growth in leisure traffic were a 2.9 per cent increase in new car registrations plus a moderate 1 per cent rise in costs.

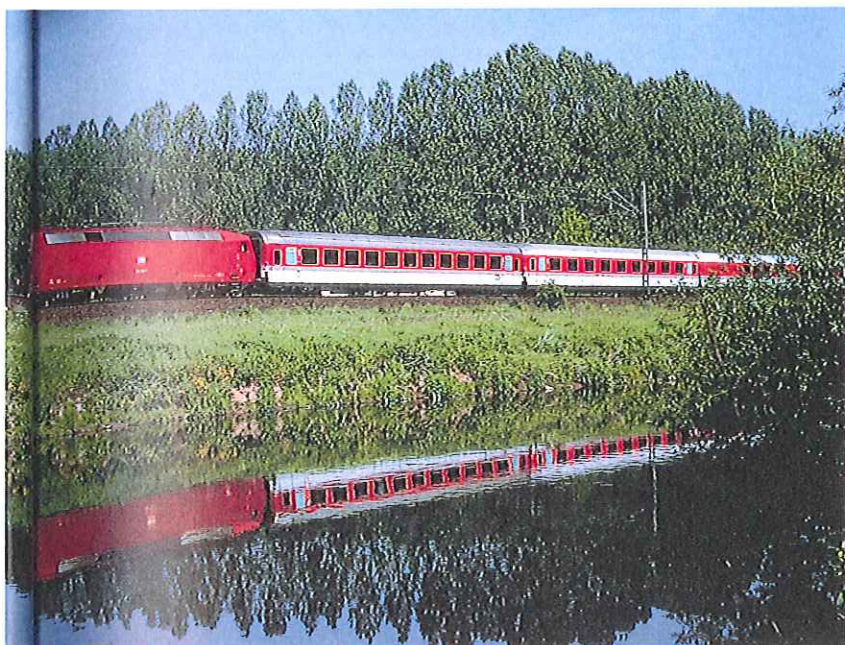
Deutsche Bahn's traffic output (distance covered) grew by 4.8 per cent over 1994 if comparable figures are used. Comparability is obtained by including the figures for the Berlin City Railway, which in actual fact has been an independent concern since 1 January 1995.

Long-distance services expanded by 3.7 per cent, local services by 5.8 per cent. The growth in local services is significantly above that for other local public transport services, which is stated as having been 0.5 per cent in 1995.

The highest rate of growth amongst carriers in 1995 was the 9 per cent or so logged by domestic air travel. Owing to pricing measures dating from 1994, the figure here was higher in the first half-year than in the second. Passenger volumes







rose by 8 per cent to 90 million in 1995, some 16 million of whom were on domestic flights.

Economic institutes are forecasting growth of 1.7 per cent in passenger traffic for 1996. This assumes positive trends in private consumption and the labour market.

Given that expectations of overall economic growth have already been revised downwards, it remains to be seen what increase there will actually be in demand for passenger services. Deutsche Bahn is expecting to increase traffic output on long-distance and local services by 1.6 per cent in the current year by further enhancing its products.

### Freight traffic

Long-distance freight traffic, an important market for Deutsche Bahn, yielded 2.1 per cent more volume

and 3.5 per cent more output in 1995. Growth in road services was up 4.8 and 5.8 per cent respectively and in water-borne services 3.4 and 4.5 per cent. Figures for the inland waterways are extrapolations and will probably need to be revised downwards in the light of economic trends in the second half year and the effects of a harsh winter.

In DB's case, however, the volume and output of freight services were down in 1995, by 2.2 and 1.5 per cent respectively. This was largely due to fall-offs in the amount of coal and lignite conveyed owing to restructuring of the east German energy sector, the decision to switch from rail to belt mechanisms for the conveyance of lignite, and the commissioning of electric steel mills.

Declining production at domestic refineries likewise led to reductions in volume for DB's freight operations. By contrast, there were marked in-

creases in traffic volumes in the coal and steel, construction, chemicals and industrial finished products sectors.

Long-distance freight operations by road and inland waterway were less affected by quasi-structural changes at domestic level, since the domestic downturn was offset by import volumes and the general increase in cross-border traffic.



# Management Report

“Regionalisation of local transport means that the *länder* are now responsible for ordering local services from Deutsche Bahn.”

Assessments as to how demand for long-distance freight services will evolve in the current year presuppose an upward trend in production output. Based on the projected rise in GDP of just under 2 per cent, it had been forecast that volume would increase by 1.3 and performance by 1.8 per cent. With events unfolding as they are, however, this figure will certainly have to be revised downwards. Deutsche Bahn expects its performance in freight operations to reflect overall market trends.

## TRADING DEVELOPMENTS Deutsche Bahn AG

As from the beginning of 1995, the Berlin City Railway and the Usedom Seaside Railway have been independent legal entities. In addition, the general cargo divisions of Deutsche Bahn and Thyssen-Haniel have been merged to form BahnTrans. When comparing the figures for 1995 with those from the previous year, these structural alterations need to be borne in mind.

Deutsche Bahn AG achieved sales totalling DM 23.7 billion in 1995. Taking the structural modifications

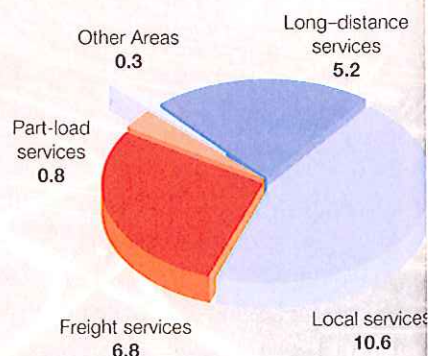
referred to into account, this constitutes an increase of 3.6 per cent on the previous year.

Long-distance services were at an all-time high. At DM 5.2 billion, turnover was 6.4 per cent up on 1994. The main revenue earners are EuroCity/InterCity at DM 1.8 billion, ICE at DM 1.4 billion, and InterRegio at DM 1 billion. Traffic output – measured in passenger kilometres – rose by 3.7 per cent. The biggest rises here were posted by ICE and EC/IC operations. The rate of utilisation of long-distance trains was up 2.5 per cent on average.

Turnover for local services stood at DM 10.6 billion for 1995. Taking the Berlin City Railway and the Usedom Seaside Railway into account, that's a rise of 5.2 per cent on the previous year. Traffic output rose roughly in line with turnover. Six million "Schönes Wochenende" tickets are included in turnover figures; these netted DM 148 million in 1995. Local traffic turnover includes DM 7.2 billion of Federal funding, which was up 4 per cent on 1994 taking account of grants for the Berlin City Railway and the Usedom Seaside Railway. Financial responsibility for the provision of local services passed from national to regional government on 1 January 1996. Funds that have hitherto been made

available to Deutsche Bahn centrally have now been transferred to the *länder*, who in turn order local transport services from Deutsche Bahn. Transport agreements have been concluded with all the regions in the course of this administrative restructuring process.

Deutsche Bahn Sales (DM billion)



Overall Sales 1995: DM 23.7 billion



Sales trends in freight operations were greatly affected by the loss of postal traffic in 1995. The German post office's decision to switch to postal freight centres made a DM 300 million dent in Deutsche Bahn's turnover in this sector. Turnover in conventional and intermodal traffic, by contrast, rose by a total of 2.5 per cent. Overall turnover stood at DM 6.8 billion, down 2.4 per cent on the previous year. Figures were down both in terms of volume (by 2.2 per cent) and distances covered (by 1.5 per cent). Increases in the fields of finished products, chemicals, iron and steel and cross-border services were not sufficient to offset reverses relating to coal, oil products, and building materials.

Turnover in the field of part-load services totalled DM 792 million for 1995. This reflects Deutsche Bahn's productive output as joint operator

of the BahnTrans company formed in concert with Thyssen-Haniel. Comparable turnover was 9.3 per cent down on 1994. As well as a fall-off in volume of about 5 per cent, there was strong downward pressure on prices from competitors.

In other spheres of Deutsche Bahn business, turnover of DM 296 million was achieved. This figure includes station fees and line charges invoiced to the Berlin City Railway.

### Group

Group turnover came to DM 29.8 billion, an increase of 3 per cent on 1994.

In the field of tourism, in which the main players are Deutsches Reisebüro (DER), Bayern Express GmbH (BEX), and AMEROPA, turnover rose by 3.8 per cent to DM 1.8 billion on account of the positive trend in Deutsche Bahn's passenger service operations.

With car and lorry traffic up, the ferry company Deutsche Fährgesellschaft Ostsee was able to increase turnover by 9.7 per cent to DM 206 million.

Another favourable development was the 9 per cent improvement to DM 85 million by Deutsche Touring (DTG).



## Management Report

The turnover of the regional bus companies stood at about DM 2 billion in 1995, an increase of 3.4 per cent on 1994.

MITROPA group sales fell by 1.5 per cent from DM 782 million in 1994 to DM 770 million in 1995. "On-Board Service" was able to record significant increases, but "Station Service" and "Roadside Service" fell back partly because of structural alterations in the Group.

The Group's freight service companies produced figures comparable to those of DB's freight operations. Volume turnover stood at DM 900 million, down 7.6 per cent on the previous year.

### RESULTS

#### Deutsche Bahn AG

Deutsche Bahn AG's operating results are significantly up on 1994. Allowing for interest, they rose from DM 90 million in 1994 to DM 293 million in 1995. Income from affiliates fell from DM 400 million in 1994 to DM 97 million in 1995. It is important to note here that proceeds were forthcoming the previous year that did not belong to the accounting period under review.

Deutsche Bahn AG's overall performance rose by 5.5 per cent to DM 27.5 billion in 1995. This figure does not take account of the spin-off of the Berlin City Railway and the Usedom Seaside Railway or the transfer of general cargo operations to the joint enterprise BahnTrans. The improvement in overall performance stems from company-produced additions to plant and equipment. But these are largely a result of changes in coverage procedures. Outlay on materials has risen by a corresponding amount.

Higher rent and lease receipts at passenger stations and the like have, together with the sale of power to the Berlin City Railway, led to increases in other income.

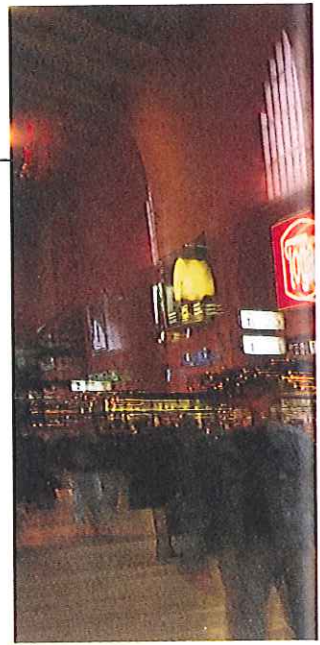
The expenses section reveals an increase on the previous year of 5 per cent. But this also reflects changes in coverage procedures for company-produced additions to plant and equipment.

Offset against outlay are federal contributions towards modernising the outdated engineering and organisational structures of the former Deutsche Reichsbahn. As contractually stipulated, these grants fall in value annually and will be phased out altogether in 2002. The reduction for 1995 amounted to DM 667

million. Taking the points outlined into account, costs were reduced by about 2 per cent or DM 600 million.

82 per cent of total disbursements involved outlay on materials and manpower.

Outlay on materials rose by 16.4 per cent from DM 7.2 billion in 1994 to DM 8.4 billion in 1995. Taking into account the changes in coverage procedures for company-produced additions to plant and equipment and the drop in federal funding to cover the high outlay on materials in eastern Germany, items relating to material used fell 5.6 per cent compared to 1994. Staff outlay stood at DM 16.5 billion in 1995, 6.1 per cent down on 1994. The average workforce total has fallen by about 10 per cent, from 327,075 to 294,911. It needs to be borne in mind, though,







**“** Higher rent and lease receipts from passenger stations have led to increases in Other Income. **”**

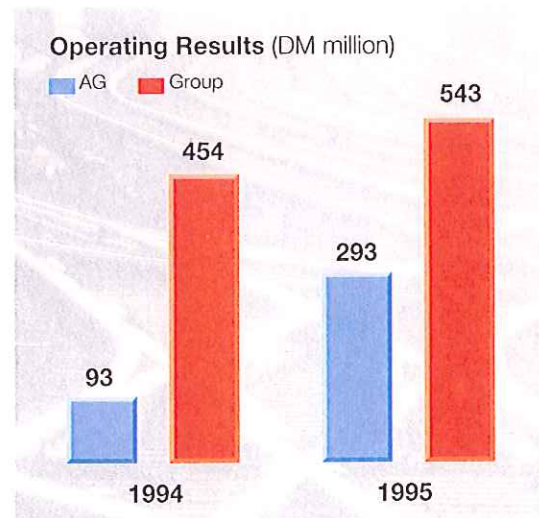
Other expenditure has risen by about DM 1.1 billion or 45 per cent compared to the previous year. This is largely accounted for by contingency reserves and, for the first time, municipal trade capital tax.

that the Berlin City Railway with some 3,600 employees and the Usedom Seaside Railway with around 100 are now independent entities and hence entered under Group. Relocation of part-load business into the joint enterprise Bahn-Trans has involved adjustments in Deutsche Bahn staffing levels of about 400.

The next stages in the restructuring of Deutsche Bahn will primarily involve three factors, viz. raising traffic performance, easing the investment backlog, and increasing productivity. These measures will necessitate considerable expenditure in subsequent years, notably with regard to staffing costs. The balance sheet again discloses appropriate provisions to cover this.

Traffic performance per mean employee rose by about 12 per cent in 1995; over the past two years productivity has grown by 43 per cent.

There was considerable capital expenditure both in 1994 and 1995. Allowing for construction grants, acquisition of fixed assets ran to approx. DM 9.5 billion in both years, mainly to continue making good the dearth of investment inherited in eastern Germany. The volume of investment has led to rising depreciation allowances. These totalled DM 1.8 billion in 1995, an increase of 17.2 per cent on 1994.



# Management Report

“Line renewal –  
setting our sights on the future.”

After tax, Deutsche Bahn AG discloses an annual surplus of DM 181 million for 1995; in 1994 the figure was DM 180 million.

## Group

The Group's pre-tax profits rose from DM 491 million in 1994 to DM 553 million in 1995, an increase of around 13 per cent. It should be noted here that the 1994 figure reflects sales of equity stakes totalling DM 70 million. Central to the improved Group results are developments at Deutsche Bahn AG.

There were favourable developments with regard to the bus companies, service provision, and miscellaneous companies. Losses in some areas of freight operations were reduced, providing the prospect of balanced results in the current year. The Group's involvement in tourism and long-distance travel is producing consistently impressive results.



## MANPOWER

### Deutsche Bahn AG

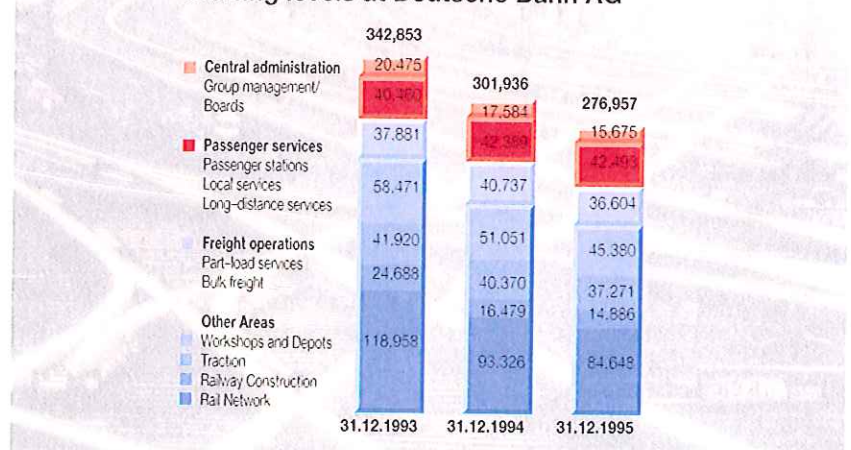
There were 276,957 staff employed at Deutsche Bahn AG on 31 December 1995. This is 8.3 per cent down on the figure for 1 January 1995 (which already takes account of the spin-offs of the Berlin City Railway and the Usedom Seaside Railway).

At year end there were 17,887 apprentices, a training ratio of 6.5 per cent.

## Group

The number of staff employed by the Group fell from 336,042 on 1 January 1995 to 312,579 on 31 December 1995, a drop of 7 per cent. In tourism, local service and service provision, workforce

Staffing levels at Deutsche Bahn AG







numbers have increased, partly because of acquisitions by Deutsche Bahn AG. On average 331,774 staff were employed by the Group throughout the year, a drop of 6.7 per cent on 1994.

### **CAPITAL EXPENDITURE**

Gross investment by Deutsche Bahn AG totalled DM 13.9 billion, 2 per cent up on the previous year. Acquisitions of fixed assets for the network rose by approx. 12 per cent to DM 10.5 billion here. These acquisitions were extensively funded by interest-free loans from central government totalling DM 4.8 billion, construction grants amounting to DM 4.1 billion and directly accountable as tangible fixed assets, and resources provided for in the Local

Transport Finance Act. The construction grants from central government have the purpose of making good the dearth of investment inherited in eastern Germany and are due to be phased out by 2002.

DM 3.4 billion was invested in other areas. This significantly involved procurement of passenger vehicles. Expenditure on passenger stations rose approx. 39 per cent to DM 283 million. Important information technology projects were initiated for freight operations and central administration. Further investment was devoted to fitting locomotives out and modernisation schemes in the maintenance facilities.

Deutsche Bahn was again one industry's major clients in 1995. It bought goods to the tune of DM 21.5 billion. Roughly a third of orders went to companies in eastern Ger-

many. SMEs were involved in approx. 55 per cent of orders made.

Investment, especially in transport sectors, was financed by a cash flow totalling DM 2.0 billion, resources from the capital market totalling DM 1.0 billion, and to a lesser extent monies provided for in the Local Transport Finance Act.

Accruals in the financial assets section came to DM 562.3 million taking account of the formation of the Berlin City Railway as a company on the basis of non-cash contributions. Further accruals concern the raising of stakes in Deutsches Reisebüro and the stake taken in BahnTrans.

Acquisitions of tangible fixed assets by the Group came to DM 10.1 billion, more than 90 per cent of which was accounted by Deutsche Bahn AG.



“Modern trains necessitate  
investment in maintenance facilities”



## CHANGES WITH REGARD TO EQUITY STAKES

The Group has the strategic objective of becoming a comprehensive service provider in the transport sector. The cornerstones of this strategy are as follows:

- to bring more traffic onto the railways
- to radically adapt to the customer
- to raise productivity
- thoroughgoing investment

This overall objective also informs policy with regard to equity stakes. On 31 December 1995, the Group comprised Deutsche Bahn AG plus 160 fully consolidated enterprises and 69 associated enterprises.

With commercial effect from 1 January 1995, the holding company Deutsche Bahn Beteiligungsgesellschaft mbH (DBH) was commuted to Deutsche Bahn AG. In this way, equity stakes are directly managed by the parent company and more closely interwoven with Deutsche Bahn business.

DB Group attaches particular significance to stakes in travel agencies

with a view to acquiring sales operations and to further opening up the tourist sector to long-distance rail travel. In this spirit, the stake in Deutsches Reisebüro (DER) was raised from 50.1 to 66.8 per cent last year. Federal Railway Property took a stake in Bayern Express in Berlin, making Deutsche Bahn AG 100 per cent shareholder. The arm of Amtliches Bayerisches Reisebüro (abr) required for operations was incorporated into DER; the arm not so required is being run as an independent stake at Deutsche Bahn AG. A number of corrective adjustments were made within the DER group in the form of amalgamations.

With commercial effect from 1 January 1996, shipping services on Lake Constance are being separated from Deutsche Bahn AG and run in an independent capacity. This will facilitate their targeted further development and enable the operators to enter into co-operative ventures etc.

Together with Deutsche Post AG, Deutsche Bahn AG has equity stakes in five regional bus companies under the umbrella of Vereinigte Bundesverkehrsbetriebe GmbH in Cologne (VBG). Deutsche Bahn's stake stands at 53, Deutsche Post's

at 47 per cent. VBG stakes in regional bus companies at Cologne and Hanover were sold. The company in Kiel was taken over by Bahnbus-Holding GmbH, a wholly-owned subsidiary of Deutsche Bahn AG. The stake in Segeberg transport operators was also disposed of.

With financial and operational responsibility for local services being "regionalised", it is imperative that Deutsche Bahn AG adjust to this new state of affairs both in terms of organisation and how it structures its products. The setting up of train-and-bus companies in Schleswig-Holstein and Baden-Württemberg is a step in this direction, addressing as it does the demand for composite solutions in such regions.





With commercial effect from 1 January 1995, the Berlin City Railway and the Usedom Seaside Railway were separated out from local transport operations. Business developments at both companies in 1995 show that this was a necessary step in adapting activities to the regional market.

Deutsche Bahn AG took a limited-partner stake of DM 1 million in German industry's EXPO holding company.

In the services sphere, stakes in cleaning companies were united under Deutsche Verkehrsdienstleistungs- und Management GmbH (DVM), their number being reduced by four through mergers.

In the freight service sector, the partners Thyssen-Haniel and Deutsche Bahn AG raised the Bahn-Trans company's capital stock. 100 per cent of shares in Zehlendorfer Eisenbahn- und Hafengesellschaft mbH in Berlin were acquired by Deutsche Bahn AG in December 1995.

1995 saw the establishment of DBKom Gesellschaft für Telekommunikation mbH & Co. KG. As from 1996, this company is providing telecommunication services for Deutsche Bahn AG. The plan is to extend this service to third parties in a joint venture initiative.

The stake of around 36 per cent in Deutsche Verkehrs Leasing GmbH (DVL) was disposed of as was the remaining 25 per cent stake in Partner für Fahrzeugausstattung GmbH

(PFA). The comparatively small stake in DEPFA was sold in early 1996. These were corrective adjustments to the equity stake portfolio called for by overall strategic policy.

Deutsche Bahn AG aims to make optimum use of its real estate resources. The newly established wholly-owned subsidiary Deutsche Bahn Immobilien GmbH (DBImm) has been entrusted with implementing this objective. No transfer of property is involved. DB property is currently in central government or Deutsche Bahn hands. By way of compromise, a framework is to be drawn up between the two ensuring specific immovables that remain state property can be turned to account by a private enterprise organisation. Should such an agreement be reached, Deutsche Bahn is prepared to participate in the organisation as a company.



# Management Report

Of the new routes currently being built and planned the Cologne-Rhine/Main link is of notable significance. Timely completion of this project can gain the railways considerable additional traffic volume. Accordingly, Deutsche Bahn AG has set up its own company to see the project through both the planning and construction stages. A form of private funding will be used for expansion work on the Nuremberg–Ingolstadt–Munich line. Preliminary financing of construction costs including bridging loans will be borne by Deutsche Bahn AG. Once the line has been commissioned, servicing of the requisite debt financing will be assumed by central government and the financing procedure generally adopted by the State and Deutsche Bahn for line investment will take effect. It is envisaged conducting preliminary financing through a DB project company.

## RESEARCH AND DEVELOPMENT

R & D activities were intensified in targeted areas. Work continued on developing and testing systems designed to enhance the noise, weight, and running properties of trains.



These included:

- testing new components for the ICE 2
- designing a testing assembly for high-speed engineering
- helping draw up a uniform European operating safety system
- working on new engineering for a flexible freight train system

## BOARD REPORT ON RELATIONS WITH AFFILIATES

The Federal Republic of Germany owns all shares in Deutsche Bahn AG. Pursuant to Section 312 Stock Corporation Act, the Deutsche Bahn Board has thus drawn up a report on relations with affiliates that concludes with the following declaration:

"We hereby declare that, based on the circumstances known to us at the time of any given transaction, our company received a fitting return on all transactions. During the year under review, no measures were taken or not taken at the behest of or on behalf of central government or companies associated therewith."



“ Slab Track –  
improves customer comfort,  
reduces maintenance costs ”

a greater volume of expenditure than last year. Funding for network projects will also be underwritten by DB AG resources.

The planned expansion of DBKom will be a prominent undertaking in the stakes sphere.

The Group's results are dependent on overall economic trends. Much effort will go into further improving Deutsche Bahn's operating results.

## OUTLOOK

Economic trends in Germany for the current year now look set to be muted. Expert forecasts from last year have already been withdrawn. Crucial items such as production in manufacturing industry, raw steel production, and available income trends mean above-average growth rates in transport markets are unlikely. Deutsche Bahn is nevertheless expecting increases in both long and short-distance passenger traffic. This is posited on product and service enhancements in these areas leading to rising traffic output. It must be assumed that the overall volume of freight services, by contrast, will continue to fall. This will lead to a further exacerbation of the pricing situation. The main sales increases for the Group are expected

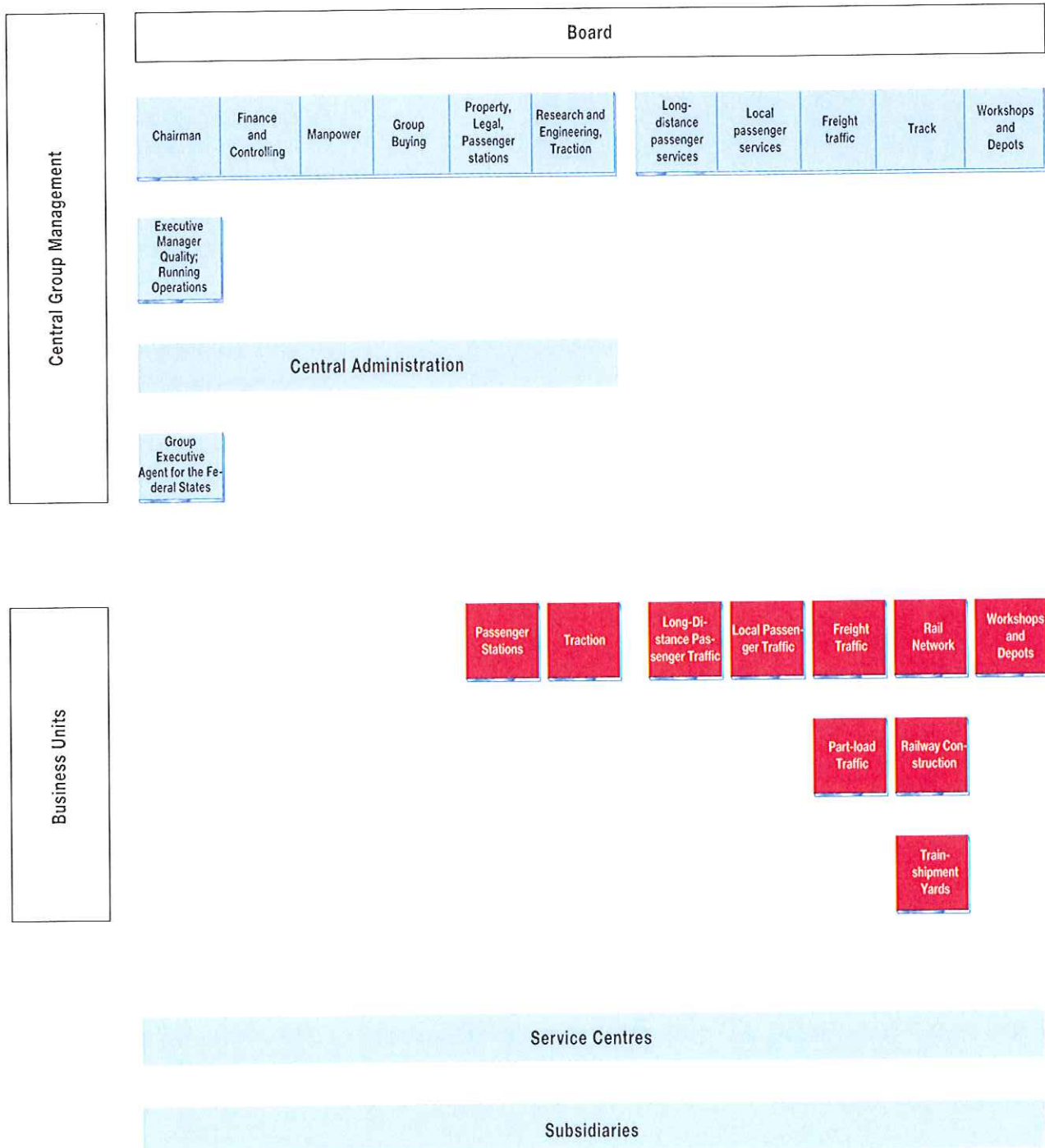
in tourism. Overall, the assumption is that Group turnover will display modest growth in the current year.

Further progress will be made along the route to increased productivity embarked upon over the past two years. Attempts are being made in negotiations with trade unions and workforce representatives to implement the requisite measures with no undue loss of jobs. This can only succeed if existing regulations are made flexible use of.

Improvements in products and productivity go hand in hand with the appropriate investment programmes. The Group's investment activity will be of at least the same order as for 1995 in the current year. Indeed, traffic operations will receive



# Group Organisation







Gleis	Abfahrt 12 38	
13	ICE	Hannover Kassel-Wilhelmshöhe
	Frankfurt (M) München	
	ZÜRICH HB	ICE 77

## Business Units

PASSENGER TRAFFIC  
LONG-DISTANCE PASSENGER TRAFFIC  
LOCAL PASSENGER TRAFFIC  
PASSENGER STATIONS

FREIGHT TRAFFIC  
RAIL NETWORK  
RAILWAY CONSTRUCTION  
TRACTION  
WORKSHOPS AND DEPOTS



# Business Units

“ New ICE trains and track expansion will considerably reduce travel times on long-distance routes ”

## PASSENGER TRAFFIC

*Deutsche Bahn AG's traffic output grew by 3.7 per cent to 31 billion passenger kilometres for long-distance services and by 7.7 per cent to approx. 30 billion passenger kilometres for shorter-distance travel. The company thus defended its share of the passenger traffic market. At the same time its future potential has been significantly strengthened by the wide-ranging introduction of new types of vehicle, inauguration of new routes, electrification, thoroughgoing modernisation of stations, and the provision of a wide variety of new service facilities for customers.*

### LONG-DISTANCE PASSENGER TRAFFIC Market

Long-distance services generated turnover of DM 5,171 million (up 6.4 per cent).

Traffic output rose to roughly 31 billion passenger kilometres (up 3.7 per cent). DB thus managed to retain its share of an expanding passenger traffic market.

All daytime transport products contributed to the positive development in turnover and traffic output. The ICE/EC/IC product group, for instance, posted an 8 per cent increase, 4.4 per cent of this being attributable to ICE alone – and that from a very high previous year base. This superlative product yielded turnover of more than DM 1.4 billion, which represents approx. 28 per cent of overall long-distance traffic turnover.

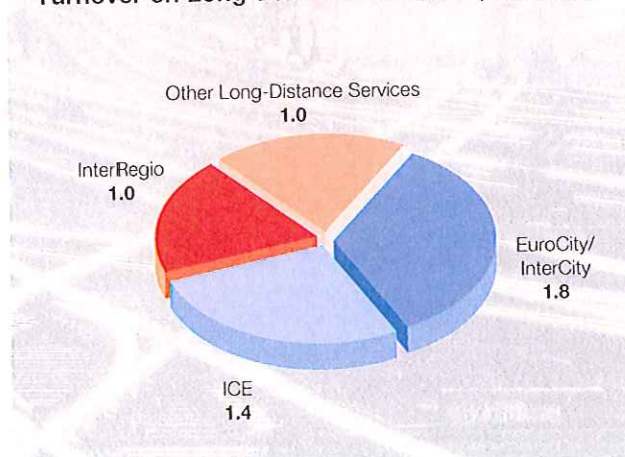
InterRegio services (plus the few remaining fast daytime D-Zug services) yielded turnover up 9 per cent to about DM 1 billion; traffic output rose 2 per cent to approx. 7.3 billion pkm.

Results for night-time travel were slightly down on the previous year but still stood at just under DM 500 million. The transfer of some lines to D.A.CH-Hotelzug AG made itself felt here. The InterCityNight service comprising hotel trains running between Berlin and Bonn and Berlin and Munich produced approx. DM 24 million of the turnover from night-time traffic.

### Offers and Schemes

Long-distance services profited from the completion of important infrastructural projects in the course of the year under review, notably line reconstruction and improvement and the electrification of important

Turnover on Long-Distance Services (DM billion)







trunk routes in eastern Germany as part of the German Unification transport project scheme.

Reconstruction and electrification of the Bebra-Erfurt line and recommissioning of the "Berlin Bend" bypassing Bebra meant InterCity travel times between Leipzig and Frankfurt could be reduced to about three and a half hours and the InterRegio trip from Kassel to Erfurt to about an hour and a half.

By installing double track along the entire Saale Valley line and electrifying it, it has been possible to cut travel times for the IC 8 service between Leipzig and Nuremberg from four and a half hours to three hours 40 minutes.

Towards the end of the year renovation work on the Berlin-to-Magdeburg line was also completed. Potsdam has been fully integrated into the ICE 6 route, and all ICE and IC trains between Magdeburg and Berlin now run along the reconstructed direct line.

Electrified services came into operation in Schleswig-Holstein between Hamburg and Kiel, bringing the towns of Kiel and Neumünster into the ICE network. Travel times to and from Kiel have been cut by 40 minutes.

Running times on the ICE route between Hamburg, Frankfurt, and Basle have been reduced by about 15 minutes by a combination of timetable engineering and full exploitation of ICE's top speed of 280 km/h on the stretch between Hanover and Fulda. As a result, im-

portant connections from Basle into the rest of Switzerland and on into Italy can now be made.

32 coaches were redesigned for IC/EC services. There are orders for the same work to be carried out on a further 117 vehicles, with the process also set to continue beyond that.

Expansion of the InterRegio network was concluded in the year under review, seven years after its inception. 424 trains serve 324 stations on 24 lines – an attractive long-distance rail product that takes in virtually the entire network.



## Business Units

“ Non-cash purchase of tickets, seat reservation up to the point of departure, mobile terminals on the train – service and comfort enhanced by electronics. ”

Increasingly, InterRegio routes are being extended into networks abroad. The IR 12 service between Hanover and Flensburg, for instance, now includes two trains that run on to Frederikshavn and Aarhus in Denmark and back.

The number of night-time passenger trains running in the 1995/95 timetable period fell by 10 to 142. This was due to conversion of the Dortmund–Vienna and Hamburg–Zurich routes into hotel train services run by D.A.CH-Hotelzug GmbH, a joint venture involving DB and the Swiss and Austrian railways.

Having successfully inaugurated the InterCityNight hotel train service on the Berlin–Munich and Berlin–Bonn routes, DB has ordered further vehicles for a similar service between Hamburg and Munich.

Domestic motorail services conveyed 295,614 passengers (up 18 per cent) and 123,446 vehicles (up 25 per cent) in the year under review. This positive development was brought about by price reductions in the upper bracket, daily motor-car

conveyance in InterCityNight trains, and the "Rolling Restaurant" service between Berlin and Lehrte near Hanover.

In the burgeoning tourist travel sector, the stage is set for a "renaissance of railway touring". A Tourist Train developed and built in just eleven months was unveiled on 9 October. Comprising seven air-conditioned coaches, two party travel coaches, and a luggage van, this unit also stands out on account of its distinctively vivacious design. It will initially be chartered to societies, tour operators, associations, clubs, and companies. Its home base is Dortmund.

The market responded eagerly to this new product, and it has already been decided to procure a second such train. This will be stationed in the southern German area to cut out excessively long non-remunerative running.

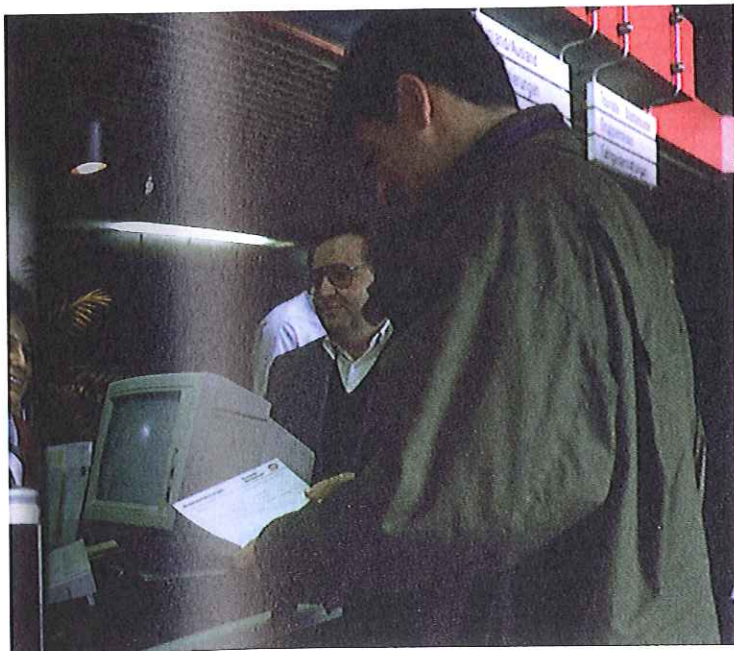
A start was also made on modernising couchette cars deployed in the holiday express trains run by tour operators.

The KurierGepäck scheme introduced in 1994 and featuring door-to-door luggage conveyance by the EMS company attained the requisite degree of reliability after initial prob-

lems, with demand firming up at a moderate level. By relaying sales data to the service partner and deploying an early warning system for periods of peak demand such as the high season and school and bank holidays, problems were kept in check. Turnover rose by more than 20 per cent in line with expectations.

In tandem with this, Deutsche Post's PostGepäck scheme was launched on 20 November 1995, for which DB has sole distribution rights. It was demonstrated that this lower-cost scheme – customers take their own luggage to the post office – was taken up by a different group of customers and "market cannibalisation" did not significantly occur.





The business travel sector was buoyant. Proceeds from the traditional bulk rate subscription scheme rose by a double-digit percentage figure. Turnover on network pass schemes rose by just under 10 per cent.

All InterRegio trains feature one or more special compartments for bicycles. Similarly, some InterCity and EuroCity trains on particularly high-use routes run with bicycle compartments or cars – seasonally in some cases. Over 50 per cent of long-distance trains now have facilities for bicycles. The number of bicycles conveyed rose by 22 per cent in the year under review, and further expansion of the service is envisaged.

### **Price Management**

After two years without adjusting fares, DB did effect some increases on 1 February of the year under review. The basic fare per kilometre rose by just one pfennig from 24 to 25 pfennigs in west Germany (up

4.17 per cent), whilst in east Germany the existing 30 per cent concession was reduced to 20 per cent. Basic fares for ICE services were increased by 4.1 per cent, those for more heavily used routes by more.

A new seat reservation system was introduced on 1 February. Available seats can be booked at the boarding station up to shortly before departure. If a ticket is purchased there, the service costs DM 3, if not it costs DM 9.

Piloted in 1994, the Guten-Abend-Ticket was fully introduced in 1995. To enable periods of peak demand to be better dealt with, prices have been raised and a surcharge added for bank holidays and Sundays. Over a million passengers took the scheme up in 1995.



“ Hotel train coaches are a comfortable alternative to traditional sleepers. ”

The TwenTicket scheme for the young hitherto available from tour operators has been directly marketed by DB and the other European railways since the middle of the year under review. The offer of unlimited travel within Germany has proved exceedingly popular.

Deutsche Bahn and the Austrian railways fared well with their "Sparpreis Österreich" test scheme. Income on DB tickets to Austria rose by 68 per cent on the previous year.

Sales of the BahnCard were marginally down on the previous year. Despite unchanged prices, however, turnover was still up 2.7 per cent. Total turnover relating to BahnCard customers using long-distance services touched DM 1.5 billion, up 10 per cent.

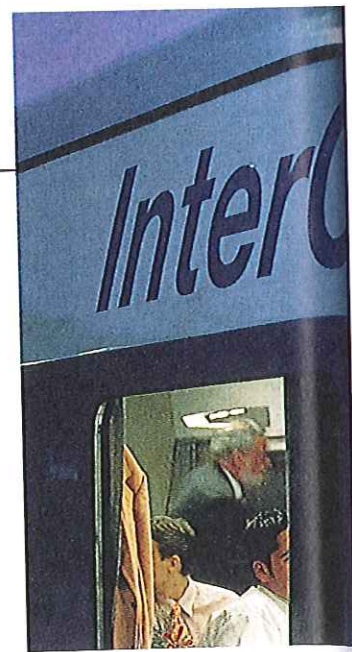
### Strategies

Completion of accelerated expansion and renewal work on the Berlin-to-Hamburg line – German Unification transport project No. 2 – will enjoy particular priority in the long-dis-

tance division. Line working necessitated the scheduled travel time from Berlin to Hamburg being extended from two hours 59 minutes to three hours 40 minutes in the 1995/96 timetable period. In this way, however, the conversion work is being speeded up and is due to be concluded in 1997. Long-distance services will then take on a completely new look and appeal. Top speeds of 160 km/h for the route mean the trip can be made in two hours 15 minutes. It is planned to run one InterCity train an hour, and passenger numbers are expected to double.

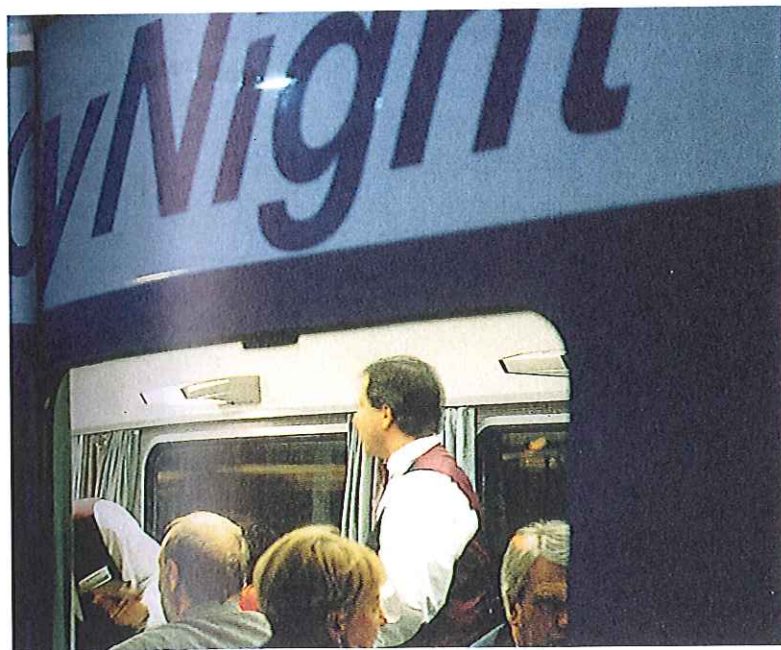
The long-distance division is also investigating ways of cutting travel times on national and international routes through deployment of tilting trains. It is also being considered running diesel tilting trains on non-electrified routes.

Where night-time services are concerned, the intention is to focus on potentially strong routes, provide nightly connections between European cities, and run seasonal trains to selected destinations in Germany.



Strategic attention is also being given to expanding rail tourism. The aim is to double turnover from tourism on long-distance services to roughly DM 3 billion over the next five years.

It is envisaged expanding sales channels for tourism so as to better tap tourist passenger potential. Output in the group and charter tourism area is to be steadily expanded. Indeed, the status of tourism within DB is to be redefined.



Following the inauguration of the TouristikZug, a further milestone in the process of developing "integrated mobility" and hence fully tapping tourist potential in regional and long-distance rail travel is the FerienTicket scheme launched in spring 1996. This scheme, which enhances the mobility of non-car holidaymakers at their final destination, is expected to attract new custom. By May 1996, the six FerienTicket zones in Baden-Württemberg had been augmented by private and municipal bus routes and even entire transport networks plus ferry services on Lake Constance. An extension of the scheme for all 26 FerienTicket regions is planned for 1997.

In concert with tourist boards, Deutsche Bahn will be actively promoting holidays in Germany.

The tourist arm also regards the increased provision of special train services to, for instance, top musical attractions in German cities or events such as the Architecture Biennale at Venice in autumn 1996 as an area that can be fruitfully developed. When Expo 2000 is held in Hanover, Deutsche Bahn's tourist division will be the organisers' official carrier nationwide.

### Capital Expenditure

The first of 20 InterRegio driving trailers for push-pull working were delivered and commissioned in the year under review. Twelve further driving trailers licensed to run at up to 200 km/h have been ordered for IC services between Berlin and Hamburg.

Also commissioned was the TouristikZug, partially created out of vehicles no longer needed for the LufthansaAirportExpress between Frankfurt and Stuttgart. For night-time services, 30 advanced reclining berth cars have been ordered for the UrlaubsExpress, 38 hotel train coaches from Talgo for the InterCityNight link between Hamburg and Munich, and the prototype of a "cabin coach" as an enhanced-comfort alternative to traditional couchette cars.

The wholesale refurbishment of 500 InterCity/EuroCity trains and dining cars will continue in the years ahead. 32 vehicles have so far been processed in this way.

The first power cars for the ICE 2 ran off the assembly line in the year under review. A first train set comprising two power cars and four trailer coaches underwent running and braking tests in early 1996, and the first full deployment is scheduled for this year.



“The 'Schönes Wochenende' ticket has proved extremely popular with the travelling public.”

## Staffing Trends

The long-distance services division had 19,577 people in its employ at the end of 1995, 7.4 per cent fewer than at the beginning of the year. The targeted objective of reducing manpower to 19,463 was thus almost achieved.

## LOCAL PASSENGER TRAFFIC

The short-distance services division generated turnover of DM 10.6 billion. Including the hived-off Berlin City Railway and the Usedom Seaside Railway in calculations, that represents growth of 5.2 per cent. Fare receipts make up DM 3.3 billion of the figure (up 7.7 per cent).

Federal input and orders from the regions amounted to DM 7.3 billion.

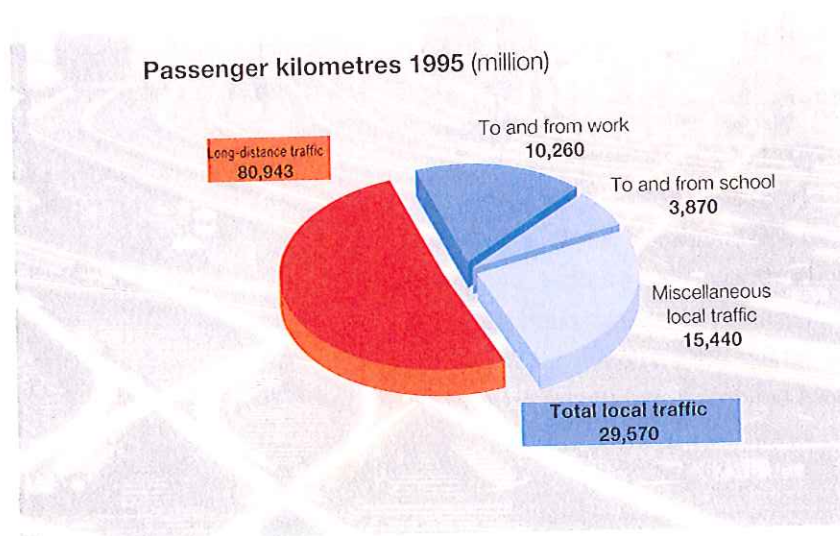
The overall service was extended to 474 million train kilometres (up 5.1 per cent), mainly by means of increased frequency of services as from June 1995. Traffic output stood at 29.5 billion passenger kilometres (up 5.8 per cent). This is partly due to increased demand triggered by the "Schönes Wochenende" scheme, which added DM 148 million to the increase in proceeds on sales of 6 million tickets. Further gains were produced by the fares increase, 3.9 per cent on average, enacted on 1 February. This yielded DM 56 million based on actual income. In the process, fares in the East were brought more closely into line with those in the West.

## Offers and Schemes

With the introduction of the 1995/96 timetable, schemes relating to local travel and bearing clearly defined quality profiles were focused across the country on Regional Express, StadtExpress, city railway and Regionalbahn services.

The "Integrated Regular-Interval Timetable" in Rhineland-Palatinate was further developed. Extension of the scheme to Mecklenburg and Thuringia is under preparation, and plans to include Bavaria and Lower Saxony have been drafted.

One of the most momentous events in the year under review was the unveiling of the "Schönes Wochenende" scheme on 4/5 February 1995. Initially costing DM 15 and offering up to five people unlimited travel on local services over the weekend, it was doubled in price and extended in scope on 27/28 May. Most of the major transport networks have now joined the scheme, which from the outset received an enthusiastic response from the travelling public and the press. It boasts an uncommonly





high general familiarity rating of 87 per cent. New and additional traffic together accounted for a 70 per cent increase.

Notable events on the sales side were the procurement of 700 ticket-vending machines to coincide with the launch of the Rhine-Main travel network and a further 295 for the Rhine-Ruhr and Rhine-Neckar; VRS/Euskirchen networks. At the same time, stewards were equipped with electronic ticket printers. These will be in place everywhere by early 1997.

The commissioning of a further 83 VT 628 diesel multiple units and 14 ET 420 city railway units enabled schemes to be introduced or extended for which there was great demand, and this has helped reduce bottlenecks in supply. Ongoing fleet

modernisation caused the proportion of redesigned and new vehicles to rise from 40 to 54 per cent in the year under review – with just under 9,700 vehicles now being available for local services.

In a pilot venture, seven driving trailers in RegionalExpress trainsets between Dessau and Kassel were fitted with vending machines for hot and cold drinks. First assessments suggest the service is being taken up. A further 180 luggage vans for the conveyance of bicycles were transferred from long to short-distance operations to enhance the latter.

To improve the quality of public announcements notably where out-of-schedule running is concerned, the local and long-distance divisions have set up joint "Regional Trans-

port Links" designed to make information on current developments available to passengers more quickly.



The "Customer Service in Local Trains" (KiN) scheme was piloted in Cottbus and Hof. Customers registered improvements in quality after just a few months. The KiN scheme is being introduced in all local service regions in time for the 1996/97 timetable changeover.

A scheme designed to enhance safety in locomotive-hauled trains was successfully introduced. Railway security forces are assisting stewards on problem trains. Radio telephones have improved communications between trains and stations and additionally established links with the outside world.

### Strategies

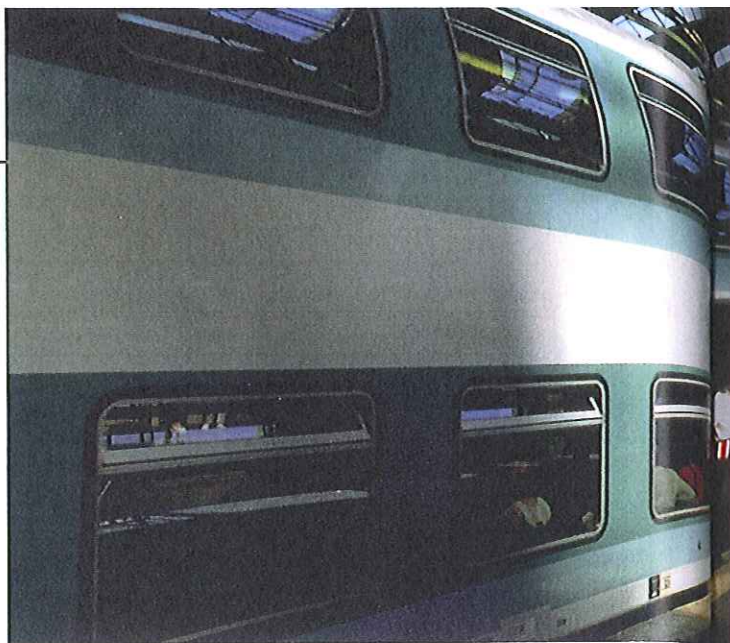
One prominent feature of the year under review were negotiations with the federal states, or rather the networks and administrative unions acting on their behalf, on how to implement regionalisation of local rail pas-

senger services from 1 January 1996. Appropriate transport contracts have been concluded in 31 instances. On the basis of these, regional clients have ordered local transport services for 1996 valued at approx. DM 7.48 billion from DB AG. This is DM 200 million more than central government makes available to the länder pursuant to Section 8 (1) Regionalisation Act.

Essentially regional approaches were tested in Schleswig-Holstein and Baden-Württemberg, where in consultation with the respective local governments the ZugBus Schleswig-Holstein GmbH holding company and ZugBus Alb Bodensee GmbH were set up on 1 January 1996. Under this scheme, a regional

bus company and the corresponding area of local rail services are combined to form a limited company (GmbH).

In the context of regionalisation, DB is actively involved in merging transport companies that act as service providers for commissioning organisations.





“ A major item in the investment programme was the purchase of 156 double-deck vehicles. ”

### Capital Expenditure

The local services division invested DM 1.1 billion in new vehicles. DM 360 million was expended on the ongoing programme of vehicle modernisation.

Major items of investment activity were the purchase of 156 double-deck vehicles (DM 321 million), the modernisation of 566 single-deck passenger coaches (DM 275 million), the purchase of 70 city railway coaches (DM 86 million) and the refurbishment of 97 double-deck coaches (DM 53 million) and a num-

ber of multiple units (DM 32 million). DM 220 million was also paid in advance for the procurement of motor coach sets, specifically the VT 611 diesel-powered tilting train, the ET 474 unit for the Hamburg city railway, and the ET 423 model to succeed the ET 420 on various city and suburban networks.

### Staffing Trends

The local services division had a workforce of 15,230 at year end, 64 per cent involved in train crew service.

### Outlook

DM 7.2 billion is to be spent on renewing and refurbishing rolling stock up to the year 2000. The redesign-

ing of older local service vehicles is also set to continue.

There will be further procurements of new double-deck vehicles. All 289 cars are envisaged to be in operation by mid-1996. An invitation to tender for 400 more such vehicles – including an option on 150 cars – is being drawn up.

It is also planned to procure 300 new lightweight diesel multiple units.

Testing of non-cash payment systems in the form of PayCard has been initiated in conjunction with the German Transport Companies Association (VDV) and Deutsche Telekom. DM 160 million is to be invested in the sales infrastructure for new vending machines, mobile terminals, and the introduction of Pay Card.



“Developing stations into attractive transit centres.”

### PASSENGER STATIONS

The passenger station division continued to focus on developing stations into attractive transit centres and on into multifunctional service and communications centres. Customer satisfaction has risen by 27 per cent since 1993. This is in large part due to a scheme to enhance security, sanitary, and service levels to which considerable funds have been devoted and which has been dubbed the "Triple S" initiative. Additional Service Points have been installed in over forty stations. In addition, fully revamped main stations at Cottbus (Federal Garden Show) and Kassel (culture in general) were opened in the year under review.

Wide-ranging project and development work is being devoted to getting the most out of stations. Development work involving over 50 major stations has been taken further. Work commenced on the ambitious redevelopment of Leipzig Main Station, a trial scheme forming part of

the "Station of the Future" project being run by the Bahnhofs-Management & Entwicklungsgesellschaft (BME), in which DB and ECE Projektmanagement GmbH, a member of the Otto Mail Order Group, have equal stakes. This is the first time ever private investors have had a stake – to the tune of over DM 400 million – in redeveloping a railway station.

Further outstanding projects include design work on the future central station in Berlin, the revamping of Papestrasse station at the southern end of the future North-South rail link currently under construction in Berlin, and planning for the new ICE station at the Rhine-Main Airport in Frankfurt on the future high-speed link between Cologne and Rhine/Main.

New products have been devised to strengthen the station's image as a point of transit. In Aschaffenburg main station, an ambitiously designed "TravelCentre" has been piloted. Similar facilities are to be installed at Frankfurt am Main, Berlin Alexanderplatz, Mainz, Kassel, Chemnitz, Hanover, Kiel, Münster, Darmstadt, Oldenburg, Recklinghausen, Nuremberg, Oberhausen and Westerland.

Trading as "Reise Pause", a scheme was inaugurated whereby passengers have access to special lounges before and after their journeys. These are to feature a reception, luggage storage facilities, communications technology, meeting and relaxation areas, a restaurant/bistro, toilets and washing facilities and diverse special areas for VIPs, senior citizens, and children. It is foreseen piloting the project at Frankfurt am Main and Berlin Zoo stations.







With the "ReiseFrische" scheme it is intended to redefine the image of station sanitary facilities. An ambitious plan of action envisages the installation of "Hygiene Centres", which besides toilet and washing facilities might in larger stations also feature a hairdresser's, a chemist's, and a fitness-cum-sun studio. Medium-sized stations will receive modern congenial toilet facilities, smaller stations automated self-cleansing units.

In consultation with transport networks, the first measures have been adopted in moves to develop station premises into attractive transit centres. DB has intensified co-operation with the leaseholders of station businesses with the aid of over 50 newly established advertising pools. Increasing use was made of the

communicative potential of stations for major events. The "Forum Bahnhof", for example, provides a backdrop for over 500 station festivals of varying sizes, jubilees, art exhibitions, a pop train that appears at 19 station venues, the Bambi award ceremony at Munich main station, etc., etc.

The major development in staffing terms was the transfer of 1,400 employees from the cleaning service to the locally based railway cleaning companies.

The spheres of station operation and station development will continue to have development and project work devoted to them.

Amongst other things, it is envisaged setting up station development teams to oversee some 330 development projects. Once the "Triple S" scheme has been introduced in

Mainz, it is due to be installed in five further stations at Frankfurt/M, Munich, Nuremberg, Hamburg and Dresden Neustadt.

An expansion of the porter service is planned. In Berlin, the opening of the redeveloped Friedrichstrasse and Alexanderplatz stations and the unveiling of the new TravelCentre at Zoologischer Garten station are imminent.



“ DB Cargo views Combined Transport as a powerful future growth market. ”



*Freight operations had to contend with the effects of economic downturn in 1995. At DM 7.8 billion, turnover was somewhat lower. Thanks to a 10 per cent or so reduction in staffing levels, productivity was considerably raised, however. Further improvements will be brought about by investment in new engineering such as the automatic draw-only coupler or innovative vehicle systems.*

### FREIGHT TRAFFIC

#### Market

Freight operations were affected by the difficult general economic picture. Further sensitive drops in turnover were occasioned by the long-running strike by French railworkers towards the end of the year.

The volume conveyed stood at 300.4 million tonnes, slightly down on the previous year. 146.2 million tonnes of coal and steel goods were transported, 49.5 per cent of the total volume. Together with capital and consumer goods (44.2 million tonnes) and raw and construction materials (38.8 million tonnes), these continue to form the core business of the freight division.

Positive developments were discernible in the fields of merchants goods and chemicals. Quantities of iron and steel also surpassed the previous year's figures and expectations. Movements of lignite, oil products, and construction materials

were subdued on the other hand. Coal was steady early on but fell back in the latter part of the year.

Comparable sales were down somewhat at DM 7.8 billion (– 3.4 per cent). One of the reasons for this was the rejigging by the German Post Office of its freight distribution procedures, which led to a fall in turnover of over DM 300 million. The bulk of DB's cargo turnover came from conventional operations totalling DM 5.677 billion. Turnover grew by DM 100 million (up 2 per cent) in these areas. Turnover in combined or intermodal operations rose by roughly DM 40 million, or 5 per cent, on the previous year.

The trend for international railfreight operations was higher than the national level. Transport volumes in combined traffic, for instance, were 8 per cent up. Growth in eastern European operations was also above average, with distances covered up 11 per cent.

Freight operations were characterised by significantly improved

productivity. Proceeds per employee and freight wagon have been substantially raised over the past two business years. Workforce productivity as a factor of distance travelled rose 29 per cent and freight wagon productivity by 34 per cent. The rate of deployment of freight wagons rose 7 per cent; turn-round time per wagon fell by 6 per cent over the previous year.

#### Offers and Schemes

One of the most significant new schemes introduced was InterKombiExpress (IKE). After a phasing-in process early in the year, the scheme was brought into operation everywhere in May. There are now 48 trains running daily on 62 routes. The "Ostwind" container train was specially introduced for eastern European traffic in October 1995. It runs between Berlin and Moscow, and the scheme is due to be further developed from 1996.



The spin-off of part-load operations to the joint enterprise BahnTrans, in which DB and THL have equal stakes, generated positive results in 1995.

DB Cargo is intensifying development of logistics services by providing warehousing and service and logistics facilities.

### Capital Expenditure

A total of DM 330 million was invested in freight operations in the year under review. That corresponds to an investment ratio of 4 per cent. Roughly two thirds of funds went into vehicle procurement, including DM 100 million for vehicles to carry coal and a good DM 60 million for new wagons to convey building materials. In all, some 1,450 vehicles were purchased.

Further investment went into data processing and the upgrading of fixed assets.

### Staffing Trends

38,700 people were employed on average in the freight division, 31,000 in bulk cargo operations and roughly 7,700 in part-load services. Staffing levels at 31 December were down 10.1 per cent on the previous year.

### Outlook

The freight operations division is evolving into a European transport and service provider that, whilst primarily processing its business by rail, also offers reliable door-to-door services and, increasingly, tailor-made all-in packages. The freight division co-operates with other carriers to this end.

It is planned to set up a customer service centre by 1998 to enhance market acceptance ratings. As a prelude to this, a customer information centre is being established in

1996. DB Cargo attaches the utmost significance to rigorous order management combined with integrated sales and production planning as ways of following the customer and remaining competitive.

Efforts to raise productivity are also proceeding apace. DB Cargo's competitive stature will be enhanced by technical innovations such as the automatic draw-only coupler, leading-edge vehicle systems such as the Cargo Sprinter (self-propelled transport unit [STE]), the first of which have already been ordered, and new-style vehicles with precisely customised specifications in line with market demands.



“Deutsche Bahn's locomotive fleet is being made successively more youthful by a comprehensive programme of new orders.”

*The network, civil engineering, traction and works divisions are part of the process of continuously improving competitiveness at Deutsche Bahn AG. Wide-ranging infrastructural measures are being taken, railway construction machinery and new safety technology are being invested in, and organisational structures in the traction division are being optimised. Considerable investment has also gone into the streamlining of works. The future of Deutsche Bahn AG is being assured by a thoroughgoing rejuvenation of the locomotive fleet and the application of advanced permanent-way technology.*



### RAIL NETWORK

One of the network division's central undertakings was wide-ranging infrastructural measures aimed at raising the utilisation potential of track and installations. Federal funding of line development was DM 9.1 billion, having stood at DM 9.3 billion the previous year.

The bulk of investment went into German Unification transport projects, specifically line development and renewal with the aim of facilitating top speeds of 160 km/h as standard. This expenditure is making for considerably shorter travel times, which can only enhance DB's operative competitiveness.

Net additions of fixed assets relating to development and modernisation totalled DM 6.4 billion.

This outlay was financed by construction grants, interest-free federal loans, and monies provided for by the Local Transport Finance Act.

As part of permanent-way renovation work, a total of 7 km of slab track was commissioned in the year under review. Exhaustive studies are to be carried out on larger continuous stretches of line to assess the extent to which this new-style permanent way can help enhance passenger comfort and reduce maintenance costs.

The network division will continue to be centrally involved in investment activities. Funds to the tune of DM 10 billion a year will be made available for the renovation and modernisation of the track. The division will at the same time be putting efforts into ensuring that the opening-up of the rail system brought about by the rail reform is used to attract third parties. The aim is to make DB's rail

network available to a significantly larger number of rail companies.

35 contracts with outside users were concluded in the 1995 business year.

The train-path pricing system, pioneered by DB in 1994, has been revised – partly to reflect the views of users. Productivity improvements in the track way department have already enabled some prices to be lowered.

To complement the right-of-way pricing system, an installations pricing system has also been introduced that constitutes a catalogue of rates for utilisation of operating plant such as shunting yards or stabling sidings.

For the coming period, the network division has the central task of lowering costs and raising productivity.



Network 21 promises to achieve both by homogenising speeds on sections of the network.

Further means of reducing costs are the deployment of advanced technology (e.g. new signalling), new methods of construction, cogent international invitations to tender, more favourable maintenance procedures, rationalisation and lean management.

## RAILWAY CONSTRUCTION

The railway construction division carries out construction, assembly, outfitting and maintenance work on railway installations on behalf of the other Deutsche Bahn divisions as well as third parties. With the main

focus on rail business, its activities were underpinned by a resolute rationalisation drive designed to decisively improve competitiveness. Quality and the meeting of deadlines headed the division's list of imperatives.

Targeted investment in, for instance, track construction equipment and building site safety technology contributed to both deadlines and clients' requirements being met.

The division employed a workforce of 14,900 at year end, 2,200 fewer than at the beginning of the year. Staff cuts were effected in a socially responsible manner.

The division will continue to focus on reducing input needed, raising employee output, and implementing its core business. This will entail a significant tightening of existing structures.

## TRACTION

The traction division recorded a slight drop in demand for tractive unit drivers and locomotives in long-distance passenger and freight operations, whereas output in short-distance operations rose slightly.

The number of staff and the locomotive fleet were adjusted to the new requirements. This, together with alterations in set-up and operating procedures, enabled rostering schedules to be further optimised. As a result, the productivity of tractive unit drivers – measured in kilometres travelled – rose by 9 per cent.

The division is increasingly deploying drivers and locomotives in cross-border traffic that transcends the DB network.

The future development of the traction division will be influenced by changing and increasing customer requirements.



This will be reflected on the one hand in significant changes to drivers' job specifications. They will in future have to take on additional duties in the general spheres of passenger and freight transportation. Staff training will be accordingly structured.

On the other hand, ageing elements of the locomotive fleet that are not quite up to the increasingly exacting demands of today's long-distance passenger and freight operations are due to be systematically replaced. With 145 locomotives for long-distance passenger services and 275 for freight operations having been ordered in the year under review, the fleet will be subjected to a process of ongoing rejuvenation from 1996, older locomotives being decommissioned as new ones arrive.

In some cases, powerful high-quality tractive units will be converted or retrofitted to meet new requirements. Five Model 218 diesel locomotives, for instance, have been converted to double and push-pull operation and are now mainly deployed for InterRegio push-pull services. In a further example, noxious emissions will be reduced and fuel saved by fitting the 218 locomotive with a diesel adapter kit which DB

has developed in collaboration with industry. By the end of 1996, 45 locomotives will have been equipped with the updated engine.

A total of DM 310 million was invested in the purchase of new locomotives, conversion work on the existing fleet, and the procurement of road vehicles, industrial trucks, computing equipment and immovables. The figure planned for 1996 is DM 656.5 million.

Staffing levels fell from 40,430 to 37,271 in 1995. This was effected with the aid of rationalisation measures, increased retirement, early retirement and redundancy schemes and the spinning off of operations.

The traction division will continue to devote particular attention to raising levels of productivity, quality and flexibility so as to be able to provide the passenger and freight divisions with tractive services at a price that bolsters the competitiveness of the railways in the transport marketplace.

### WORKSHOPS AND DEPOTS

As more and more state-of-the-art vehicles come into service and the various rationalisation measures begin to bite, DB's need for maintenance input is being steadily reduced. The works division is accord-

ingly witnessing falling demand for its upkeep and rail vehicle conversion services.

In view of this, the division has been further pursuing the corporate strategy of, on the one hand, concentrating plant and staffing capacity where work mainly occurs and, on the other, increasingly acquiring services from outside.

In this spirit, DM 257 million was invested in developing and modernising plant in 1995. Staffing levels fell from approx. 51,600 to 45,400 in the course of the year under review.

The future development of the division will continue to be coloured by efforts to reduce costs. These will involve further concentration of engineering plant at fewer sites and cutting back jobs no longer needed.



A photograph of a family of four—a mother, father, and two young girls—sitting around a wooden table in a train compartment. They are playing a board game called 'Familie Feiernacht' (Family Carnival Night). The mother is on the left, looking at the game. The father is on the right, also looking at the game. The two girls are in the center, focused on the game. The girl on the left is holding a small red piece. The girl on the right is holding a teddy bear. The board game is a circular board with various pieces and spaces. A magazine titled 'Familie Feiernacht' is on the table. The train compartment has a window on the right, a red jacket hanging on the wall, and a plaid bag hanging from the top shelf.

## Substantial Investments

TOURISM/  
LONG-DISTANCE TRAVEL  
LOCAL SERVICES  
FREIGHT OPERATIONS  
SERVICE  
MISCELLANEOUS



## Substantial Investments

“ Deutsche Bahn's revamped tourism products will feature prominently in the company's overall business. ”

*The consolidated sales of enterprises in which DB has an equity stake stood at DM 6.8 billion in 1995. This represents growth in turnover of 20.4 per cent on the previous year and an increase in the share of group turnover from 19.4 per cent in 1994 to 22.7 per cent in 1995.*



### TOURISM/LONG-DISTANCE TRAVEL

#### Deutsches Reisebüro GmbH (DER)

DER GmbH manages all tourism holdings within the DB AG Group. Business activities comprise organisation of its own tours, especially long-distance, package, and city tours (DERTOUR); general agency and mediation services for various providers (DERTRAFFIC); general agency work for DB AG travel services (DERRAIL) and brokerage of tours including its own products via branches (DER branches).

The DER group was re-organised last year. This mainly involved formal changes, the accretion of "Rominger", and full acquisition of the travel agency business of "abr".

Increased sales enabled DER GmbH to strengthen its market position.

The main generators of growth were the branches with an increase of 18.1 per cent. A crucial role was played here by the purchase or opening of new sales outlets and the merging of smaller affiliates.

The DERTOUR division posted an increase in turnover of 0.7 per cent. Short European tours were strongest, whilst long-distance tours showed lower growth.

DERRAIL business produced an 8.6 per cent rise in turnover, eloquent proof of public willingness to seek

the advice and services of travel agencies when planning to travel by rail.

The previous year's best-ever results were topped.

DER GmbH is assuming realistically steady growth in turnover for 1996 that will be reflected in the economic results.

	1995	Change relative to previous year
Turnover	DM 1,245 million	3.9 per cent
Annual results before tax	DM 41 million	22.8 per cent
Capital expenditure	DM 35 million	- 44.1 per cent
Workforce at 31 December 1996	1,978	30.4 per cent



### DFO Deutsche Fährgesellschaft Ostsee mbH

Since 1993, all Group ferry and harbour businesses in the Baltic region have been integrated into DFO.

Sales rose mainly on account of increased lorry conveyance business. Motor cars were slightly down in volume but yielded significantly higher turnover. Turnover on rail passenger

coach services, by contrast, was down DM 1.8 million. Rail freight wagon sales held at the previous year's level.

The increased volume of investment reflects payments already made in advance for a ship being built and due to go into service on the Rostock–Trelleborg route in late 1996.

Despite intensifying competition and the weakness of specific areas of business due to the overall economic climate, DFO expects to hold its market position and hence furnish proof of the generally positive development of its active business.

	1995	Change relative to previous year
Turnover	DM 206 million	9.7 per cent
Annual results before tax	DM 6 million	1,132.7 per cent
Capital expenditure	DM 66 million	697.1 per cent
Workforce at 31 December 1995	468	– 2.9 per cent



## Substantial Investments

“ The new train for the Berlin city railway –  
investing in the future of city transport. ”

### LOCAL SERVICES

#### Bahnbus-Holding GmbH (BBHG group)

Bahnbus-Holding GmbH acts as an umbrella company for DB bus companies. It has the task of helping regional bus companies create decentralised forms of local public transport. The group's extent of consolidation totals 23 companies.

Operating output by the bus companies rose 1.8 per cent to almost 456 million vehicle kilometres in 1995.

The number of co-operative partners (private, local public transport com-

panies, secondary railways) rose from 904 to 964.

The growth in staff is mainly a result of compensatory employment for those having left the railways who have been working for the company under a Relinquishment of Service Contract (DÜV).

In the context of current regionalisation policy, "train and bus" partnerships have been set up with the respective regional bus companies in Schleswig-Holstein and Baden-Württemberg.

With business progressing well, acceptable results are likewise expected for 1996.

Figures for the BBHG group	1995	Change relative to previous year
Turnover	DM 1,559 million	2.0 per cent
Annual results before tax	DM 142 million	3.9 per cent
Capital expenditure	DM 229 million	– 0.9 per cent
Workforce at 31 December 1995	4,227	15.0 per cent





### S-Bahn Berlin GmbH

The company has been providing and selling local transport services in Berlin and environs since 1 January 1995.

S-Bahn Berlin GmbH successfully completed its first financial year on 31 December 1995.

S-Bahn Berlin GmbH had a total of 4,140 persons in its employ at 31 December 1995. A further 731 staff from Berlin Transport Services found employment under a Relinquishment of Service Contract (DÜV).

Investment largely involved building structures acquired via lease agreements and the purchase of machinery and equipment.

The company plans to further enhance the appeal of its travel services in 1996. The first 10 of an overall order for 500 Class 481 quarter trains will be delivered in 1996.

1995

Turnover	DM 743 million
Annual results before tax	DM 10 million
Capital expenditure	DM 27 million
Workforce at 31 December 1996	4,140



## Substantial Investments

“Transfracht Deutsche Transportgesellschaft (TFG) – a staunch ally for DB Cargo in combined traffic operations.”

### FREIGHT OPERATIONS

#### Transfracht Deutsche Transportgesellschaft mbh (TFG)

TFG is the distribution arm of Deutsche Bahn AG, notably in the field of high-volume container conveyance in combined traffic.

Transfracht had considerable problems to solve in 1995 as well as having to deal with the negative after-effects of 1994's poor figures. At the same time, 1995 was a period of

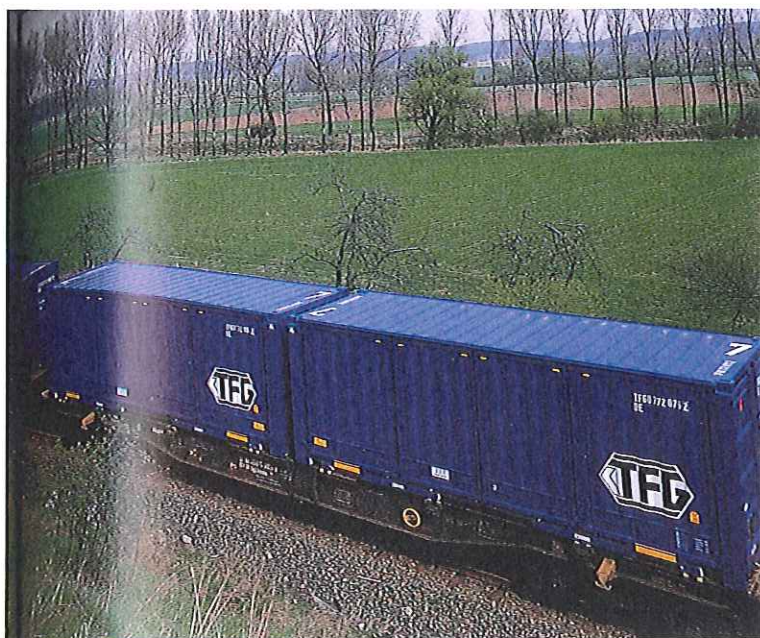
restructuring. The drop in turnover is mainly due to the reduced volume of traffic.

TFG implemented measures to reduce outlay to plan in 1995. It is expected that investment in new data processing structures at the interface with Deutsche Bahn AG will yield gains in productivity.

The conditions required to lead the company back into profit have thus been put in place.



	1995	Change relative to previous year
Turnover	DM 500 million	– 2.6 per cent
Annual results before tax	DM – 1 million	
Capital expenditure	DM 2 million	– 9.7 per cent
Workforce at 31 December 1995	374	– 5.1 per cent



## SERVICE

### dvm Deutsche Verkehrsdienstleistungs- und Management GmbH (dvm group)

dvm provides all variety of services in the sphere of transport, notably in the cleaning and security sectors. dvm comprises 7 railway cleaning companies and the security firm BSG Bahnschutz GmbH.

dvm's first full financial year was significant for the merging of four rail-

way cleaning companies with sister companies and the acquisition from DB AG of a 51 per cent stake in Mitteldeutsche Bahnreinigung GmbH and a 100 per cent stake in BSG Bahnschutz GmbH.

The 21.2 per cent growth in turnover reflects a 14.4 per cent rise gener-

ated by the railway cleaning companies and the commencement of business by BSG Bahnschutz GmbH.

The increase in turnover in the railway cleaning companies is largely a result of expanding orders for station cleaning services in east Germany. Companies in the west likewise raised turnover levels.

BSG disclosed strong growth in security services and the upholding of order in 1995. Whereas the company employed just 84 staff at the beginning of the year, by year end its workforce had risen to almost 800.

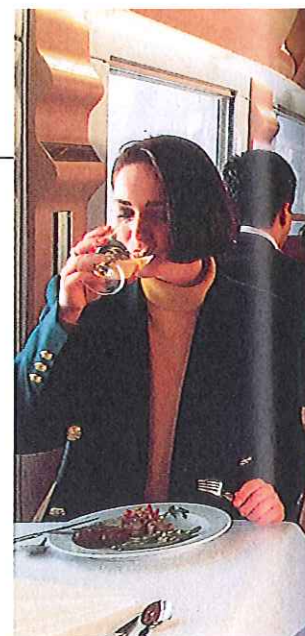
Further duties relinquished by DB will feature in dvm activities in the 1996 financial year.

	1995	Change relative to previous year
Turnover	DM 486 million	21.2 per cent
Annual results before tax	DM 36 million	28.0 per cent
Capital expenditure	DM 12 million	109.1 per cent
Workforce at 31 December 1995	7,883	29.6 per cent



## Substantial Investments

“Catering services on trains are  
the main source of business for MITROPA AG.”



### MITROPA AG

MITROPA provides catering on trains, at stations, on ferries, and at motorway service stations and other roadside facilities.

Given the subdued state of the economy, the company has produced distinctly positive results.

Catering on trains is the area with the highest turnover and the highest staffing ratio. Growth here has mainly resulted from

changes in the overall product and from intensive training of staff.

Catering facilities on ferries suffered a sharp drop in sales due to one of the strongest revenue earners being laid up.

Given a sustained public disinclination to buy, special attention will be devoted in 1996 to product innovation and the development of own brands. These measures will be accompanied by rigorous cost management as hitherto.

	1995	Change relative to previous year
Turnover	DM 528 million	- 3.7 per cent
Annual results before tax	DM 8 million	1.5 per cent
Capital expenditure	DM 22 million	36.9 per cent
Workforce at 31 December 1995	5,535	- 3.8 per cent



## MISCELLANEOUS

### DE-Consult, Deutsche Eisenbahn-Consulting GmbH

DE-Consult mainly provides engineering services for rail-based traffic.

Comparisons with the previous year carry little weight owing to the acquisition of EVDR Bahn-Consult GmbH activities.

The level of orders in domestic transactions was satisfactory. Domestic activities primarily take the form of planning and project management. Consultancy and operations management divisions are currently being set up at domestic level.

DE-Consult's planning services for domestic transport networks were increasingly taken up in the course of 1995. The proportion of overall volume generated by non-DB clients was further raised in the course of the year.

A significant drop in development aid for the transport sector has made itself felt in foreign dealings. At the same time, a rise in the number of foreign ventures in the privately financed transport sector is expected.

Though domestic markets are becoming more fraught, DE-Consult will hold its market position in rail-based traffic over the coming years and make progress in other spheres of transport and in infrastructure management. An upsurge in foreign markets is expected in 1996.

	1995	Change relative to previous year
Turnover	DM 278 million	50.0 per cent
Annual results before tax	DM 13 million	30.9 per cent
Capital expenditure	DM 9 million	- 64.7 per cent
Workforce at 31 December 1995	1,848	- 0.2 per cent



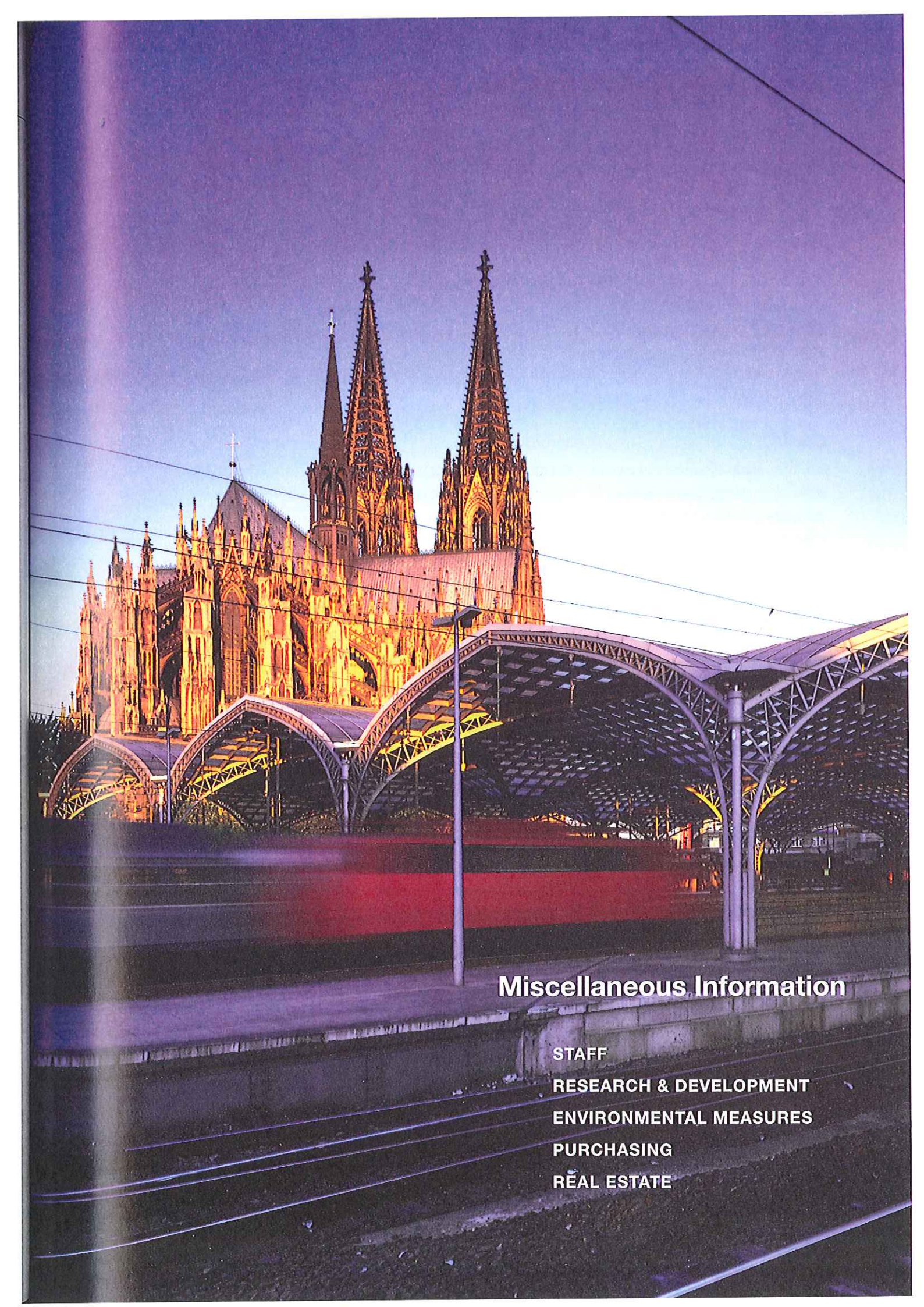
## Substantial Investments

	Equity Kapital in %	Net worth 31/12/95 DM mill.	Results <sup>1)</sup>		Turnover		Workforce at 31. Dec.	
			1994 DM mill.	1995 DM mill.	1994 DM mill.	1995 DM mill.	1994	1995
<b>Tourism / Long-Distance Travel</b>								
Deutsches Reisebüro GmbH	66.8	160	33.8	41.5	1,198.3	1,245.2	1,517	1,978
AMEROPA-REISEN GmbH	100.0	5	0.4	-3.0	231.1	209.9	195	192
Bayern Express & P. Kühn Berlin GmbH	100.0	9	0.5	1.2	29.0	33.5	269	339
DFO Deutsche Fährgesellschaft Ostsee mbH	100.0	235	0.5	5.9	187.5	205.6	482	468
Deutsche Touring Gesellschaft mbH	60.8	12	4.3	5.0	78.0	84.9	172	161
<b>Local Travel</b>								
BBHG Bahnbus-Holding -Group-	100.0	-	136.6	141.9	1,528.1	1,559.0	3,677	4,227
VBG Vereinigte Bundesverkehrsbetriebe -Group-	52.9	-	5.7	86.1	467.2	503.5	3,092	3,220
S-Bahn Berlin GmbH	100.0	328	-	10.0	-	743.5	14	4,140
<b>Service</b>								
MITROPA AG	100.0	14	7.5	7.6	548.5	528.2	5,753	5,535
dvm Deutsche Verkehrsdienstleistungs- u. Management -Group-	100.0	-	28.4	36.3	401.0	486.0	6,083	7,883
<b>Freight Operations</b>								
Transfracht Deutsche Transportgesellschaft mbH	100.0	10	-29.9	-0.9	513.6	500.4	394	374
NUCLEAR CARGO + SERVICE GmbH	100.0	7	1.0	0.7	23.7	18.8	60	55
Kombiwaggon GmbH	90.0	21	-8.5	2.6	89.3	105.6	40	35
TRANSA Spedition GmbH	50.0	14	0.4	3.1	365.2	361.0	353	345
Bahn Trans GmbH <sup>2)</sup>	50.0	130	-0.3	17.7	0.0	1,218.2	-	2,719
<b>Miscellaneous</b>								
Deutsche Eisenbahn-Reklame GmbH	100.0	17	13.2	13.7	184.8	192.9	197	213
DBG Deutsche Bahn Gleisbau GmbH	100.0	15	3.8	4.4	76.8	66.9	144	179
Ibb Ingenieur-, Brücken- und Tiefbau GmbH	100.0	4	1.0	1.6	137.7	121.0	577	509
TLC Transport-, Informatik- und Logistik-Consulting GmbH	100.0	4	1.5	2.2	37.1	58.0	97	122
DE-Consult, Deutsche Eisenbahn-Consulting GmbH	74.0	60	9.7	12.7	185.6	278.4	1,852	1,848
DVA Deutsche Verkehrs-Assekuranz- Vermittlungs-GmbH	65.0	2	27.1	9.4	33.8	19.6	19	31

<sup>1)</sup> Results before tax and profit transfer

<sup>2)</sup> Financial year 1 Oct – 30 Sept





## Miscellaneous Information

STAFF

RESEARCH & DEVELOPMENT

ENVIRONMENTAL MEASURES

PURCHASING

REAL ESTATE



## Miscellaneous Information

*With a workforce of around 227,000 at year end 1995, Deutsche Bahn AG is one of the largest employers in Germany. With almost 18,000 apprentices on its books, it is the largest provider of vocational training in Germany. Following the needs of customers and always being ready to learn and adapt are tenets for ensuring competitive employment at Deutsche Bahn.*

### STAFF

Deutsche Bahn's transition to a versatile competitively geared service company is making new demands on staff. New technologies, new responsibilities, and increased customer contacts demand new qualifications. Re-orientation in daily duties and the willingness to be more mobile and flexible require a comprehensive mental and skills-related learning process.

In this transitional situation, DB's personnel management is endeavouring to develop a corporate culture that helps railworkers put the new undertaking into practice.

Staffing developed from 301,936 at the start of the year under review to 276,957 at the end. 31,715 left the company and 6,736 joined it. At 31 December 1995, 35,622 persons were employed at consolidated subsidiaries.

The DB Group's total workforce thus stood at 312,579 at year end, 23,463 fewer than a year earlier.

### Re-organisation

The requisite honing of business processes is leading to considerable staffing surpluses in the various operating divisions. To improve the prospects of those affected, restructuring departments have been set up. Precedence continues to be given, however, to relocation within the railways. This has been repeatedly emphasised in talks on securing competitive jobs.

Restructuring departments create work for the time being at least in non-specifically railway areas. Such work, for instance visual enhancement measures, the clearing up of inherited contamination, and demolition work, can represent a meaningful and economically worthwhile contribution to the development of the railways.

Outside companies are being turned to less and less to carry out work of this type where it can be carried out as well and as cost-effectively internally. By the end of the year under review some 5,800 persons were employed in 118 restructuring de-

partments. The number is expected to rise to over 6,000 in the course of 1996.

### Flexible Working Hours

A customer- and at the same time demand-oriented structuring of working hours makes it increasingly necessary to organise working hours in line with specific site needs. In this spirit, the flexitime scheme already being tested out in certain areas of the company was expanded upon.

### Wages and salaries

Wages, salaries and training allowances were raised by 1.8 per cent from 1 January 1995 (to run to 30 June 1995) and by 3.2 per cent from 1 September 1995 (to run to 31 August 1996). All members of staff received a lump sum payment of DM 320, apprentices DM 75.





*“Regular training and schooling makes for friendly authoritative staff.”*

west in 1995 to fill long-standing vacancies (1994: 394). A further increase in mobility is taking shape for the current year.

DB has concluded a wide range of measures to soften the blow of staff adjustments with its interlocutors on the workforce side. Notable examples are the Collective Rationalisation Protection Agreement (RSTV), the general works agreement, and the model redundancy scheme.

### Training

Training initiatives at Deutsche Bahn are for the most part run by the company's own Training Service Centre (DZB). This supplies operating divisions and central administration whilst also and above all regarding individual participants as its clientele.

DB's basic intention is to pay staff as far as possible by performance and results. Starting with senior management, the results for the Group and operating divisions are being taken, along with personal output, to determine an individual's annual bonus. Monthly bonuses will in future be completely subsumed within this figure.

### Staff Questionnaire

In the summer of 1995, DB invited its workforce to fill in a questionnaire under a scheme dubbed "Ask – Answer – Act". The response was encouraging, with over 60 per cent taking part. The survey's findings were good news for the company: the vast majority of staff are happy to be with DB and wish to aid the company's further evolution. Better adaptation to the customer is

viewed by most as a crucial element in raising competitiveness.

### Internal Labour Market

Optimum utilisation of human resources is only possible if wide-ranging personnel movements occur within the Group. Instruments for ensuring posts are properly filled are a "staff adjustment task force", target agreements with senior management concerning staff adjustments, and special-purpose media for rendering supply and demand transparent. Surplus staff in the east are additionally to be canvassed regarding relocation to understaffed areas in the west.

Staff in the east German states where surpluses are most pronounced are showing increased mobility. 972 persons switched to the



## Miscellaneous Information

“Customers seeking advice at Service Points receive the latest information.”

With almost 18,000 apprentices on its books in 1995, DB was the largest provider of vocational training in Germany. The training ratio stood at 6.5 per cent, far above the average for large corporations. Of 5,000 apprenticeships, over 90 per cent were filled. As the Deutsche Bahn Group evolves into a fully-fledged service provider in the transport sector, it is also re-organised its channels of training. This is mirrored in a structural shift away from engineering and crafts and towards commercial and service-oriented training staff.

DB AG is simultaneously adapting its training guidelines to new customer-oriented thinking and practice. Dual-purpose initial training couples the acquisition of basic commercial knowledge with behavioural training and the nurturing of social skills. Instead of abstract role-playing, trainees perform customer information and guard duties. Indeed, Deutsche Bahn has begun ceding "corporate responsibility" for some small stations to trainees who thus gain real-life experience of dealing with customers. 30 stations will be integrated into this scheme this year.

### Executive Personnel Development

Except in the controlling, personnel, marketing and IT divisions, DB largely covered its executive personnel needs from internal sources. Management and leadership targets are set forth in agreements concluded with the respective groups. As well as displaying professional expertise, DB executive personnel are required to think and act in an enterprising fashion, eschewing authoritarian attitudes in favour of a more co-operative team-oriented approach to management.

### Improvements by Staff

Within the framework of the corporate suggestion scheme, 15,770 proposals for improvements were made (compared to 3,951 in 1994), of which 2,801 were adopted and their proposers rewarded. The economic benefit arising from such suggestions stood at DM 57.1 million, far above the 1994 figure (DM 17.7 million). Rewards totalling DM 7.7 million were paid out. In the autumn, DB ran its first Group-wide novel idea competition, with submissions being rewarded to the tune of DM 75,000.

### Social Partnership

At year end DB had 730 locations eligible to elect staff committees on which over 6,600 staff were represented. Over 1,000 were on full-time and around 200 on part-time release. Further structural measures in the second stage of the rail reform will see the interests of the workforce represented differently from 1996. Besides a works council for the Group as a whole that will help fashion the process of change, local staff committees will retain their important status.

### Social Amenities

Social amenities have been restructured following the rail reform.







Catering facilities were reformed into a Gastronomic Service Centre (DZG) under central executive control at the end of the year under review. The centre currently comprises 480 catering units employing 2,100 staff.

Providing staff with living quarters remains essential to DB's plans to make staff more mobile. The company owns 9,000 flats and has occupancy rights on a further 150,000 flats owned by the Federal Railway Property board, railway accommodation companies, and railworker co-operatives. Net outlay for the provision of works and temporary accommodation totalled DM

48.5 million. DM 25 million was expended on employee loans for family support.

The welfare departments of the former east and west German railways, which are at present federal railway property, are being turned into a separate entity, Bahnsozialwerk (BSW), in 1996. DB funded DSW to the tune of DM 11 million in 1995 as well as placing premises and facilities at its disposal.

#### **The Disabled**

DB employed 11,500 disabled people with varying degrees of disability at the end of 1995. The socio-politically desirable employment quota for the disabled was not met in transport operations where physical suitability is in many instances crucial. All other divisions actively encourage the professional integration of handicapped persons either through work assistance or by adapting working areas to the specific needs of the handicapped.

#### **Health and Safety at Work**

There were 17,800 accidents at DB in 1995, 17 of which had fatal consequences. This is roughly on a par with the previous year.

Accident frequency averaged 4.9 per 1,000 fully employed workers per month.

Deutsche Bahn will observe its corporate duty to show provident care towards its staff still more intensively in future by implementing advanced accident prevention measures in conjunction with the EU. The cost here is of lesser importance than the wellbeing of Deutsche Bahn staff.



## Miscellaneous Information

*The rejigging of the Research & Development department is designed to concentrate efforts on primary research activities. Within the context of the "All-in Railway" engineering strategy, a testing assembly for high-speed trains was perfected, the efficiency of freight operations raised, sound-damping for freight wagons developed and a uniform European operations control system devised incorporating radiotelephony.*

### RESEARCH & DEVELOPMENT

For Deutsche Bahn's competitiveness vis-à-vis other modes of transport to be enhanced, it is imperative that the technical evolution of the railway system be taken further. By making optimum use of proven railway technology and increasingly also of new technologies, attractive new and, hence, marketable products can be developed and new opportunities for raising productivity opened up. The R & D department has the task of discovering where the richest potential lies.

The central department sees itself primarily as being the initial provider of stimuli for the further fine tuning of the overall railway system and takes on R & D assignments for all DB divisions. All its activities are geared to the need to ensure economic usefulness, notably with regard to productivity and product appeal.

Work was begun on rejigging the R & D department in the year under review. The aim is to focus on primary research tasks, set up clearly defined interfaces and divisions of labour with the various operating divisions, establish technology-oriented skills centres and condense the number of research sites.

The foundations were laid for the new research and testing centre in Munich. There and in the other facilities, DB is increasingly opting for computerised methods and simulation procedures of analysis in rail research to reduce their costliness.

For the first time in its drive to further perfect the railway system, Deutsche Bahn is seeking to harness innovatory thinking from outside research bodies by running a competition entitled "Zukunft System Bahn".

An R & D Plan exists setting out the objectives and activities needed to further develop railway engineering. This Plan extends beyond research and technology to embrace all innovative moves by the operating divisions and is continually being extended and updated.

Major attention was focused on designing a testing assembly for high-speed operations known as the ICE 21, as well as on pre-operational testing of new components for high-speed traffic such as air-sprung running gear and an automatic coupler for power cars and driving trailers.





“ Acoustic Test Train –

Deutsche Bahn is fighting noise generation  
in freight operations at source. ”

A series of new technologies and system concepts designed to up the market status of freight operations were tested. The first prototypes of Self-Propelled Transport Units (STE) for cost-effective user-friendly operation on low-volume routes and industrial sidings were ordered – their system speeds are similar to those of a lorry. New components such as the automatic draw-only coupler (ZAK) and an electronically controlled braking system promise higher efficiency in freight traffic since they can reduce the time required for train formation while also being able to monitor train integrity and brake operation.

The long-standing deployment of radio remote controlled shunting engines by DB, hitherto confined to small locomotives, has now been extended to more powerful locomotives after exhaustive tests in close collaboration with industry. Wide-ranging conversion and enhancement schemes promise great savings in this area.

Noise reduction is also accorded high priority in R & D work relating to freight operations. Using a "Low-Noise Freight Wagon" component testing assembly, extensive tests were carried out on diverse noise reduction measures such as acoustic skirting, absorbers, plastic brake shoes, disk brakes, and also noise protection barriers and rail grinding to remove corrugations. Besides the need to reduce noise emissions, attention also has to be given to the cost of implementing measures. Engineering options are set fair to deliver noise reductions of up to

20 dB(A). There is still some fine tuning to be done on the financial side, however.

In close co-operation with the Italian and Austrian railways, DB will be looking into effective solutions for the heavily used Alpine transit routes.

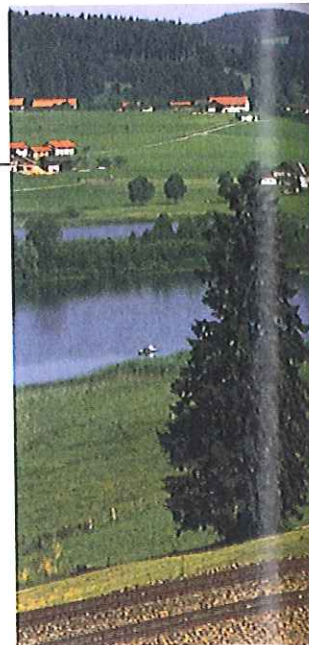
And co-operation with European partners will also take place with respect to drawing up and preparing to test a uniform European operations control system utilising radiotelephony. A "User Group" has been set up together with the Italian and French railways and in consultation with the EU Commission. Hinging on the success of development efforts is the future deployment of European high-speed trains on international cross-border routes featuring a variety of signalling and control systems.



## Miscellaneous Information

“The environmental benefits of rail travel can also be of competitive benefit.”

*It is generally accepted that the railways have inherent ecological advantages. Deutsche Bahn's ecological plan of action fuses traditional approaches with the company's own strategic objectives. The exploitation of our ecological superiority over rivals in the transport market stands at the forefront of our endeavours.*



### ENVIRONMENTAL MEASURES

DB is intent on turning the undisputed ecological superiority of rail travel over other modes of transport into an out-and-out competitive advantage. Forming the basis for the thoroughgoing implementation of environmental measures in all spheres of business is an ecological plan of action coupled with a "Green Group" scheme.

By integrating ecological parameters into the design of rail transportation and conveyance products and into construction and maintenance procedures, the inherent ecological superiority of the railways can be turned to steadily increasing strategic commercial effect in the struggle for market shares.

The ecological plan of action sets forth measures needed to eliminate

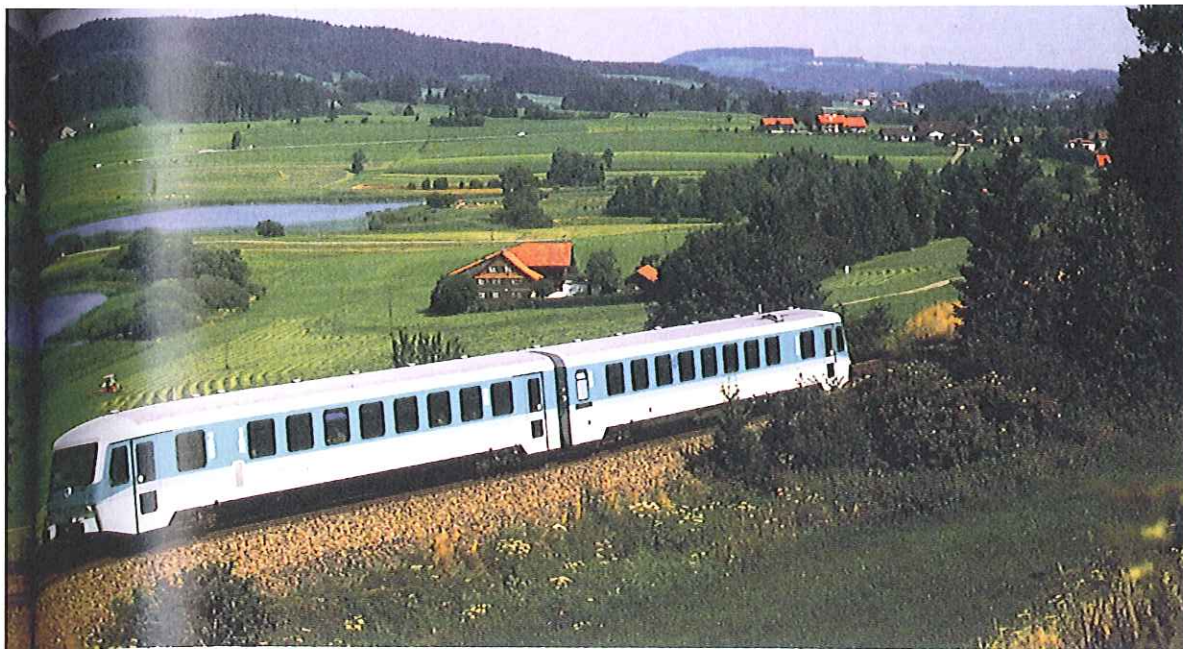
environmental shortcomings in the company's operations in the short and medium terms. These measures address themselves first and foremost to traditional areas of operational environmental protection, viz. issues such as the avoidance, processing, and disposal of waste, soil and water pollution control, decontamination measures, air purity, noise reduction, noxious intrusions, land-take, hygiene, and the safety of engineering plant and of dangerous goods. 55 operative environmental measures relating to these areas are being implemented to start with. Examples of concrete measures that directly involve passengers include the introduction of waste collection by types in ICE trains. As already the case in these trains, all new vehicles built for DB will now feature self-contained WC systems.

The company's "strategic" approach to the environment constitutes a long-term corporate process at-

tuned to statutory developments, public expectations, corporate development plans and specifically operational needs. DB's strategic environmental objectives will manifest themselves through an expanding Green Group scheme and the development of a micro-economically driven environmental management and control system.

Ecological strategy also means new vehicle models that are distinguished by reduced energy consumption, lower emissions, high recyclability and closed material cycles within an integrated waste management strategy.





DB, furthermore, will provide the public with ongoing information on its ecological activities as well as seeking reasonable dialogue with all social institutions and nurturing the environmental awareness of its staff.

One tangible outcome of the plan of action was the Energy Saving Scheme 2005 inaugurated by DB in the 1994 financial year. Its objective is to reduce the specific, i.e. output-related, primary energy consumption of motive power units and absolute primary energy consumption in stationary processes by 25 per cent over 1990 by the middle of the first decade in the new millennium.

The scheme comprises a large number of individual measures in the engineering, organisational and operating spheres. Concrete plans to reduce primary energy consumption by optimising vehicles include making increased use of three-phase traction, recuperation of energy during braking, lightweight construction and aerodynamic styling. Coming up with components that will foot the bill represents a daunting challenge for those involved in R & D work.

The development of new systems and components to facilitate a more fluid, energy-optimised management of operating sequences in long-distance and regional services also needs to be mentioned here. One example is the CIR-ELKE program – currently being put together Computer Integrated Railroad – to raise efficiency in the core network.

With regard to stationary processes, the Energy Saving Scheme stipulates combined thermoelectric generation wherever possible for new DB power stations, rationalisation of heat generation and utilisation, efficient use of electrical power installations, stocking and deploying motor vehicles strictly as required, substitution of coal by low-pollutant fuels, and lower water consumption.



## Miscellaneous Information

*As one of the largest placers of orders in Germany, Deutsche Bahn has consistently applied the principles of the market economy to its purchasing policy. By intensifying competition between contractors – through the involvement of non-German sources for one thing –, by tightening up performance specifications, and by seeking out cost-cutting potential in partnership, mean savings of over 10 per cent have been achieved.*

### PURCHASING

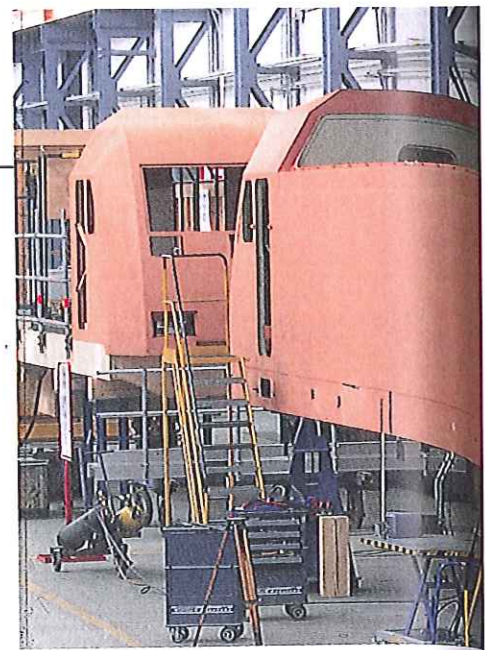
In the 1995 financial year, DB placed orders with industry for goods totalling DM 21.5 billion, making it one of the biggest clients in Germany. The company underlined its macro-economic awareness here by involving many medium-range companies as well as contractors from eastern Germany. Notwithstanding this, international competition is also being fostered in the form of pan-European invitations to tender, in line with both declared corporate purchasing policy and EU directives.

Of the over DM 7.7 billion in contracts awarded for construction and engineering works in the year under review, some DM 4.3 billion (roughly 56 per cent) went to SMEs, either directly or via medium-range bidding syndicates.

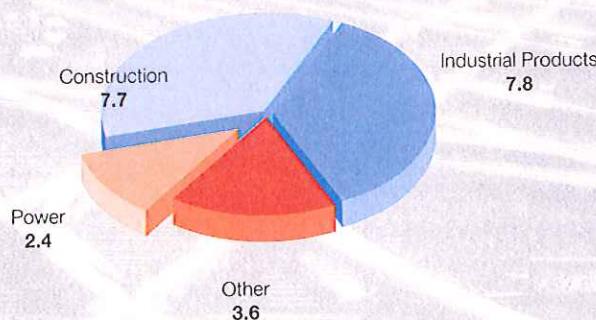
As a member of the "Purchasing Offensive in the East", DB is actively supporting economic reconstruction in what was East Germany. Contracts totalling DM 6.9 billion were awarded to companies in the east in the 1995 financial year – roughly 32

per cent of DB's overall volume of orders. Included were orders for vehicles and vehicle spares, other railway and sundry plant, components, machinery and materials worth DM 2.7 billion, as well as for the provision of electrical power and other services totalling DM 1.5 billion.

By systematically following the market whilst at the same time intensifying international competition and in-



Orders placed by Deutsche Bahn AG with industry in 1995  
DM billion







“ DB placed orders totalling  
around DM 21.5 billion  
with industry in the 1995 financial year. ”

creasingly transforming invitations to tender into cogent performance specifications, DB has managed to achieve mean savings in its purchasing operations in excess of 10 per cent.

The central Group Purchasing department has effected savings not only on large orders for new vehicles and the award of contracts for infrastructural development but also on a wide variety of "day-to-day purchases". In all cases the first commandment of purchasing policy was applied, namely: "We need competi-

tion and partnership for the requisite cost reductions".

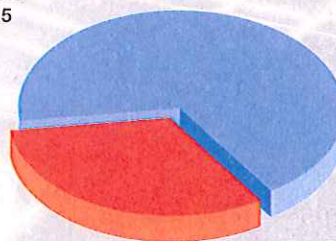
This was made possible by a vast number of individual measures. In many areas, co-operation with suppliers and service providers was intensified by means of joint value analyses and value determination projects.

Taking the example of ticket-vending machine manufacture, cost chains from development to production were analysed, and in the process potential savings of over 20 per cent highlighted. This benefits both DB as the client and also the supplying partner, who can then enter the international arena with an enhanced cost structure. Similar objectives are being pursued by the "Overhead Line Construction" and "Cost-Effective Construction" study groups, examples of genuine partnership between DB and industry.

DB is additionally profiting from the intensification of competition in ideas, services, and costs. Alongside ongoing activities – notably involving contractors from eastern Germany, the central Group Pur-

Orders placed by Deutsche Bahn AG  
in the eastern German states DM billion

Overall  
21.5

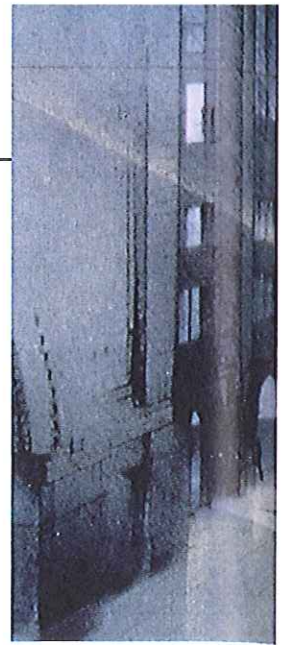


east German states  
6.9



## Miscellaneous Information

“ Leipzig Main Station –  
historic structure and future market as hone. ”



chasing department held contractors meetings in almost all western European and many central and eastern European countries with a view to establishing new contacts and business links. By setting up technical and economic qualification procedures in line with EU policy, it was possible to increase the range of bidders for overhead line construction from three German companies, who had acquired contracts under analogous conditions in a joint framework agreement, to a total of nine national and international bidders pitted against one another in open competition. With input from the Overhead Line Construction study group, this led to significant cost-cutting benefits.

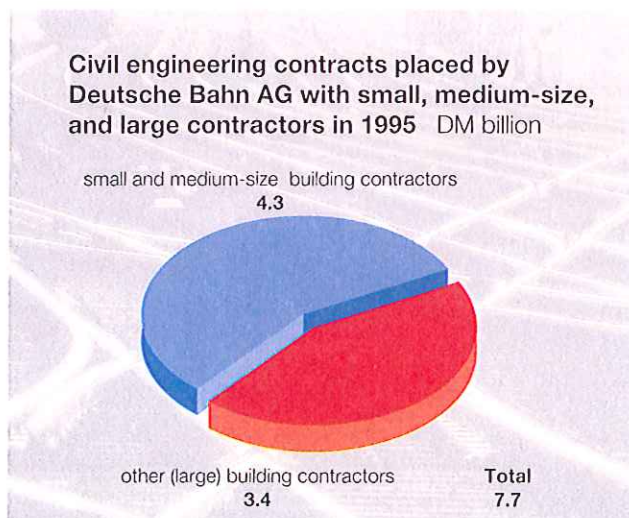
With direct non-German purchases

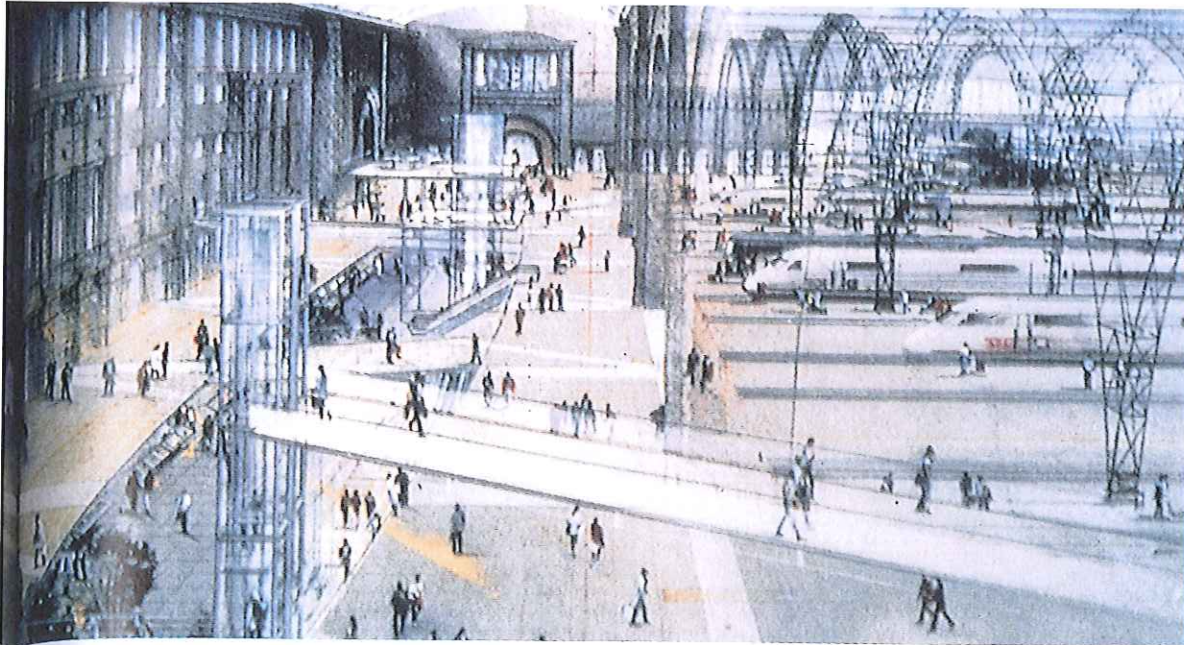
in the delivery sphere already having been rising steadily in the preceding years, DB awarded a first major civil engineering contract to a French firm that was able to gain a DM 200 million share of tunnelling work in central Berlin.

Supply procedures for proprietary items such as tools, office equipment, electrical apparatus and company clothing have been radically overhauled. Whereas the old west and east German railway companies once entertained framework agreements with a large number of suppliers, orders are now processed by dealer or mail order catalogue and products delivered just in time. Here, DB sticks to a few wholesalers in whom it has great confidence. In tandem with this, ranges have been

reduced. Together with reductions in the input and outlay required in the buying and end-user ordering processes, these two factors have led to a significant fall in outlay on logistics.

Systematic utilisation of the national and international bidder market and of freely competing ideas, output, and conditions has already yielded a palpable rise in productivity in all spheres of operation.





*The real estate of Deutsche Bahn is to be administered with the utmost skill and professionalism by a management company.*

## REAL ESTATE

In the wake of the rail reform, railway-related real estate is being allocated to central government and Deutsche Bahn. Real estate remaining with central government is to be

used by a privately run organisation to redeem past debt.

Deutsche Bahn Immobiliengesellschaft mbH, a wholly-owned subsidiary of DB, will expertly man-

age the real estate portfolio allocated to DB. The activities and the personnel sphere of central real-estate administration are being transferred to this subsidiary. As a specialist management company, it will professionally conduct all DB Group business involving real estate.





## **Annual Accounts**

**BALANCE SHEET**

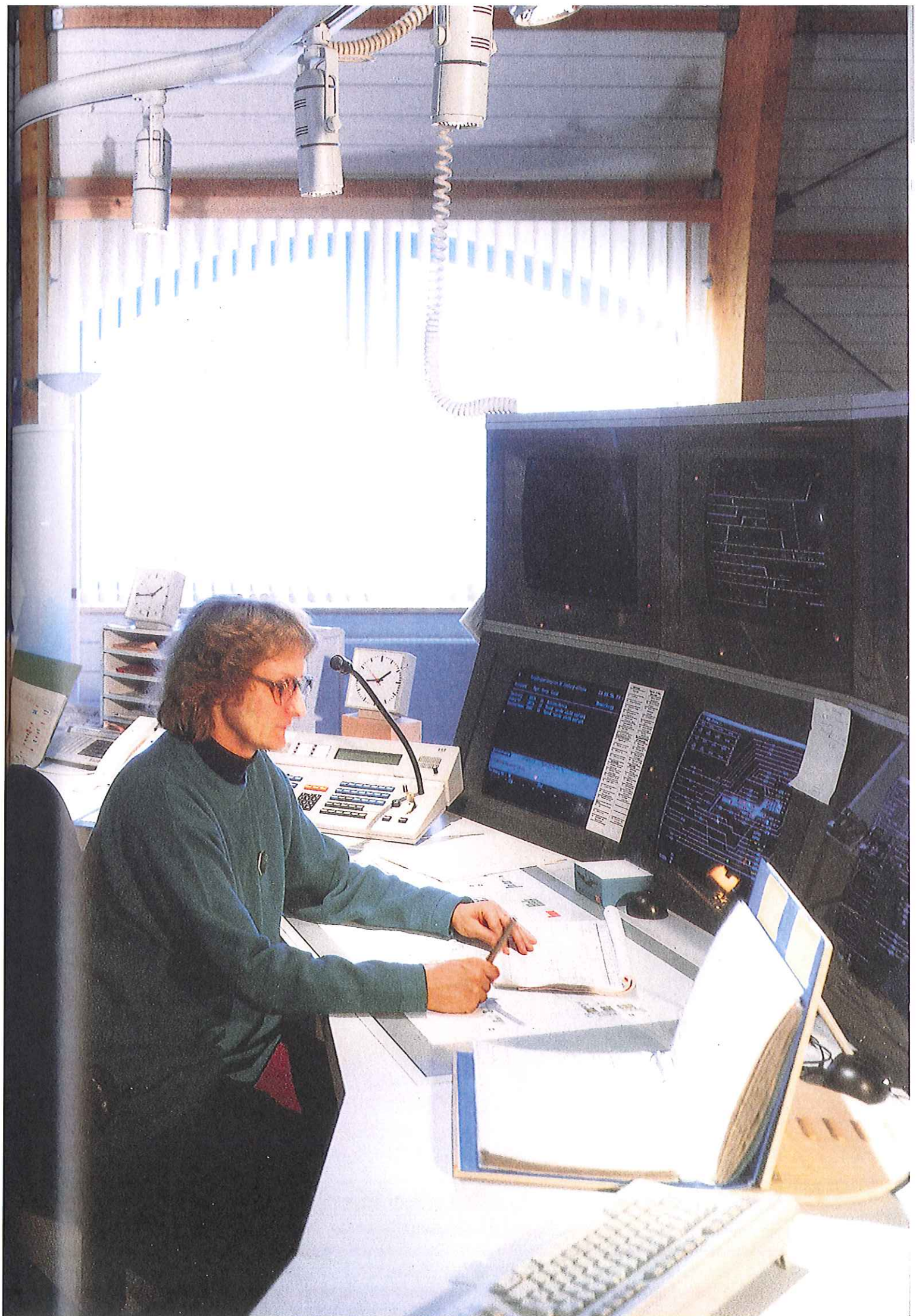
**CONSOLIDATED BALANCE SHEET**

**PROFIT AND LOSS ACCOUNT**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**NOTES TO THE ACCOUNTS AND  
CONSOLIDATED ACCOUNTS**







## Balance Sheet of Deutsche Bahn AG as of December 31, 1995

### Assets

	31 Dec 1995 DM million	Previous Year DM million
<b>A. Fixed Assets</b>		
Intangible assets	524	533
Tangible assets	40,584	33,466
Financial assets	1,435	886
	42,543	34,885
<b>B. Current Assets</b>		
Inventories	962	1,242
Accounts receivable and other assets	5,410	3,214
Checks, cash in hand and on deposit with Deutsche Bundesbank and Postbank accounts, cash in other bank accounts	654	177
	7,026	4,633
<b>C. Prepayment and accrued income</b>	79	97
<b>Total Assets</b>	<b>49,648</b>	<b>39,615</b>

## Equity and liabilities

	31 Dec 1995 DM million	Previous Year DM million
<b>A. Equity</b>		
Subscribed capital	4,200	4,200
Capital reserves	7,300	7,300
Balance sheet profit	361	180
	<b>11,861</b>	11,680
<b>B. Provisions</b>	<b>20,640</b>	16,808
<b>C. Liabilities</b>	<b>17,007</b>	10,984
<b>D. Accruals and deferred Income</b>	<b>140</b>	143
<b>Total equity and liabilities</b>	<b>49,648</b>	39,615



# Consolidated Balance Sheet of Deutsche Bahn as of December 31, 1995

## Assets

	31 Dec 1995 DM million	Previous Year DM million
<b>A. Fixed Assets</b>		
Intangible assets	553	562
Tangible assets	42,114	34,609
Financial assets	718	596
<b>Total Fixed Assets</b>	<b>43,385</b>	<b>35,767</b>
<b>B. Current Assets</b>		
Inventories	1,167	1,387
Accounts receivable and other assets	6,041	3,436
Securities	98	92
Checks, cash in hand and on deposit with Deutsche Bundesbank and Postbank accounts, cash in other bank accounts	1,279	1,252
<b>Total current assets</b>	<b>8,585</b>	<b>6,167</b>
<b>C. Prepayments and accrued income</b>	<b>94</b>	<b>103</b>
<b>Total Assets</b>	<b>52,064</b>	<b>42,037</b>

## Equity and liabilities

	Dec. 31, 1995 DM million	Previous Year DM million
<b>A. Equity</b>		
Subscribed capital	4,200	4,200
Capital reserves	7,300	7,300
Revenue reserves	309	388
Balance sheet profit	361	180
Adjustment for shares of other shareholders	109	93
<b>Total equity</b>	<b>12,279</b>	<b>12,161</b>
<b>B. Special item for investment grants</b>	<b>188</b>	<b>164</b>
<b>C. Special item with an equity portion</b>	<b>158</b>	<b>137</b>
<b>D. Provisions</b>	<b>21,723</b>	<b>17,576</b>
<b>E. Liabilities</b>	<b>17,519</b>	<b>11,845</b>
<b>F. Accruals and deferred income</b>	<b>197</b>	<b>154</b>
<b>Total equity and liabilities</b>	<b>52,064</b>	<b>42,037</b>



## Profit and Loss Account

of Deutsche Bahn AG from 1 January to 31 December 1995

	1995 DM million	1994 DM million
Sales	23,655	23,753
Inventory changes	-8	-4
Own work capitalized	3,872	2,346
<b>Gross performance</b>	<b>27,519</b>	26,095
Other operating income	3,204	2,956
Cost of materials	-8,389	-7,208
Staff costs	-16,509	-17,590
Depreciation, depletion, and amortization	-1,836	-1,567
Other operating expense	-3,659	-2,516
	330	170
Income from participating interests	97	396
Interest income	-37	-77
<b>Profit or loss from ordinary activities</b>	<b>390</b>	489
<b>Taxes on income</b>	<b>-209</b>	-309
<b>Profit for the year</b>	<b>181</b>	180
Profit brought forward from previous year	180	0
<b>Balance sheet profit</b>	<b>361</b>	180

# Consolidated Profit and Loss Account



of Deutsche Bahn from 1 January to 31 December 1995

	1995 DM million	1994 DM million
Sales	29,824	28,933
Inventory changes	3	13
Own work capitalized	3,899	2,720
<b>Gross performance</b>	<b>33,726</b>	<b>31,666</b>
Other operating income	3,329	3,519
Cost of materials	-11,259	-10,161
Staff costs	-18,626	-19,358
Depreciation, depletion, and amortization	-2,246	-1,924
Other operating expense	-4,374	-3,226
	550	516
Income from participating interests	10	37
Interest income	-7	-62
<b>Profit or loss from ordinary activities</b>	<b>553</b>	<b>491</b>
<b>Taxes on income</b>	<b>-289</b>	<b>-310</b>
<b>Profit for the year</b>	<b>264</b>	<b>181</b>
Profit due to other shareholders	39	39
Loss attributable to other shareholders	4	8



# Notes to the Accounts

of Deutsche Bahn AG and Deutsche Bahn Group for the financial year 1995

The annual accounts of the Deutsche Bahn Group and Deutsche Bahn AG were drawn up according to the provisions of the German Commercial Code (HGB), German Stock Corporation Law as well as the regulations on the layout of financial statements of transport companies. All explanations given in the notes to the accounts refer, unless otherwise stated, to the consolidated annual accounts and the accounts of the Deutsche Bahn AG.

For the sake of clarity, the legally prescribed items of the balance sheet and the profit and loss account are summarized. The notes to the accounts contain all the necessary detailed information and explanations.

All amounts are stated in DM million.

## Consolidated Group

The consolidated annual accounts include in addition to Deutsche Bahn AG as parent company 144 German and 13 foreign subsidiaries, in which Deutsche Bahn AG directly or indirectly owns more than half of the voting stock, as well as 3 companies in which Deutsche Bahn AG or one of its subsidiaries has the right, as a shareholder, to appoint the majority of the members of the Management and Supervisory Board.

17 companies of lesser importance are

not included in the consolidated accounts according to section 296 (2) German Commercial Code (HGB).

69 associated companies are included with the equivalent share of their equity capital.

As compared to the balance sheet of the previous year, the following changes have taken place with respect to the companies included in the consolidated annual accounts and the associated companies.

### a) Companies included in the consolidated annual accounts

Increase resulting from newly founded companies	11
Increase resulting from acquisition of shares	9
	20
Decrease resulting from sale of companies	3
Decrease resulting from mergers in the group	11
	14
	6

### b) Associated companies

Increase resulting from newly founded companies	1
Increase resulting from acquisition of shares	1
	2
Decrease resulting from liquidation of companies	8
	-6

The differences from initial consolidation are posted under revenue reserves.

A complete list of shareholdings according to section 313 (2) and section 285 no. 11 German Commercial Code (HGB)

is deposited with the Commercial Register of the local court of Berlin-Charlottenburg under the number HRB 50000.

## Consolidation Methods

The annual accounts of the companies included in the consolidated annual accounts were established on 31 December.

All essential financial statements included have been audited by independent auditors and provided with an unqualified audit opinion.

Capital consolidation is carried out according to the book value method on the date of the Group's opening balance sheet (on 1st January 1994) or the later date of acquisition.

Differences in assets and liabilities resulting from capital consolidation on the date of the Group's opening balance sheet are balanced. The remaining difference in liabilities is entered under revenue reserves, unless provisions had to be made for expenditure after the date of the opening balance sheet.

In capital consolidation on the date of acquisition, the acquisition cost of investments in affiliates are set off against the prorate equity holding it is equivalent to at this date. The resulting difference,

mainly goodwill, is allocated to revenue reserves, i.e. does not affect the result.

The same principles apply to the accounting of associated companies according to the equity method. Three associated companies have a different fiscal year; an interim financial statement as of December 31 has not been prepared. Where the annual accounts as of December 31, 1995 or the accounts for a fiscal year which elapsed in the financial year 1995 were available, the accounts of the previous year were used as a basis.

Sales, revenue and expenditure as well as accounts receivable, liabilities and provisions between consolidated companies are eliminated, as are intermediate results caused by the transfer of assets within the Group.

## Currency Translation Methods

The annual accounts of foreign affiliates are translated according to the current rate method of foreign exchange translation:

Balance sheet items, profit for the year and depreciations are translated into DM by applying the mean rate on the balance sheet date. The other items of the profit and loss account are translated by using the average rates of the fiscal year. Any differences in currency translation

are posted as "other operating income" or "other operating expense".

In individual accounts, accounts receivable and liabilities in foreign currencies are translated by applying the buying or selling rate on the day of creation. Adjustments are made if the rate on the date of establishment of the balance sheet produces lower accounts receivable or higher liabilities.



# Notes to the Accounts

## Accounting and Valuation Methods

Compared with the previous year, the accounting and valuation methods have remained unchanged.

Article 2 section 10 (3) and (4) of the Railway Reorganization Act (ENeuOG) set out the conditions for the valuation of assets transferred from the Federal Railway Property to Deutsche Bahn AG.

Accordingly, land is to be valued at current market value as of January 1, 1994, but until the current market value has been established, the value has to correspond at least to the amount of the guarantee indicated in article 1 section 20 (4) of the Railway Reorganization Act, i.e. DM 5 billion.

Purchased intangible fixed assets are stated at acquisition costs reduced by regular straight-line depreciation.

Tangible fixed assets are valued at acquisition or manufacturing costs and if depreciable by accounting for regular depreciation. Unscheduled depreciation to lower values are made.

In addition to direct costs, manufacturing costs also include production and materials overheads as well as regular depreciation. Overheads and depreciation are

calculated on the basis of actual employment figures. Interest on borrowed capital are not included in the manufacturing costs.

In the area of rail traffic and shipping, the straight-line method of depreciation is applied on the basis of the useful life of assets, otherwise the diminishing balance method of depreciation is used if allowed by tax legislation.

Low-value assets (at Deutsche Bahn AG fixed assets of an individual value up to DM 4,000, otherwise fixed assets of an individual value up to DM 800) are written off to their full amount in the year of their acquisition and are reported as disposals.

Financial assets are stated at acquisition costs, if required with unscheduled depreciation. In the consolidated accounts investments in associated companies are valued according to the equity method.

Inventories are valued at acquisition or manufacturing costs according to the average cost method. Risks in connection with inventories resulting from limited useability, long periods of storage or changes in price on the procurement

market are accounted for by reductions in value.

Accounts receivable and other assets are stated at nominal value, unless in individual cases a lower valuation was advisable. Discernible risks are accounted for by individual and lump-sum value adjustments.

Tax-allowed special depreciations are entered on the liabilities side as special item with an equity portion. German subsidiaries have used special depreciation as far as allowed by German tax legislation. Deutsche Bahn AG has not effected any special depreciation.

Provisions for pensions are entered on the liabilities side at the going-concern value in accordance with section 6 a of the German Income Tax Law (EStG). Other provisions are stated at an amount

required after reasonable commercial consideration. Provisions account for all discernible risks.

Temporary differences between the determination of income according to commercial and tax law of companies included in the consolidated accounts are covered by provisions for deferred income taxes provided that the differences on the liabilities side of the company concerned prevail. There are no tax deferrals on the asset side. Tax deferrals from consolidation are included in the accrued and deferred items on the liabilities side of the individual accounts.

Liabilities are posted at the amount to be repaid.



# Notes to the Accounts

## Fixed Assets Movement Schedule for Deutsche Bahn AG

## Acquisition and Manufacturing Costs

	Amount carried forward to 1 Jan 1995	Additions	Transfers	Disposals
<b>Intangible Assets</b>				
1. Franchises, patents, trademarks, and similar rights and assets, as well as licences thereto	547	51	44	-16
2. Payments on account	61	16	-40	-4
	<b>608</b>	<b>67</b>	<b>4</b>	<b>-20</b>
<b>Tangible Assets</b>				
1. Land, leasehold rights and buildings including buildings on third party land				
a) Land and leasehold rights	5,122	204	16	-2
b) Office, operational and other buildings	1,420	120	177	-23
c) Track formation and structures	6,988	333	1,174	-6
	<b>13,530</b>	<b>657</b>	<b>1,367</b>	<b>-31</b>
2. Infrastructure installations, track equipment and safety installations	6,087	1,758	1,944	-75
3. Rolling stock for passenger and freight traffic	5,744	825	594	-504
4. Machinery and equipment not covered by 2 or 3	336	72	96	-10
5. Other fixtures and fittings, tools and equipment	825	438	329	-153
6. Payments on account and tangible assets under construction	8,291	5,704	-4,334	0
	<b>34,813</b>	<b>9,454</b>	<b>-4</b>	<b>-773</b>
<b>Financial assets</b>				
1. Shares in affiliated companies	662	797	0	-433
2. Participating interests	85	181	0	-5
3. Loans to undertakings with which the company is linked by participating interests	21	8	-20	-1
4. Securities evidencing long-term investments	0	8	0	-8
5. Other loans	118	22	20	-3
	<b>886</b>	<b>1,016</b>	<b>0</b>	<b>-450</b>
<b>Total Assets</b>	<b>36,307</b>	<b>10,537</b>	<b>0</b>	<b>-1,243</b>

Balance on 31 Dec 1995	Depreciation				Book value on 31 Dec 1995	Book value on 31 Dec 1994
	Amount carried forward to 1 Jan 1995	Depreciation 1995	Disposals	Balance on 31 Dec 1995		
626	-75	-75	15	-135	491	472
33	0	0	0	0	33	61
659	-75	-75	15	-135	524	533
5,340	0	0	0	0	5,340	5,122
1,694	-106	-73	12	-167	1,527	1,314
8,489	-136	-155	0	-291	8,198	6,852
15,523	-242	-228	12	-458	15,065	13,288
9,714	-533	-699	12	-1,220	8,494	5,554
6,659	-417	-452	36	-833	5,826	5,327
494	-40	-58	2	-96	398	296
1,439	-115	-324	140	-299	1,140	710
9,661	0	0	0	0	9,661	8,291
43,490	-1,347	-1,761	202	-2,906	40,584	33,466
1,026	0	0	0	0	1,026	662
261	0	-17	0	-17	244	85
8	0	0	0	0	8	21
0	0	0	0	0	0	0
157	0	0	0	0	157	118
1,452	0	-17	0	-17	1,435	886
45,601	-1,422	-1,853	217	-3,058	42,543	34,885



# Notes to the Accounts

## Fixed Assets Movement Schedule for Deutsche Bahn Group

## Acquisition and Manufacturing Costs

	Amount carried forward to 1 Jan 1995	Changes to consolidated group	Additions	Transfers	Disposals
<b>Intangible Assets</b>					
1. Franchises, patents, trademarks, and similar rights and assets, as well as licences thereto	604	1	54	49	-18
2. Goodwill	10	1	7	0	-3
3. Payment on account	64	0	16	-44	-5
	<b>678</b>	<b>2</b>	<b>77</b>	<b>5</b>	<b>-26</b>
<b>Tangible Assets</b>					
1. Land, leasehold rights and buildings including buildings on third party land					
a) Land and leasehold rights	5,216	1	221	19	-4
b) Office, operational and other buildings	1,893	12	135	191	-50
c) Track formation and structures	7,003	0	332	1,173	-6
	<b>14,112</b>	<b>13</b>	<b>688</b>	<b>1,383</b>	<b>-60</b>
2. Infrastructure installations, track equipment and safety installations	6,088	0	1,757	1,919	-70
3. Rolling stock for passenger and freight traffic	7,188	1	1,053	595	-260
4. Machinery and equipment not covered by 2 or 3	439	0	92	101	-11
5. Other fixtures and fittings, tools and equipment	1,248	5	531	343	-190
6. Payments on account and tangible assets under construction	8,301	0	5,790	-4,346	0
	<b>37,376</b>	<b>19</b>	<b>9,911</b>	<b>-5</b>	<b>-591</b>
<b>Financial assets</b>					
1. Shares in affiliated companies	9	0	2	0	-8
2. Shares in associated companies	322	0	105	0	-6
3. Participating interests	44	0	3	0	0
4. Loans to undertakings with which the company is linked by participating interests	30	0	9	-20	-4
5. Securities evidencing long-term investments	75	0	2	0	-9
6. Other loans	124	0	22	20	-5
	<b>604</b>	<b>0</b>	<b>143</b>	<b>0</b>	<b>-32</b>
<b>Total Assets</b>	<b>38,658</b>	<b>21</b>	<b>10,131</b>	<b>0</b>	<b>-649</b>

Depreciation									
Balance on 31 Dec 1995	Amount carried forward to 1 Jan 1995	Changes to consolidated group	Depreciation 1995	Write-ups	Transfers	Disposals	Balance on 31 Dec 1995	Book value on 31 Dec 1995	Book value on 31 Dec 1994
690	-108	0	-87	0	0	19	-176	514	496
15	-8	0	-2	0	0	3	-7	8	2
31	0	0	0	0	0	0	0	31	64
<b>736</b>	<b>-116</b>	<b>0</b>	<b>-89</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>-183</b>	<b>553</b>	<b>562</b>
5,453	0	0	0	0	0	0	0	5,453	5,216
2,181	-303	0	-106	0	3	32	-374	1,807	1,590
8,502	-137		-157	0	0	0	-294	8,208	6,866
<b>16,136</b>	<b>-440</b>	<b>0</b>	<b>-263</b>	<b>0</b>	<b>3</b>	<b>32</b>	<b>-668</b>	<b>15,468</b>	<b>13,672</b>
9,694	-533	0	-698	0	0	12	-1,219	8,475	5,555
8,577	-1,309	0	-710	0	0	105	-1,914	6,663	5,879
621	-104	0	-76	0	-1	4	-177	444	335
1,937	-381	-4	-410	0	-2	179	-618	1,319	867
9,745	0	0	0	0	0	0	0	9,745	8,301
<b>46,710</b>	<b>-2,767</b>	<b>-4</b>	<b>-2,157</b>	<b>0</b>	<b>0</b>	<b>332</b>	<b>-4,596</b>	<b>42,114</b>	<b>34,609</b>
3	0	0	0	0	0	0	0	3	9
421	0	0	-20	26	0	0	6	427	322
47	0	0	0	0	0	0	0	47	44
15	-3	0	0	0	0	3	0	15	27
68	-4	0	0	0	0	1	-3	65	71
161	-1	0	0	0	0	1	0	161	123
<b>715</b>	<b>-8</b>	<b>0</b>	<b>-20</b>	<b>26</b>	<b>0</b>	<b>5</b>	<b>3</b>	<b>718</b>	<b>596</b>
<b>48,161</b>	<b>-2,891</b>	<b>-4</b>	<b>-2,266</b>	<b>26</b>	<b>0</b>	<b>359</b>	<b>-4,776</b>	<b>43,385</b>	<b>35,767</b>



# Notes to the Accounts

## EXPLANATION TO THE BALANCE SHEET OF DEUTSCHE BAHN AG AND DEUTSCHE BAHN GROUP

(Table values in DM million)

### Fixed Assets

The movement of fixed assets is shown on the previous pages.

Investment grants of DM 4,104 million (previous year DM 3,120 million) received from the State pursuant to Art. 2 section 22 (1) No. 2 of the Railway Reorganization Act (ENeuOG) for infrastructure measures in the area of the former Deutsche Reichsbahn are included in the additions of fixed assets. Unscheduled deprecia-

tion was made at an amount of DM 35 million during the fiscal year.

The goodwill posted as "intangible assets" in the consolidated balance sheet has been taken over from the individual accounts of the companies included.

### Inventories

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Raw materials and supplies	925	1,214	969	1,230
Unfinished goods, work in process	18	20	148	120
Finished goods and merchandise	2	2	20	19
Payments on account	17	6	30	18
	962	1,242	1,167	1,387

### Accounts receivable and other assets

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Trade accounts receivable (not due within one year)	754 (0)	795 (0)	1,280 (0)	1,269 (0)
Amounts owed by affiliated companies (not due within one year)	196 (0)	516 (0)	5 (0)	1 (0)
Amounts owed by undertakings with which the company is linked by participating interests (not due within one year)	659 (45)	413 (75)	684 (45)	452 (75)
Other assets (of which receivables not due within one year)	3,801 (0)	1,490 (0)	4,072 (0)	1,714 (3)
	5,410	3,214	6,041	3,436

Other assets include receivables from loans against borrowers' notes.

## Accruals and Deferrals

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Other accruals and deferrals	79	97	92	103
deferred income taxes	0	0	2	0
	79	97	94	103

## Subscribed Capital

The share capital of DM 4,200 million is divided into 84,000,000 bearer shares, each with a DM 50 par value. The shares

are all held by the Federal Republic of Germany.

## Capital Reserves

Capital reserves amounting to DM 7,300 million are equivalent to the amount of the equity capital in the opening balance sheet of the Deutsche Bahn AG exceeding the subscribed capital.

In so far as the balance sheets of the subsidiaries included in the consolidated

accounts contain capital reserves, these are to be included in the book values of investments in subsidiaries or to be transferred to the "adjustment item for shares of other shareholders".

## Revenue Reserves

Amount carried forward to 1 Jan 1995		
Revenue reserves	388	
Balance sheet profit	180	568
Differences from initial consolidation in the financial year		-127
Consolidated net income for the year	264	
Share of consolidated profit distributed to other shareholders	-35	229
		670
Stated as balance sheet profit		-361
Balance on 31 Dec. 1995		309

The item "Other revenue reserves" disclosed in the consolidated balance sheet contains the share of equity capital of subsidiaries which remains after balanc-

ing with the book values of investments in subsidiaries and after transfer to the "adjustment item for shares of other shareholders."



# Notes to the Accounts

## Balance Sheet Profile

The balance sheet profit disclosed in the consolidated balance sheet corresponds

to the balance sheet profit in the annual accounts of Deutsche Bahn AG.

## Adjustment Item for Shares of Other Shareholders

Deutsche Bahn Group

	1995	1994
adjustment on the liabilities	152	156
adjustment on the asset side	43	63
	109	93

The adjustment item is determined on the basis of the book value method without release of hidden reserves. The adjustment on the asset side covers good-

will from indirect holdings of minority interests not carried as asset, as well as accumulated losses.

## Special Item for Investment Grants

If subsidiaries (bus companies) receive grants from third parties at acquisition cost, these are not accounted for as acquisition cost reductions but as a special

item for investment grants. Release is in line with the depreciation method applied to the subsidized assets.

## Special Item with an Equity Portion

Deutsche Bahn Group

	1995	1994
pursuant to section 273 HGB (German Commercial Code)		
Reserves pursuant to section 6 b EStG (Income Tax Law) (not transferred)	18	5
Reserves pursuant to section 7 g EStG	2	1
Reserves pursuant to section 34 sub-section 4 EStR (Income Tax Regulations)	0	0
	20	6
pursuant to section 281 HGB (German Commercial Code)		
Reserves pursuant to section 6 b EStG (transferred)	33	34
Reserves pursuant to section 14 BerlinFG (Berlin Promotion Law)	1	1
Reserves pursuant to section 3 (2) Zonen RFG (Law for the Promotion of the Economy of the Border Regions)	41	52
Reserves pursuant to section 3 (2) a ZonenRFG	14	17
Reserves pursuant to section 4 FördergebietsG (Law on Development Areas)	49	27
	138	131
	158	137

The special item with an equity portion has been taken over unchanged from the individual accounts of the subsidiaries.

Income from release of the special item with an equity portion amounting to

DM 28 million is posted to "Other operating income". The allocation of DM 49 million to the special item with an equity portion is posted under "Other operating expense".

## Provisions

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Provisions for pensions	472	464	628	602
Provisions for taxation	355	169	543	367
Provisions for deferred taxes	0	0	56	57
Other provisions	19,813	16,175	20,496	16,550
	20,640	16,808	21,723	17,576

Essential items in "other provisions" are provisions for staff-related obligations, invoices not yet received for supplies and services, reduction of proceeds or ser-

vices to be rendered to customers as well as provisions for expense related to environmental protection and structural measures.

## Liabilities

Deutsche Bahn AG	1995	Maturity			1994
	total	within 1 year	within 1 to 5 years	after 5 years	total
Interest-free loans in accordance with sections 9 and 10 Bundesschienenwegeausbaugesetz (Law on Upgrading the Federal Rail Network)	9,351	663	1,877	6811	4,577
Liabilities to credit institutions	1	1	0	0	788
Payments received on account of orders	67	54	13	0	91
Trade accounts payable	3,275	3,270	5	0	3,074
Accounts payable to affiliated undertakings	1,569	569	0	1,000	203
Accounts payable to undertakings with which the company is linked by participating interests	234	225	9	0	153
Other liabilities	2,510	677	819	1,014	2,098
(of which tax)	(118)	(118)	(0)	(0)	(228)
(of which social security)	(18)	(18)	(0)	(0)	(47)
	17,007	5,459	2,723	8,825	10,984



# Notes to the Accounts

Deutsche Bahn Group	1995	Maturity			1994
	total	within 1 year	within 1 to 5 years	after 5 years	total
Interest-free loans in accordance with sections 9 and 10 Bundesschienenwegeausbaugesetz (Law on Upgrading the Federal Rail Network)	9,351	663	1,877	6,811	4,577
Bonds payable	1,000	0	0	1,000	0
Liabilities to credit institutions	184	80	68	36	1,004
Payments received on account of orders	183	183	0	0	217
Trade accounts payable	3,758	3,758	0	0	3,520
Liabilities from the acceptance of drafts and making out of promissory notes	1	1	0	0	0
Accounts payable to affiliated undertakings	1	1	0	0	3
Accounts payable to undertakings with which the company is linked by participating interests	237	228	9	0	166
Other liabilities	2,804	2,789	13	2	2,358
(of which tax)	(197)	(197)	(0)	(0)	(347)
(of which social security)	(61)	(61)	(0)	(0)	(78)
	17,519	7,703	1,967	7,849	11,845

On 31 December 1995, DM 55 million of the liabilities to credit institutions of companies included in the consolidated accounts were secured by charge on prop-

erty and DM 18 million by transfer of ownership of the financed capital goods as security.

## Contingent liabilities

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Liabilities from the drawing and endorsement of bills of exchange	0	0	3	3
Liabilities from guarantees furnished (of which for affiliated undertakings)	1,450 (1,000)	2,357 (0)	451	2,359
Contingent liabilities from collateral furnished for outside liabilities	4,685	5,938	4,685	5,938

Contingent liabilities from collateral furnished for outside liabilities cover liabilities of the Federal Railway Property (BEV) towards EUROFIMA (European Organi-

zation for the Funding of Railway Equipment). Lendings of EUROFIMA to the Federal Railway Property (or its legal predecessors Deutsche Bundesbahn und

Deutsche Reichsbahn) were secured by the latter by transfer of ownership of rolling stock for passenger and freight traffic as security. The lendings remained with the Federal Railway Property, the rolling stock was transferred to Deutsche Bahn AG.

Deutsche Bahn AG has given Deutsche Bahn Finance B.V., Amsterdam, an unconditional and irrevocable guarantee for their DM 2,00 million Multi-Currency Commercial Paper Programme, which was valued at DM 0 as of December 31, 1995.

### Other Financial Obligations

	Deutsche Bahn AG	Deutsche Bahn Group
Commitment for investment projects	15,118	15,007
Outstanding contributions to the share capital	523	523
Commitment from tenancy agreements, leasing contracts and other third party obligations	674	893

The outstanding contributions to the share capital concern EUROFIMA, the

European Organization for the Funding of Railway Equipment, Basel.

### EXPLANATIONS TO THE PROFIT AND LOSS ACCOUNT

#### Sales

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Long-distance traffic	5,171	4,860		
Local traffic	10,597	10,791		
Total passenger traffic	15,768	15,651	18,426	17,619
Freight traffic	6,799	6,969		
Part-load traffic	792	1,084		
Total freight traffic	7,591	8,053	7,825	8,395
Tourism	0	0	1,766	1,746
Catering	0	0	293	134
Other operating areas	296	49	1,514	1,039
	23,655	23,753	29,824	28,933



# Notes to the Accounts

## Other Operating Income

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Services to third parties and sale of materials	1,509	1,472	1,326	1,480
Rents and leases	802	728	773	821
Other operating income	289	196	419	375
Income from fixed-assets disposals	106	222	151	385
Income from writing back of provisions	226	266	310	343
Income from release of discounts on accounts receivable and from recovery of receivables written off	20	0	26	9
Income from release of the special item with an equity portion	0	0	28	25
Other income unrelated to accounting period	252	72	296	81
	<b>3,204</b>	<b>2,956</b>	<b>3,329</b>	<b>3,519</b>

## Cost of Materials

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Expenses for raw materials, consumables, supplies and goods purchased	3,033	3,375	3,513	3,922
Cost of purchased services	2,182	1,915	4,520	4,276
Expenses for maintenance	5,484	4,508	5,536	4,553
	<b>10,699</b>	<b>9,798</b>	<b>13,569</b>	<b>12,751</b>
Contributions of the State pursuant to Art. 2 section 22 (1) no. 3 Railway Reorganization Act	- 2,310	- 2,590	- 2,310	- 2,590
	<b>8,389</b>	<b>7,208</b>	<b>11,259</b>	<b>10,161</b>

In the financial year 1995, deliveries and services for self-constructed assets were posted as cost of materials. Capitaliza-

tion in fixed assets is stated as own work capitalized.

## Staff Costs

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Wages and salaries for employees of Deutsche Bahn AG	12,009	11,644		
for officials seconded to DB AG				
a) payment to the Federal Railway Property in accordance with Art. 2 section 21 (1) and (2) Railway Reorganization Act (ENeuOG)	4,670	5,711		
b) Fringe benefits directly paid out	280	277		
	16,959	17,632	18,706	19,087
Social security costs and levels for retirement plans and related benefits for employees of Deutsche Bahn AG	1,887	2,633		
for officials seconded to DB AG (payment to the Federal Railway Property in accordance with Art. 2 section 21 (1) and (2) ENeuOG	1,067	1,116		
	2,954	3,749	3,324	4,062
(of which old-age pensions)	(1,394)	(2,105)	(1,441)	(2,158)
reduced by refund of personnel cost by the Federal Railway Property (BEV) in accordance with Art. 2 section 21 (5) no. 1 ENeuOG	-3,404	-3,791	-3,404	-3,791
	16,509	17,590	18,626	19,358

## Personnel

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
<i>annual average</i>				
employees	189,938	212,017	226,802	240,636
trainees	16,931	19,126	17,853	19,899
	206,869	231,143	244,655	260,535
officials seconded in accordance with Art. 2 section 12 Railway Reorganization Act (ENeuOG)	104,973	115,058	104,972	115,058
	311,842	346,201	349,627	375,593
<i>on 31 December</i>				
employees	176,409	197,153	212,031	226,358
trainees	17,887	20,447	18,973	21,282
	194,296	217,600	231,004	247,600
officials seconded in accordance with Art. 2 section 12 ENeuOG	100,548	109,724	100,548	109,724
	294,844	327,324	331,552	357,324



# Notes to the Accounts

## Other operating expenses

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Rents and leases	470	373	655	515
Other operating expense (of which other taxes)	2,347 (179)	1,728 (48)	2,641 (190)	2,181 (63)
Losses from fixed-asset disposals	287	165	289	167
Expenses from creation of discount on accounts receivable and from write-off of receivables	317	250	375	265
Expenses from allocations to special item with an equity portion	0	0	49	93
Other expenses not related to accounting period	238	0	365	5
	3,659	2,516	4,374	3,226

## Income from Participating Interests

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Income from participating interests (of which in affiliated companies)	90 (73)	519 (515)	34 (0)	28 (0)
Income from associated companies	0	0	26	10
Income from profit transfer agreements	54	0	0	0
Expenses resulting from agreements to assume losses	-30	-123	-30	-1
Writedown of investments in shares of affiliated companies	-17	0	-20	0
	97	396	10	37

## Interest Income

	Deutsche Bahn AG		Deutsche Bahn Group	
	1995	1994	1995	1994
Income from other investments and loans forming part of financial assets (of which from affiliated companies)	1 (0)	4 (4)	5 (0)	9 (0)
Other interests receivable and similar income (of which deriving from affiliated companies)	128 (3)	36 (3)	156 (0)	73 (0)
Depreciation on other financial assets and writedowns of securities forming part of current assets	0	0	0	-7
Interest payable and similar charges (of which concerning affiliated companies)	-166 (-50)	-117 (-2)	-168 (0)	-137 (0)
	-37	-77	-7	-62

# ADDITIONAL INFORMATION:

## Summary of Net Worth and Financial Position of Deutsche Bahn Group

### Comparison of Balance Sheets

	31 Dec 1995		31 Dec 1994		Variation	
	DM million	%	DM million	%	DM million	%
Tangible and intangible assets	42,667	82.0	35,171	83.7	7,496	21.3
Financial assets	718	1.3	596	1.4	122	20.5
<b>Fixed assets</b>	<b>43,385</b>	<b>83.3</b>	<b>35,767</b>	<b>85.1</b>	<b>7,618</b>	<b>21.3</b>
Inventories	1,167	2.2	1,387	3.3	-220	15.9
Accounts receivable and other assets	6,233	12.0	3,631	8.6	2,602	71.7
Liquid funds	1,279	2.5	1,252	3.0	27	2.2
<b>Current assets</b>	<b>8,679</b>	<b>16.7</b>	<b>6,270</b>	<b>14.9</b>	<b>2,409</b>	<b>38.4</b>
<b>Total Assets</b>	<b>52,064</b>	<b>100.0</b>	<b>42,037</b>	<b>100.0</b>	<b>10,027</b>	<b>23.9</b>
<b>Equity</b>	<b>12,279</b>	<b>23.6</b>	<b>12,161</b>	<b>28.9</b>	<b>118</b>	<b>1.0</b>
<b>Special item with an equity portion and special item for investment grants</b>	<b>346</b>	<b>0.7</b>	<b>301</b>	<b>0.7</b>	<b>45</b>	<b>15.0</b>
Provisions for pensions	628	1.2	602	1.4	26	4.3
Long-term liabilities	7,849	15.1	3,480	8.3	4,369	125.5
<b>Long-term debt capital</b>	<b>8,477</b>	<b>16.3</b>	<b>4,082</b>	<b>9.7</b>	<b>4,395</b>	<b>107.7</b>
Short-term provisions	21,095	40.5	16,974	40.4	4,121	24.3
Other short-term liabilities	9,867	18.9	8,519	20.3	1,348	15.8
<b>Short-term debt capital</b>	<b>30,962</b>	<b>59.4</b>	<b>25,493</b>	<b>60.7</b>	<b>5,469</b>	<b>21.5</b>
<b>Total liabilities</b>	<b>52,064</b>	<b>100.0</b>	<b>42,037</b>	<b>100.0</b>	<b>10,027</b>	<b>23.9</b>



# Notes to the Accounts

## Cash Flow Statement

(DM million)

Net income for the year	264
Depreciation of fixed assets	+ 2,266
Write-ups of fixed assets	- 26
Change in the special item for investment grants	+ 24
Change in the special item with an equity portion	+ 21
Increase in provisions	+ 4,147
Loss from fixed-asset disposals	+ 138
Increase in trade accounts receivable, other current assets and other assets	- 2,613
Decrease in inventories and other prepayments and accrued income	+ 231
Increase in trade accounts payable and other liabilities	+ 799
Decrease in payments received on account of orders and in repayment of amounts owed to affiliated companies	- 36
<b>Cash inflow from current operating activities</b>	<b>+ 5,215</b>
Cash received from fixed-asset disposals	+ 152
Additions to fixed assets	- 14,208
Allocation of investment grants received	+ 4,060
Differences from initial consolidation allocated to "other revenue reserves" in the financial year	- 127
<b>Cash outflow from investment activities</b>	<b>- 10,123</b>
Cash received from other shareholders resulting from increase of share capital at other affiliated companies	+ 1
Distribution of profits to other shareholders at group companies	- 20
Interest-free loans in accordance with Law on Upgrading the Federal Rail Network (Bundesschienenwegeausbaugesetz)	+ 4,774
Issue of bonds	+ 1,000
Repayment of bank loans	- 820
<b>Cash inflow from financing activities</b>	<b>+ 4,935</b>
Changes in funds	+ 27
Cash and cash equivalents on 1 January 1995	1,252
<b>Cash and cash equivalents on 31 December 1995</b>	<b>1,279</b>

**Total Remuneration of the Board  
of Management, Supervisory  
Board and Former Members**

	Deutsche Bahn AG DM thousand	Deutsche Bahn Group DM thousand
Total remuneration of the Board of Management	7,100	7,100
Remuneration of former members of the board of management	169	169
Provisions for pensions of former members of the board of management	2,031	2,031
Total remuneration of the Supervisory Board	405	405
Remuneration of former supervisory board members	40	40
Lendings to members of the board of management	0	0
Lendings to the supervisory board members	0	0

**Proposal on the Appropriation  
of Profits**

The Board of Management and the Supervisory Board propose to the General Assembly to carry forward the net profit for the year at an amount of DM 361,545,680.03.

Berlin, 24 April 1996

The Board of Management



# Notes to the Accounts

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## Auditor's Opinion

"The accounting, the annual accounts and the consolidated annual accounts which we have audited in accordance with professional standards comply with the legal regulations. The annual accounts and the consolidated annual accounts present, in compliance with the generally accepted accounting principles, a true and fair view of the net worth, financial position and results of the stock corporation and the group. The management report of the stock corporation and the group is in agreement with the annual accounts and the consolidated annual accounts."

Frankfurt am Main, 18 April 1996

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Aktiengesellschaft

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