



Annual Report and Accounts  
1996



» We aim to be  
the Number One  
service provider «

## Deutsche Bahn Group Financial Highlights

	1996	1995	1994
<b>Turnover</b> (DM million)	30,221	29,824	28,933
<b>Pre-Tax Results</b> (DM million)	721	553	491
<b>Number on Payroll</b> (at year end)	288,768	312,579	336,042
<b>Balance Sheet Total</b> (DM million)	57,935	52,064	42,037
<b>Equity Capital</b> (DM million)	13,125	12,279	12,161
<b>Capital Expenditure</b> (DM million)	10,621	10,131	10,927
<b>Cash Flow</b> (DM million)	3,882	2,537	2,578

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Throughout the business year the Supervisory Board has monitored the running of the business and been actively consulted and received in-depth information on the company's progress and all major decisions. At the four rotational meetings with the Board of Management, fundamental questions of business policy and the commercial state of the Group and business units were discussed, whilst business items submitted for assessment and consultation in line with legal and company provisions were duly processed. The presiding committee of the Supervisory Board met on seven occasions in the course of the year under review, in four instances with the aim of preparing for the rotational Supervisory Board meetings. The chairman of the Supervisory Board was in constant touch with the chairman of the Board of Management and was furnished with information on all major business transactions and decisions.

The annual accounts of DB AG and the Group to 31 December 1996 were inspected together with the consolidated annual report for DB AG and the Group by C & L Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and endorsed without qualification. All members of the Supervisory Board had access to the auditors' report, which was thoroughly discussed in the presence of the auditors at a meeting of the Supervisory Board on 14 May 1997.

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 Management, and these are accordingly adopted. The Supervisory Board endorses the proposal of the Board of Management concerning appropriation of the balance sheet profit.

The wholly endorsed accounts and annual report for the Group were likewise presented to the Supervisory Board and commented upon by the Board of Management. The Supervisory Board duly apprised itself of the report by the auditors for the Group C & L Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt/Main.

C & L Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft also examined the Board of Management's report on relations with affiliates, arriving at the opinion that it should be endorsed without qualification. The Supervisory Board has scrutinised the report and found no objections to either the concluding statement of the Board of Management or the findings of the assessment by C & L Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.



As of 31 August 1996, Mr Hubert Heil ceased to be a member of the Supervisory Board having reached the age of 65. He has been succeeded by Mr Willi Klussmeier, elected by the workforce under section 17 Codetermination Law. We wish to thank Mr Heil for his commitment and commendable services to the company.

Dr. Hermann Lenke left the DB AG Board of Management, of which he had been a deputy member, on 5 March 1996 to take up an executive position at Deutsche Eisenbahn-Consulting.

With effect from 1 March 1996, Mr Wolfgang Gemeinhardt, hitherto a deputy member, became a full member of the Board of Management.

Allocation of responsibilities within the Board of Management changed with effect from 1 March 1996 with Mr Roland Heinisch taking on Traction in addition to Research and Technology and Freight Traffic becoming the sole domain of Dr. Eberhard Sinnecker from this date.

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



Berlin, May 1997

On behalf of the Supervisory Board:

A handwritten signature in blue ink, which appears to read 'Günther Saßmannshausen'.

Dr. Günther Saßmannshausen  
Chairman

In the third year following root-and-branch reform, Deutsche Bahn has continued to forge ahead both in commercial and economic terms and with respect to the political objectives of getting more traffic to go by rail and lastingly reducing demands made on the public purse.

Here are the main figures underpinning this:

- Group turnover crossed the DM 30 billion threshold for the first time. All in all, sales have risen by 5.4 % since 1993, the last year before privatisation.
- Results have been impressive for every year since Deutsche Bahn was liberated from the chains of public service and budgetary regulations and was empowered to act as a commercial enterprise.
- Deutsche Bahn is now conveying 16 per cent more passengers. Productivity measured in terms of passenger and freight mileage per employee has risen by more than 60 per cent over the past three years.

- In its three years as a publicly quoted company (AG), Deutsche Bahn has invested some DM 41 billion. That is as much as was spent over a ten year period in the "Deutsche Bundesbahn/Deutsche Reichsbahn Special Assets" phase. Current medium-term planning envisages capital expenditure of roughly DM 81 billion by the turn of the millennium.

This Annual Report contains an exhaustive rundown of the figures involved.

Further crucial decisions were set in train and implemented in the course of 1996 on the road towards developing Deutsche Bahn into Europe's Number One transport and services corporation in the medium term. As Deutsche Bahn sees it, what is needed to become a leading player in the fiercely contested transport market of the future are extremely favourable cost structures, products that are totally geared to markets and customers, comprehensive service provision, on-going modernisation of the vehicle fleet and systematic internationalisation of business. Deutsche Bahn must proceed in the domestic European market of the future as a European corporation of German origin.

Given this sizeable task, it is vital that the second stage of the Rail Reform be implemented, thus ensuring rigorous consolidation of the "internal rail reform". The timetable for the latter is set forth in Programme of Action 2 (AGP 2), which was lent initial shape last year.

It is the legislative's intention to complete the second stage of the Rail Reform by the end of 1998 at the latest. The Short-Distance Passenger Traffic, Long-Distance Passenger Traffic, Freight Traffic and Track Infrastructure business units are to be turned into independent publicly quoted companies governed by an executive holding entity.

Besides elaboration of the underlying principles, 1996 also saw the first concrete decisions relating to the second stage of the Rail Reform effected.

The two most important were the Supervisory Board approved statement of intent by the Board of Management concerning the setting up of DB-Cargo-Projektgesellschaft mbH as a precursor to demerging the unit and initial moves to absorb Traction and Maintenance into the transportation divisions.



Of central significance for the future of Deutsche Bahn AG is the strategic and commercial participation of the former DBKom Gesellschaft für Telekommunikation mbH & Co. KG in a consortium led by Mannesmann and also graced by the likes of AT & T, Unisource, and AirTouch. ARCOR is now Deutsche Bahn's point of access to the cutting edge of information and communications technology that needs to be applied in all areas of company activity, not least as a means of enabling integrated transport systems to be set up by the various carriers.

A classic example of how much more competitive Deutsche Bahn has become with the aid of such technologies are the Call Centres for passenger services, the first of which is already in operation at Schwerin, and the nationwide Customer Service Centre for freight traffic currently being built in Duisburg.

At the junction between stages 1 and 2 of the Rail Reform, it can be said that overall progress so far has been very good. At the threshold to the new century, Deutsche Bahn is well placed to once again become a decisive economic factor and an engine driving technological change. It will not be able to solve all the traffic problems of the coming century but it has a vital part to play in minimising them. And all this whilst at the same time presenting itself to the market as a powerful and competitive transport and service enterprise.



Heinz Dürr  
Chairman of the Board of Management



### Supervisory Board

Dr. Günther Sassmannshausen  
Supervisory Board Chairman  
Hanover

Rudi Schäfer\*  
Deputy Supervisory Board Chairman  
Chairman of the German Railworkers  
Union (GdED)  
Frankfurt am Main

Christian Bormann\*  
DB AG  
Weimar

Niels Lund Chrestensen  
N. L. Chrestensen GmbH  
Erfurt

Dr. Hermann Franz  
Supervisory Board Chairman  
Siemens AG  
Munich

Norbert Hansen\*  
Deputy Chairman German  
Railworkers Union (GdED)  
Frankfurt am Main

Hubert Heil\*  
DB AG  
Fulda  
(to 31 August 1996)

Marlies Helling\*  
DB AG  
Frankfurt am Main

Hans Jochen Henke  
Permanent Secretary  
Federal Transport Ministry  
Bonn

Heinz Hermanns\*  
DB AG  
Cologne

Bernhard Ivo\*  
GdED Area Head  
Essen

Willi Klussmeier\*  
DB AG  
Recklinghausen  
(from 1 September 1996)

Dr. Horst Köhler  
President of the German Savings  
Bank and Giro Association  
Bonn

Roland Kohn  
MP  
Bonn

Dr. Hermann Krämer  
Member of the Board, VEBA AG  
Düsseldorf

Dr. Helmut Maucher  
President and delegate of the Nestlé  
S.A. Board  
Vevey/Switzerland

Werner Mößinger\*  
Chairman of the DB AG General  
Works Council  
Frankfurt am Main

Friedel Neuber  
Board Chairman of the  
Westdeutsche Landesbank  
Girozentrale  
Düsseldorf

Lothar Schote\*  
DB AG  
Frankfurt am Main

Horst Skrzipek\*  
DB AG  
Cologne

Dr. Jürgen Stark  
Permanent Secretary  
Federal Finance Ministry  
Bonn

\* Workforce Representatives

## **Board of Management**

Dr. Heinz Dürr  
Chairman

Klaus Daubertshäuser

Dr. Horst Föhr

Wolfgang Gemeinhardt

Professor Ulf Häusler

Roland Heinisch

Dr. Hermann Lenke  
(to 5 March 1996)

Dr. Johannes Ludewig  
(from 1 May 1997)

Peter Münchschwander

Heinz Neuhaus

Peter Reinhardt

Diethelm Sack

Dr. Eberhard Sinnecker

Hermann Wolters





Turnover  
Results  
Human Resources  
Capital Expenditure

Changes in  
Participating Interests

Board Report on  
Relations  
with Affiliates

Outlook





### The Economy

Gross Domestic Product rose 1.4 per cent in 1996. This was an even more modest increase than the previous year's 1.9 per cent. After weak growth of 0.6 per cent in the first half year, GDP accelerated to end 2.1 per cent up on the previous year for the second half.

This recovery was mainly a result of foreign demand picking up. Exports grew by 4.9 per cent in real terms, whilst imports were just 2.6 per cent up. Growth in domestic demand was subdued, with its most important component, private consumption, up slightly less than GDP at 1.3 per cent.

The process of catching up in the East slowed considerably in 1996. Whereas in previous years GDP had been significantly higher in the new states than in the core Federal Republic, this time growth there stood at just 2.0 per cent, little higher than the figure of 1.3 per cent for the West.

The overall economic climate precluded any improvement in the jobs situation. The annual average rate of unemployment rose to 10.4 per cent.

Inflation for the year stood at 1.5 per cent, once again a fall on the previous year's figure (1.8 per cent).

The assumption is that the present year will see signs of further economic recovery. Rising production figures in almost all sectors should lead to an increase in demand for transport services. But increases in productivity will not suffice to bring about a sea-change in the employment market. Measures to safeguard jobs in Germany will be required from all sectors given the current situation.

### Transport Market Developments

#### ■ Passenger Traffic

The overall passenger traffic market in Germany only rose 0.8 per cent by volume and 0.9 per cent by performance in 1996.

Overall traffic performance for 1996 in Germany stood at 916.5 billion passenger kilometres (pkm). This breaks down into 747.6 billion pkm generated by private motor vehicles, 26.3 billion pkm by air travel, 77.3 billion pkm by local public transport and 3.1 billion pkm by regional rail services.

Travel by private motor vehicle was up in terms of both traffic performance and volume by a modest 0.8 per cent.

DB AG's traffic performance improved by 2.9 per cent over 1995.

Long-distance passenger services logged a rise in traffic performance of 1.3 per cent, whilst the figure for local services shot up 4.4 per cent.

Thus growth in local passenger traffic is significantly higher than for the local public transport sector as a whole, which is put at 0.4 per cent for 1996.

The regional railways clocked up a 1.2 per cent increase in traffic performance in 1996.

Domestic air services were down roughly 1 per cent by both volume and performance for the first time.



» More and more people are traveling by rail-growth in the short and long-distances passenger sectors was higher than for the overall transport market «

Assessments as to how the passenger traffic market will fare in 1997 are more optimistic than last year. As new DB AG schemes take effect, short- and long-distance passenger services will be further stimulated. Private travel will also again be up assuming steady prices at the pump.

### ■ Freight Traffic

Traffic volumes in the long-distance sector fell by around 1.6 per cent in 1996. This development is rooted in sluggish economic trends. Taking traffic volume as a whole, the main structural contraction occurred in the transportation of construction materials, ores, iron, steel, scrap and non-ferrous metals.

Owing to intractable problems involved in converting statistics, it is extremely difficult to make statements concerning long-distance road haulage. It is assumed volume will have grown by approx. 0.3 per cent in 1996.

DB AG suffered a reduction of 2.0 per cent in traffic performance and 4.2 per cent in traffic volume. The noticeable upswing registered in the last few months of 1996 was not sufficient to materially improve the figure for the year. The trend reflects falls in the conveyance of traditionally rail-borne mining and steel and iron products in the first quarters. In marked contrast to this wider pattern, DB AG was able to up its market share in the conveyance of mineral oil products, construction materials, and fertilisers. In intermodal services, too, an

increase in volume of 2.6 per cent was posted.

Ravaged by both the weather and the economy, barge services were down 4.5 per cent in volume.

Given the nature of economic expectations, it is envisaged that demand for long-distance freight services will firm up overall in the current year.



## Turnover

### ■ DB AG

DB AG achieved turnover of DM 24.4 billion in 1996. Taking the structural changes listed below into account, that represents an increase over the previous year of 1.8 per cent.

1996 saw the Lake Constance ferry services and the regional arms of local transport for Alb-Bodensee (Lake Constance) and Schleswig-Holstein assume legally autonomous status or else become part of subsidiaries already in existence. In the freight sector, the subsidiaries Transfracht and Kombiwaggon were merged with DB AG.

These structural changes need to be borne in mind when comparing the figures for 1996 with those for the year before.

With turnover of DM 5.4 billion, **long-distance passenger traffic** yielded an increase over the previous year of 3.9 per cent on a comparable basis. Significant generators were EuroCity/InterCity with DM 2.1 billion, the ICE with DM 1.5 billion, and InterRegio with DM 1.1 billion. Traffic performance expressed in passenger kilometres rose by 1.3 per cent. The biggest rises in performance came from EC/IC and ICE services. The utilisation factor for long-distance trains was 2.5 per cent up on average.

Turnover on **short-distance passenger traffic** amounted to DM 10.8 billion in 1996. Taking the disposals adumbrated into account, this signifies an increase over the year before of 3.9 per cent. Traffic performance improved by 4.4 per cent. With effect from 1 January 1996, financial responsibility for local transport passed from central government to the regions. To this end, funds hitherto made directly available to DB AG have now been transferred to the regional länder, who in turn place orders for local service provision with DB AG. Appropriate transport agreements have been concluded with all the federal states. Expenditure by these totalled DM 7.5 billion in 1996, an increase of 2.5 per cent on federal outlay in 1995. Proceeds from ticket sales were up by around 7 per cent.

Trends in turnover for **cargo traffic** in 1996 were significantly affected by overall economic developments. At DM 6.6 billion, sales were down 4.9 per cent in comparable terms on the previous year. This fall occurred in conventional cargo operations as a result of reduced transport volumes in the mining and steel and iron sectors. Intermodal services, by contrast, expanded by a gratifying 5.5 per cent.

Traffic performance in conventional cargo operations was down 2.9 per cent. In the intermodal sphere it was up 1.5 per cent. By volume, cargo traffic fell by 4.2 per cent over the previous year in 1996. This was mainly due to falling production levels in the construction and steel sectors. The volume of vehicles, capital goods, finished products and agricultural items conveyed was up.

In the year ended, the **part-load sector** was characterised by falling demand in the face of intensifying competition. Turnover was down 27 per cent on the previous year, standing at DM 577 million. Business activities in this field are being transferred in stages to the associated company BahnTrans.

In DB AG's remaining units, turnover of DM 1,039 million was achieved. This includes proceeds from the renting and leasing of station space, which was entered under Miscellaneous Income last year, as well train-path, traction, and station charges accounted to subsidiaries.





» Have a good trip – EuroCity, InterCity, and ICE are central sources of turnover in long-distance passenger services «

## ■ Group

Group turnover amounted to DM 30.2 billion, an increase of 1.3 per cent over 1995.

In the tourism sphere, which essentially comprises Deutsche Reisebüro (DER), Bayern Express GmbH (BEX), and AMEROPA, turnover rose by 1 per cent to DM 1.9 billion. Overall, the travel and entertainments sector stagnated in 1996. Given that profit margins were also pruned, growth rates in turnover were unable to match those of previous years. Remarkably in the circumstances AMEROPA nevertheless managed to make satisfying progress in the marketing of rail tourism products.

Deutsche Fährgesellschaft Ostsee (DFO) upped turnover by 27 per cent to DM 262 million, partly as a result of revamping the catering side.

Deutsche Touring (DTG) also produced pleasing figures, up 15 per cent to DM 98 million.

The regional bus companies generated turnover of around DM 2.3 billion in 1996, which on a comparable basis is some 3.5 per cent up on the previous year.

MITROPA Group turnover fell by 6.4 per cent from DM 754 million to DM 706 million in 1996. This was partly due to the reorganisation of catering on Baltic ferry services (cf. DFO). Turnover in the "Onboard Service" sector grew substantially, whilst performance in the "In-Station Service" and "Roadside Service" areas was down.

With regard to the Group's companies in the freight transport sector, it needs to be borne in mind that, in the course of the year under review, Transfracht and Kombi-waggon were merged with DB AG. Turnover for this sector amounted to DM 516 million, a fall of 4 per cent on 1995 comparing like with like.

## Results

### ■ DB AG

DB AG's operating results were again up on the previous year. Allowing for interest, the figure was up from DM 293 million in 1995 to DM 336 million in 1996. The financial results fell from DM 97 million in 1995 to minus DM 38 million in 1996. This is largely the outcome of write-offs on holdings and stakes in affiliates. Taken together with the book profit arising from the sale of 49.8 per cent of shares in the ARCOR company demerged from DB AG in 1996 (formerly DBKom), DB AG produced pre-tax profits of DM 715 million, an increase of 83 per cent on the previous year.

The Hessian Finance Ministry has concurred with DB AG's view that federal allocations for dealing with environmental liabilities on the territory of the former Deutsche Reichsbahn actually constitute undisclosed capital contributions. Claims for recovery of excess income taxes paid have accordingly been filed, and this is reflected in the annual accounts.

DB AG's overall performance rose by 1.2 per cent to DM 27.8 billion in 1996. This rise is largely a result of organisational revamping in 1996.

The outgoings section reveals a rise of some 2 per cent over the previous year.

Accounted for in expenses are federal contributions towards overcoming technological and organisational underdevelopment on the territory of the former Deutsche Reichsbahn. In line with the agreement reached, these contributions are to be scaled down annually and phased out entirely by 2002. In 1996 the reduction amounted to DM 619 million. Taking the points mentioned into account, costs were reduced by 0.1 per cent.

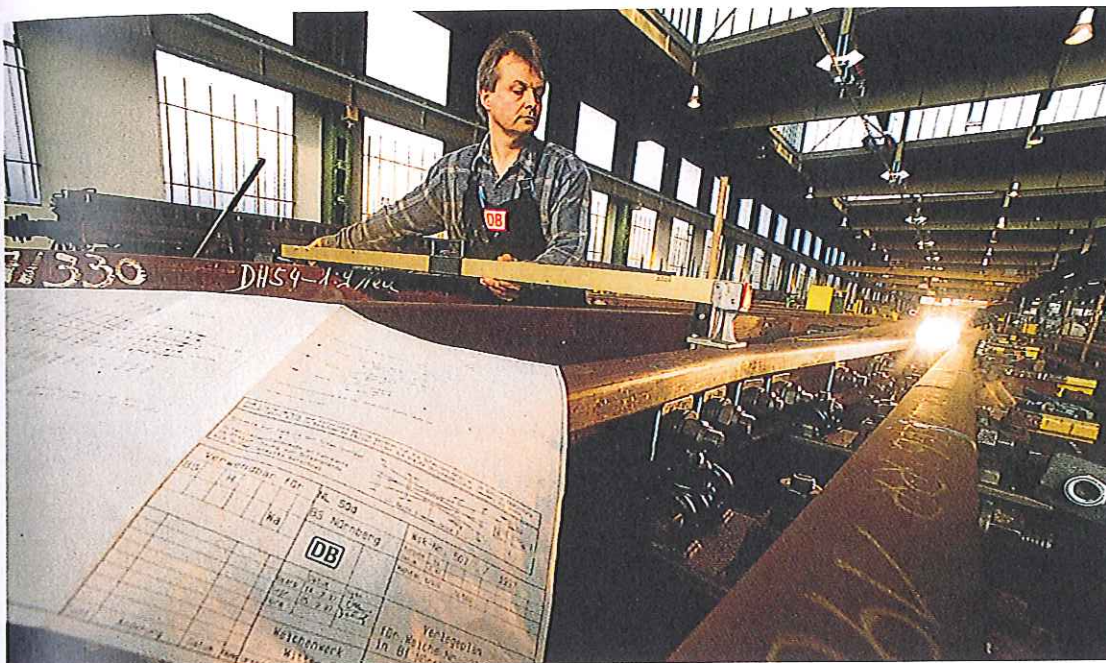
Some 80 per cent of total outlay relates to the costs of materials and staff.

Expenditure on materials rose by 16.4 per cent from DM 8.4 billion in 1995 to DM 9.8 billion in 1996. Taking into account both the reduction in federal funding towards tackling inherited liabilities on the territory of the Deutsche Reichsbahn and organisational changes effected in 1996, outgoings on materials were down by 0.7 per cent when comparing like with like.

Expenditure on staff totalled DM 15.0 billion in 1996, roughly 9 per cent less than in 1995. The mean workforce fell from 294,911 to 256,656, albeit partly as a result of organisational changes in the Group's make-up.

The next stages in restructuring the railways will involve three main aspects, viz. increasing traffic performance, overcoming the investment backlog, and raising productivity. The measures required to achieve these objectives will necessitate significant expenditure in the years ahead, especially in the area of staff costs. Provisions have accordingly again been made for this in the balance sheet, as they were in 1995.





» Enhanced productivity – traffic performance per employee rose by 15 per cent «

Average traffic performance per employee rose by 15 per cent in 1996, bringing the increase in productivity over the past three years to approx. 60 per cent.

Owing to continuing high levels of investment, depreciation allowances have similarly risen. These stood at DM 2.3 billion in 1996, 24 per cent up on 1995.

Miscellaneous Expenses were up DM 0.3 billion, or approx. 9 per cent, on the previous year.

#### ■ Group

Group pre-tax profits rose from DM 553 million in 1995 to DM 721 million in 1996, an increase of some 30 per cent. This improvement is mainly due to DB AG's achievements.

Improved results were also posted by BEX, AMEROPA, Deutsche Touring, S-Bahn Berlin and the freight transport companies.

The Group's results take account of special write-offs relating to ferry investment at DFO and further set-asides for stakes in affiliates.

### Staff

#### ■ DB AG

There were 246,859 people employed at DB AG as of 31 December 1996. This represents a drop of 11 per cent over the figure for a year earlier. Roughly five per cent of the drop is attributable to demerger measures, for the most part internal in nature.

There were 16,336 apprentices at year end, a training ratio of 7 per cent.

#### ■ Group

The number of staff employed at the Group as of 31 December 1996 was down 7.6 per cent from 312,579 in 1995 to 288,768 in 1996.

Staff numbers in sectors such as tourism, long-distance passenger travel, and service provision rose, not least on account of acquisitions by DB AG. There were 295,610 staff employed on average throughout the year with the Group, 11 per cent fewer than in 1995.

### Capital Expenditure

DB AG's gross capital expenditure for 1996 totalled DM 14.4 billion, 3.8 per cent up on the previous year. This includes additions to real estate arising from the agreement concluded between national government and the Federal Railways Property Directorate concerning how real estate assets are to be split up.

Additions to assets in the Rail Network sphere amount to DM 9.1 billion. These additions are largely financed through interest-free federal loans and construction grants that can be directly set off against fixed assets as well as through funding within the terms of the German Local Transport Finance Act. Federal construction grants were awarded for the purpose of tackling what are known as inherited investment liabilities in eastern Germany and are due to be phased out by 2002.

A total of DM 3.8 billion was invested in the remaining areas, predominantly on vehicle procurement and passenger traffic. Investment in passenger stations rose by around 27 per cent to DM 358 million. Major IT ventures in the freight sector and at headquarters were taken further forward. Appointments for locomotives and modernisation schemes for maintenance depots were further targets for investment.

Investment funding, particularly in the transport sectors, was underpinned by DM 3 billion's worth of cash-flow, DM 0.5 billion acquired on the credit market, and lesser amounts as foreseen by the German Local Transport Finance Act.

Financial asset accruals amounted to DM 1.8 billion, which also reflects disposal of telecommunications activities. The sale of a 49.8-percent stake in this sector led to a corresponding decrease in financial assets.

Gross fixed asset additions for the Group totalled DM 14.9 billion, DB AG's share of this being over 90 per cent.





» Go on, spoil yourself – travelling by InterCityNight! «

## Changes in Participating Interests

As of 31 December 1996, the Group comprised 177 fully consolidated enterprises in addition to DB AG and 71 associated enterprises.

With DER GmbH assuming a more pronounced leading role in the tourism sector, the abr and the Rominger groups have been incorporated and individual travel agencies merged.

Administrative regionalisation of local transport is leading to more demand and order-oriented traffic policies, one example of this new approach being the introduction of train/bus schemes in Schleswig-Holstein and Alb-Bodensee (Lake Constance), effectively a fusion of rail and bus services in these regions.

Bus companies in Stade and Upper Bavaria forming part of the VBG company jointly run by DB AG and Post AG have been sold. The Bavarian company has been integrated into BBHG, a wholly-owned subsidiary of DB AG.

The Lake Constance ferry, motorail, long-distance direct links and telephone information services have all been lent legally autonomous status.

The Cologne-Rhine/Main and Stuttgart 21 infrastructure projects are being put to effect in project enterprises set up for the purpose. Planungsgesellschaft Hannover-Berlin GmbH has been merged with Planungsgesellschaft Bahnbau Deutsche Einheit (PBDE).

Infrastructural measures in Berlin have been placed under the umbrella of DBProjekt GmbH Knoten Berlin.

Responsibility for servicing DB AG's entire vehicle fleet has been transferred to a separate company, DBFuhrpark Service GmbH, in which both DB AG and Dekra have stakes.

DBImmobilien GmbH has assumed responsibility for managing and marketing DB AG's land assets.



Real estate assets that were not conferred upon DB AG under the agreement concluded between federal government and the Federal Railways Property Directorate are being turned to account on behalf of the Directorate by Eisenbahn-immobilien Verwertungs GmbH & Co. KG, a company set up for the purpose in which DB AG has a 49-percent stake.

In the freight sector, the NDX company, in which DB AG has a 50-percent stake, is being set up jointly with the Dutch Railways and the American rail company CSX.

The company's goal is to generate additional volume, notably in the field of ocean containers.

Transfracht Deutsche Transportgesellschaft mbH and Kombiwaggon GmbH were merged with DB AG with effect from 1 January 1996.

A consortium headed by Mannesmann has acquired a 49.8-percent stake in the telecommunications company set up by DB in 1996. This move is designed to enable the railway's existing telecommunications facilities, given requisite capital expenditure, to be offered to third-

parties as and when the telecommunications market is opened up.

The Hamburg rapid transit network (S-Bahn) is being accorded legally autonomous status with commercial effect from 1 January 1997 along the lines of its counterpart in Berlin.

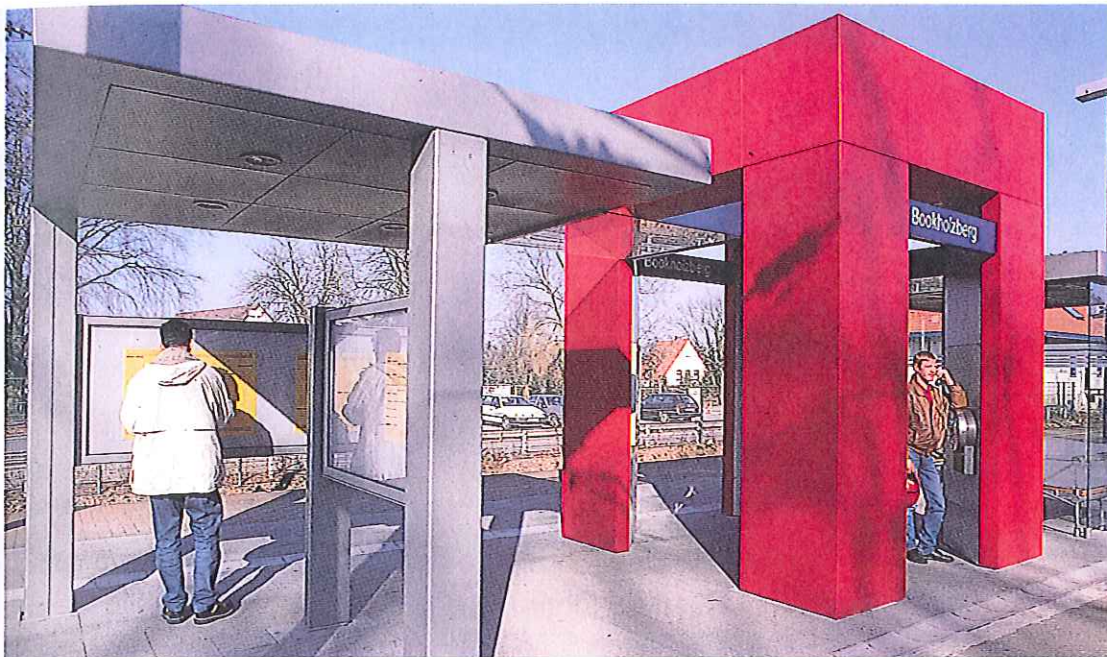
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## Report of the Board of Management on Relations with Affiliates

The Federal Republic of Germany owns all shares in Deutsche Bahn AG. In compliance with section 312 Stock Corporation Act, the Board of Management of Deutsche Bahn AG has accordingly compiled a report on relations with affiliates which concludes with the following statement:

"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."



» Visiting cards for a modern railway – DB PlusPunkt is a multifunctional pavilion for smaller stops «

## Outlook

It is estimated that economic developments in the current year in Germany will hold firm. As a result, DB AG expects both short and long-distance passenger traffic to grow further. This is based on the assumption that improved products and services in these areas will be reflected in enhanced traffic performances. The assumption in the case of freight operations is that there will be no further contraction.

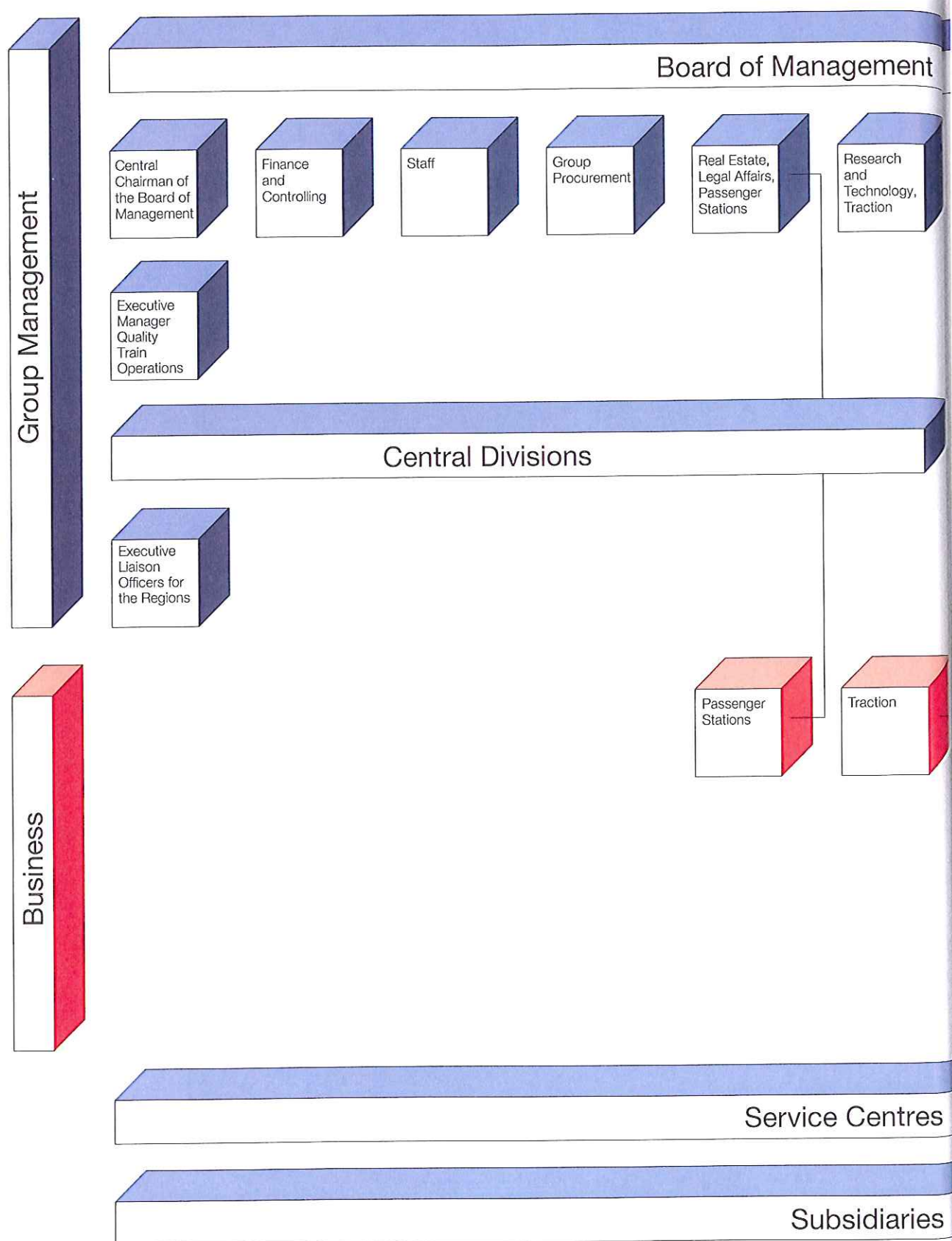
In the areas of short and long-distance passenger travel, the Group is also expecting turnover to grow. The overall assumption is that Group turnover will grow more strongly than in 1996.

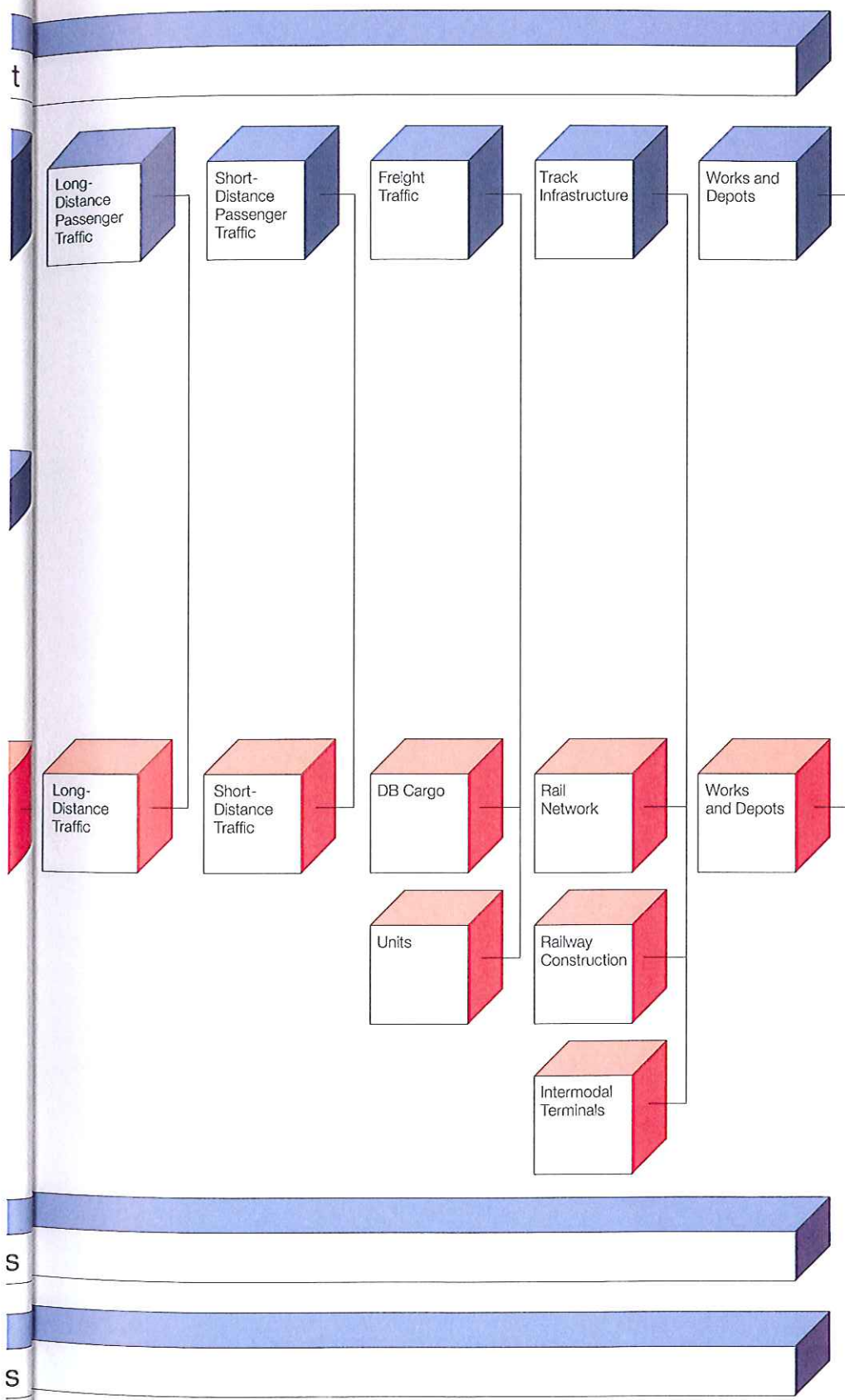
The process of increasing productivity initiated in the previous two years will be continued in the current year. In negotiations with trade unions and employee representations efforts are made to implement measures with the least impact on jobs. That can only succeed if more flexible arrangements can be agreed upon.

Product and productivity enhancements are closely intertwined with corresponding investment programmes. The Group's investment activities will be of at least the same order as in 1996. There will be more invested in the transport units than last year. The funding of Network unit ventures will also be copperbottomed through the input of DB AG monies.

On the basis of these expectations, it is assumed that operating results for DB AG and the Group will be further consolidated.









## Reports of the Business Units





### Passenger Traffic

- Long-Distance Passenger Traffic
- Short-Distance Passenger Traffic
- Passenger Stations

### Freight Traffic

- DB Cargo
- Part-Load Traffic

### Rail Network

- Railway Construction
- Intermodal Terminals
- Traction
- Works and Depots





## Passenger Traffic

### ■ Long-Distance Traffic

With InterCityExpress, InterCity, and EuroCity spearheading the way, the Long-Distance Traffic Unit again achieved an increase in turnover and traffic in which the ICE was over-proportionally represented. As well as rigorously restocking and modernising the vehicle fleet, efforts in particular to extend tourism services were also intensified.

This was because, amongst things, the Ameropa BIJ-Twen Ticket scheme was adopted and cross-border saver and supersaver schemes, partly in conjunction with neighbouring railways, were initiated.

### ■ Market Developments

The premium products ICE and IC/EC were largely responsible for ensuring developments in turnover and traffic performance for long-distance passenger operations were positive. Turnover totalled DM 5.35 billion (up 3.9 per cent). Traffic performance rose to 31.3 billion passenger kilometres (pkm). Crucially, ICE services generated DM 1.5 billion worth of turnover, up just under five per cent on the previous year. Thus

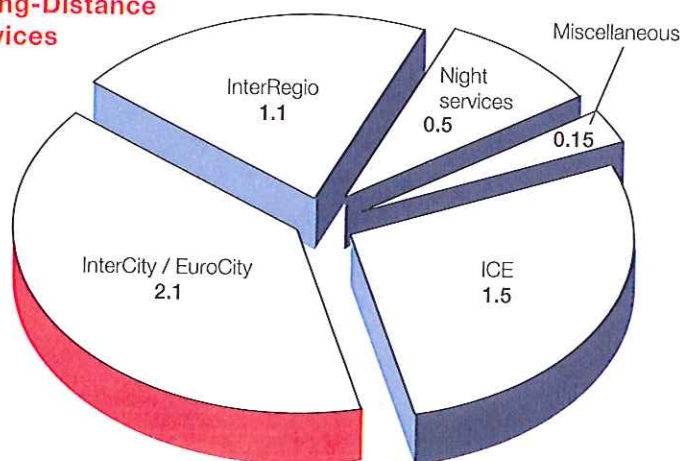
the ICE is now producing virtually 30 per cent of total turnover for the business unit. With turnover of DM 2.1 billion, the rate of increase for IC/EC services came to 6.1 per cent. IR was also buoyant, with turnover up 2.5 per cent at DM 1.1 billion. Night travel turnover remained unchanged at DM 0.5 billion.

There was an exceedingly positive pattern to international services, where the increase totalled 17.2 per cent.

### ■ Products and Schemes

The long-distance passenger product was considerably improved in the course of the year under review. Trains have been running hourly on ICE route 6 between Frankfurt am Main and Berlin since inauguration of the summer timetable. This has enabled awkward bottlenecks in the availability of seats to be overcome and overall load factors to be raised at non-peak periods too. It is a development that was facilitated by the commissioning of 7 new ICE 2 trainsets and the deployment, likewise earlier on, of driving van trailers on route 8 between Hamburg, Berlin, and Munich.

**Turnover on Long-Distance Passenger Services**  
(DM billion)





» Good at-seat service – a matter of course for the ICE crew «

The new ICE Route 6a between Bremen and Frankfurt am Main via Hanover, on which the new second generation ICE power cars are being worked, was opened in late 1996.

As a means of stimulating rail tourism, some InterRegio services have been extended to embrace particularly popular destinations, one line now running from the Rhineland to Saxony and another from Hesse to the Baltic. Introduction of the FerienTicket holiday travel scheme into initially 26 areas was seen as a way of fostering individual approaches to holidaying by rail.

A second TouristikZug was commissioned for charter travel.

Co-operation with tourist boards and promoters, especially of musicals, was intensified as a further means of drawing custom to the railways.

In preparation for a general revamping of motorail services, DB AutoZug GmbH was formed in Dortmund, at the heart of a region where demand for such services is strongest.

Service provision on trains and at stations has been further augmented and now includes targeted seat reservations on ICE trains, the BahnTaxi scheme available initially in six cities and offering favourable flat-rate charges for group travel by taxi to and from stations, porter and parking services, further enhancements in travel opportunities for the disabled, bicycle transportation by train and co-operation with Austria in the conveyance of luggage.



The first new-style travel centre has been inaugurated in Aschaffenburg. Conceived in the De Lucchi design studio in Milan, these systems comprise flexible components that produce a breezy, well-lit ambience and an aura of unfussy elegance and are eventually due to be installed at all major stations. Throughout the east German states the service and information hotline 19 4 19, already available in the West, has now been introduced via the new service-subsidiary DBDialog.

Price rises in the year under review remained modest. Fares rose on average in the West by 2.8 per cent. In the new federal states concessionary levels were reduced from 20 to 10 per cent.

### ■ Strategy

The range of products in passenger services is to be geared still more extensively to customer requirements. The Business Unit is investigating ways in which DB AG, in tandem with outside forces, can bring about transport chains from door to door.

Integrated product packages and through ticketing are two main objectives. Using all available information media, comprehensive up-to-the-minute information services are to be further built upon.

### ■ Capital Expenditure

Vehicle procurement and modernisation form the main planks of investment activity in the Long-Distance Passenger Traffic unit. In this spirit, ICE 2 vehicles not originally intended for delivery until 1997 have already gone into operation. A total of 63 tilting multiple unit trains have been ordered for the core InterCity network where lines are not being newly built or upgraded.

In a redesign scheme spread over several years, some 500 IC passenger coaches for locomotive-hauled IC trainsets are being thoroughly modernised and in the process adapted to the higher standards of the multiple unit trains on order. To obviate the need to change locomotives when reversing direction, 35 driving van trailers for locomotive-hauled IC trains were ordered in 1996. They are due for delivery as from April 1997.

### ■ Staff Developments

The number of staff employed in the business unit fell to 18,757 at year end 1996, 5.7 per cent down on the year.

Against a background of rising traffic performance, staff cuts resulted from, on the one hand, adaptation to optimised work procedures and, on the other, customer-driven staff adjustments within the unit and the introduction of more flexible working hours. Candid cooperation between the business unit, the trade unions, and the social partners has enabled the necessary adjustments to be effected in a socially acceptable fashion.

### ■ Outlook

Further growth in turnover is expected in 1997. Product enhancements such as the introduction of a two-hourly ICE 2 service between Berlin and Cologne will make their mark, this being in preparation for the new route between Berlin and Hanover due to open in 1998. Demand is also expected to rise as a result of ongoing product quality enhancements as the vehicle fleet and railway assets are modernised and extended.

Product enhancements are also expected to lead to positive trends in international services being sustained.



» That's talking – advanced IT systems are indispensable when customers need to know what's what «

"Thalys" high-speed trains designed for joint service on French, Belgian, and German railways, for instance, are to be worked on the route from Cologne to Paris via Brussels from the end of the year, whilst advanced tilting trains of the "Cisalpino" type are to be run on the Stuttgart – Zurich – Milan line in conjunction with the Swiss railways.

A highlight in the rail tourism sector will be the extension of the FerienTicket scheme to 60 areas. Efforts will intensify to extend the scheme to include carriers – local bus services, regional rail routes, and shipping lines.

Further high-speed projects such as the new line between Cologne and the Rhine/Main area will be forged ahead with. Investment will continue to be focused on procuring new generations of vehicles of the highest quality. There are also plans to expand service products, commission a new generation of ticket vending machines, and redesign travel centres.



## ■ Short-Distance Traffic

Figures for the Short-Distance Passenger Traffic unit reveal above-average growth in turnover and traffic performance being generated in the new partnerships with the nationwide and regional local public transport executives. The strategy continues to be to invest heavily in the vehicle fleet and develop services so as to improve relations with the customer.

### ■ Market Developments

Demand for local services from both the regional states and travellers was once again up in the year under review. Overall traffic performance rose by 4.4 per cent to 30.9 billion pkm (taking into account the companies demerged into Regionalverkehr Alb-Bodensee and Regionalbahn Schleswig-Holstein as from 1 January 1996).

Together with the two demerged companies turnover of DM 11.0 billion (up 3.9 per cent) was achieved, DM 10.8 billion of which was directly generated by the Short-Distance Traffic unit. Proceeds from fare income rose by 6.5 per cent to DM 3.5 billion.

This is to a far greater extent due to increased demand than to fare increases.

Orders for local services by the länder amounted to DM 7.5 billion (up 2.5 per cent). This reflects in particular supplementary agreements covering additional summer services for 1996.

### ■ Products and Schemes

The process of introducing the specifically packaged S-Bahn, StadtExpress, RegionalBahn and RegionalExpress products, begun in 1995, was concluded in the year under review. Across the country the various services are now clearly distinguishable, with line dedication and corporate identity also playing a role. Local service vehicles will in future sport a "transport red" finish and the first of these vehicles have already been delivered.

Uniform high standards, including modern design and availability of First Class seating, have been incorporated in local service vehicles across the board. New vehicles are equipped with toilets for the disabled, facilities for wheelchair ramps, and air-conditioning. Great attention is also being paid to enhancing service provision for customers.

Customer information systems are being set up and expanded that deal in depth with enquiries before, during, and after journeys as well as promoting service schemes.

The latter include projects such as EVAplus (electronic travel information from door to door) and RAN (regional contact points for queries and complaints regarding local services).

The KiN project (customer service in local trains) begun in 1995 was continued. Teams of 20 to 25 DB staff take care of "their" trains and "their" passengers' needs with no other operational duties such as train dispatching. The aim here is to lend rail travel greater human warmth.

The "DB PlusPunkt" scheme was inaugurated in the year under review and foresees the erection of waiting pavilions of modular construction at smaller local stations.

The system is being introduced in conjunction with the Passenger Stations Unit. The basic module is finished in new transport red, contains a waiting area, ticket vending machine, and customer information panels, and can be adapted as required to incorporate a telephone, toilets, or other facilities.





» New livery for local trains – double-deck vehicle sporting the new “transport red” finish «

## ■ Strategy

With competition for local rail transport services growing, the unit is endeavouring to conclude long-term contracts with local transport executives.

To ensure continuity and planning security as regards the deployment of new vehicles, special emphasis needs to be placed on co-operation with mixed-mode carriers and regional operators – new train transport or bus companies – where this enhances the final product.

The formation of further regional train/bus companies serves to inter-mesh short and long-distance rail passenger services with local road-based services.

The aim is to achieve all-in door-to-door schemes involving a single ticket and a single fare that extend beyond the available mixed-mode arrangements.

## ■ Capital Expenditure

Investment activity within the Short-Distance Passenger Traffic unit has been centrally focused on new vehicles and modernisation of older local-service stock. A total of DM 1.2 billion was spent in the year under review.

105 double-deck vehicles and further rapid transit trains were procured. Modernisation work was carried out on 700 single-deck passenger coaches and 86 double-deck cars from the fleet of what was formerly Deutsche Reichsbahn.

500 new ticket vending machines were installed and 3,745 mobile terminals procured for onboard ticket sales.



### ■ Staff Developments

The workforce was reduced from 15,230 to 14,865 in the course of the year. This is largely due to the demergers in southern Baden-Württemberg and Schleswig-Holstein already referred to.

### ■ Outlook

Transport agreements with ten federal states are up for renewal in 1997. Some states have invited

tenders for individual routes, or are planning to do so, with the aim of nurturing competition within the railways. The Short-Distance Passenger Traffic business unit is well armed for such a move and is demonstrating this by submitting very competitive bids. This growth in competition constitutes an added spur in new procurement and modernisation policy.

Expenditure totalling DM 7 billion has been earmarked for the period up to 2001 for new purchases and a con-

tinuation of the reconditioning programme. A further 350 double-deck cars will have been commissioned by the end of 1998, and the procurement of 300 diesel-electric motor cars is also foreseen.

It is planned to substantially improve customer facilities with the aid of stationary and also, increasingly, onboard vending machines.

### ■ Passenger Stations

**Wide-ranging innovations and the implementation of utilisation schemes for station premises often several decades old form the centrepiece of the Passenger Station Unit's business. Considerable amounts will also continue to be invested in the "Triple S"-initiative designed to enhance Safety, Cleanliness, and Service levels.**

### ■ Market Developments

Nationwide, the Passenger Station business unit currently manages some 6,500 stations with over 130 million train stops annually. The Unit's stations are made use of by some 1.4 billion local and long-distance passengers annually. This leads to around 3.2 billion "station contacts" per year.

The stations are playing an ever more important part in passenger transportation. They represent the interface between DB AG and the customer as well as being the point of intersection of modes of transport such as motor vehicles, local public transport, and long-distance services.

They occupy a position at the very centre of urban life and need to meet a wide range of requirements to qualify as attractive places to be for DB customers. The station of the future is an open and inviting communication and service centre. It will feature a select variety of merchandising and service outlets as defined by local specifications.

### ■ Strategy

It is a significant objective of the unit to further develop stations taking account of their urban context.





» New visions – the station building as the hub of city life «

This was ably demonstrated by an exhibition entitled "Renaissance of the Railway Station. The City in the 21st Century" held in Venice as part of the 6th Architecture Biennale.

The Unit is careful in all its station projects to ensure its customer-driven service initiatives square with their architectural surroundings. A crucial role is played here by product developments for stations that are geared to customer requirements.

In the development of stations and products, particular importance is placed on coordinating with and taking account of the needs of the Network, Short-Distance, and Long-Distance Passenger units as well as of the regions and municipalities.

### ■ Products and Schemes

With the further development of the Triple-S centre in Mainz and the opening of Triple-S centres in Halle, Frankfurt am Main, and Nuremberg, the process of transforming the network into a safe, clean, and service-rich environment continued apace. The first three mobile Triple-S centres (containers) went into operation for deployment away from the cities.

A significant milestone in the evolution of customer-oriented service provision was the installation of further ServicePoints, of which there were exactly 100 by the end of 1996.

To improve passenger information in the event of failure, public address material has been optimised and the installation of an automatic data transfer chain tested. To enhance the quality of time spent at stations, the service modules ReiseZentrum, ReiseFrische, and ReisePause and the passenger routing system have been developed.

The ReiseFrische scheme features newly conceived toilet systems and has been fitted at Kassel's main station and Westerland station on the North Sea island of Sylt. Zoologischer Garten station in Berlin has acquired an innovative "hygiene centre" complete with shower cubicles. Tests have also been conducted on self-cleaning, wheelchair-accessible toilet units for smaller stations.



New-style Reisezentrum travel centres became operational in 1996 at Aschaffenburg's main station, Westerland, and Leipzig. A new information and routing system likewise installed at these stations was also incorporated into the first stations in the Berlin rapid transit network to be renovated. It is due to be installed at all stations that undergo restoration.

As a result of these measures and restoration work carried out on the platform and canopy roofs, Westerland station has become the first to be classified a "tourist station".

Work has commenced on lengthening roofs over ICE platforms.

The "KulturBahnhof" at Kassel's main station was further extended. A Reisezentrum is being built here, comprehensive renovation work completed, and the former post-office hall converted into an exhibition space for the "documenta" art event.

The third stage in the "friendly station" scheme to revitalise non-urban stations saw 600 medium-sized and lesser stations rapidly and straightforwardly renovated in a process involving a total of over 1,600 individual measures.

In addition, a multifunctional waiting pavilion dubbed DB PlusPunkt has been purpose designed for smaller stations in consultation with the Short-Distance Passenger Traffic unit. This is a compact information and service unit complete with ticket vending machines, telephone with emergency call facility, a waiting area with weather shield and seating and an information module containing timetables, fare details, and a local map.

Project developments for several larger stations were likewise carried forward.

### ■ Capital Expenditure and Maintenance

Expenditure on investment totalled roughly DM 360 million and that on maintenance DM 430 million in the 1996 financial year. DM 220 million was spent on station cleaning and DM 60 million on security provision at stations.

### ■ Staff Developments

The Unit employed 6,756 people as of 31 December 1996 and is systematically increasing job opportunities in the service sector. Here, the total workforce rose from 2,536 to 3,130 in the course of the year under review.

### ■ Outlook

Numbers employed in the services sector are set to rise again in 1997. Construction of Triple-S centres is to be systematically pursued with plans to have 40 in place by 1999. Some 1,000 stations are to be linked to these technologically pioneering centres in the medium term.

In the course of the 1997 financial year further station projects will be wholly or partially completed. New waiting rooms are being built at Frankfurt am Main, Leipzig, and Berlin Zoologischer Garten stations.

DB PlusPunkt, the waiting pavilion for local service stations, will be erected at further stations.

Alongside large-scale projects, revitalisation measures for medium-sized and smaller stations will be continued and expanded.

The volume of investment will be significantly up on the previous year.



» Cars go by train – DB Cargo made substantial gains in the vehicle conveyance market «

## Freight Traffic

### ■ DB Cargo

**DB Cargo's railfreight operations were hit by a sluggish economy whilst simultaneously making significant inroads into the high-trade markets for commercial and industrial goods. This led to a relatively improved traffic performance coupled with substantial increases in productivity.**

### ■ Market Developments

DB Cargo was able to raise its share in the burgeoning markets for commercial and industrial goods – vehicle transportation for one – as well as in the conveyance of mineral oil products, fertilisers, and agricultural products. Intermodal operations netted a volume increase of some 3 per cent.

Market developments in the traditional spheres of bulk freight transportation mirrored overall economic events. DB Cargo was particularly affected by the persistent inertia in the mining and smelting industries.

The production of pig iron nationwide fell away by 7.6 per cent during the financial year, that of raw steel by 5 per cent, and sales of domestic coal dropped by 13 per cent.

This in turn triggered a fall in mining and iron and steel products conveyed, which account for almost half of DB Cargo's entire business by weight.

Steel production picked up towards year end and with it demand for freight conveyance in this market segment.



The slack economy also led to falls in respect of construction materials, timber, and in particular paper. Deutsche Post AG's decision last year to focus its logistics for parcel and letter services in centres without rail links was keenly felt.

Together, these factors led to the volume of freight transported being reduced to 288 million tonnes (4.2 per cent lower than the year before). Traffic performance stood at 67.4 billion tonne-kilometres, only 2 per cent down due to increased haulage distances.

Turnover in freight operations amounted to DM 6.18 billion. Total turnover for DB Cargo, including postal traffic and miscellaneous items, stood at DM 6.47 billion (down 4.9 per cent) comparing like with like.

Efforts to improve productivity bore fruit. The operating output required, measured in train kilometres, fell by 5 per cent, a markedly more favourable trend than in particular that displayed by traffic performance.

### ■ Products and Schemes

Conventional freight operations make up over 80 per cent of DB Cargo turnover, and with the mining, smelting, and construction industries in such a state of paralysis turnover sank by 5.5 per cent to DM 5.37 billion. Intermodal operations, by contrast, revived after a phase of stagnation the year before to end up 5.5 per cent at DM 0.81 billion.

International operations are a growing facet of DB Cargo's business and developed more favourably overall in the financial year. At the same time they are sensitive to economic and foreign exchange fluctuations and the effects these have on commodity markets.

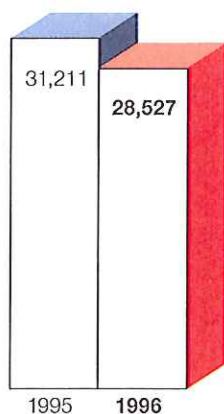
### ■ Strategy

DB Cargo's business policy continues to be characterised by the endeavour to offset structurally related losses in classical bulk cargo conveyance through growth in other market segments. To this end, considerable efforts are being made to achieve greater proximity to customers.

A case in point was the switch on 1 July 1996 from product-oriented to customer-group-oriented distribution by market sector.

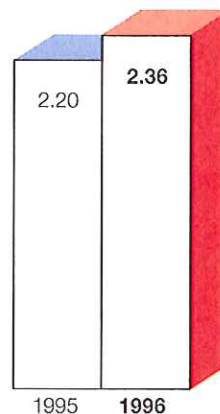
### Staff Developments at DB Cargo

Annual average



### Traffic Performance per Employee

(million tonne-kilometres)





» Rail out the old,  
rail in the new –  
doing a good job  
at Berlin's major  
building sites «

Work commenced on a Customer-ServiceCentre in Duisburg that when finished in mid-1998 will serve as a central contact point for the shippers trade. As a precursor to what will be a service centre without parallel amongst Europe's freight railways, a Cargo Information Centre was established at Essen in October of the year under review.

Engineering innovations also aid greater customer proximity. This is particularly true of the CargoSprinter, a self-propelled transport unit for intermodal freight operations that has been undergoing trials since September.

Fitted with series produced truck engines, units of this sort are set to accelerate train formation procedures as well as stimulating trade from private sidings. In a further instance of innovatory development in the freight car sector, two-side tipping wagons for construction material conveyance were commissioned in the financial year that facilitate more efficient transportation procedures through the option of selective discharge by means of electronic actuation by the driver.

These vehicles are being effectively deployed in clearance operations at the large building sites in the heart of Berlin.

Progress has been made in efforts to tighten up production and technology in the interests of improved productivity.

As from 1 January 1997, for instance, the 30 former regional areas were condensed into 20 new centres with a total of 90 DB Cargo freight yards organised in just two tiers.

#### ■ Capital Expenditure

The main brunt of investment concerned procurement of 450 new vehicles costing DM 148 million. The rolling stock for the conveyance of construction materials already alluded to made up DM 66 million of this. In all, DB Cargo invested DM 197 million.



### ■ Staff Developments

On average throughout the year, 28,527 people were employed with DB Cargo (excluding apprentices), that's 8.6 per cent lower than a year earlier. As of 31 December 1996, the workforce stood at 27,454.

Productivity improved. Despite the sluggishness of the economy, income per employee rose by over 4 per cent and traffic performance per employee by over 7 per cent.

### ■ Outlook

DB Cargo stands to benefit from what is expected to be an improved overall economic situation in 1997, especially with regard to conveyance operations for the steel industry. Coal and lignite conveyance will be increasingly affected by reductions in domestic production.

The prospects with regard to the motor car and chemical industries are comparatively favourable. The market for the transportation of building materials will remain fraught.

Moves to increase the volume of construction materials being railed include the joint venture entered into with the British construction materials company Forster Yeoman and the deployment of innovative vehicles.

1997 will continue to see great emphasis placed on improving punctuality and raising productivity, notably through optimisation of wagon deployment. A modernisation drive already underway is intended to reduce shunting input and speed up conveyance procedures.

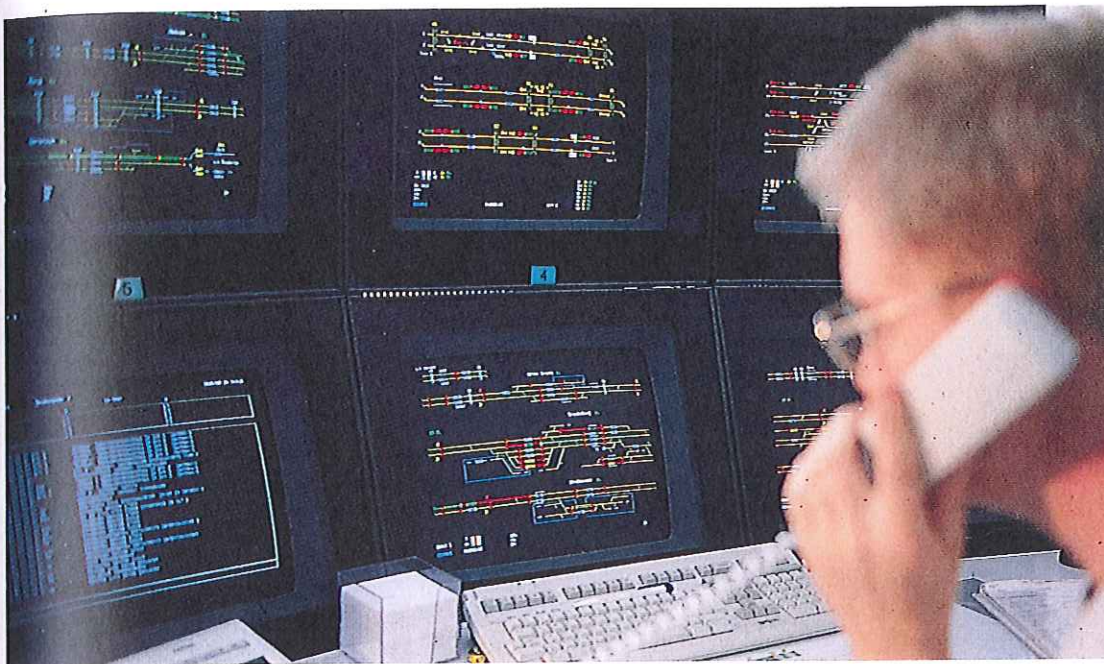
In an anticipatory move linked to completion of the second stage of the Rail Reform by at the latest 1 January 1999, DB Cargo Projektgesellschaft mbH was formed at the beginning of 1997. It will have the task of continuing detailed preparations for the demerging of the freight business into the independent company DB Cargo AG.

### ■ Part-Load Traffic

Moves continued as planned to transfer the Part-Load Traffic business unit to BahnTrans.

The process of pruning the outdated production system coupled with strong competition caused turnover to plummet 27 per cent to DM 0.58 billion. The volume conveyed was 30 per cent down on the previous year at 1.4 million tonnes.

There were 5,218 people employed with the Unit at year end, 25 per cent fewer than a year earlier. The Business Unit is being wound down in the course of 1998.



» Control centre – advanced train control technology makes the most of network capacity «

## Rail Network

With demand for traffic products growing, the Rail Network unit was itself able to improve the marketing of train-paths. Ongoing optimisation of the track infrastructure with the aid of engineering and planning input is having a decisive impact on the further course of business activities.

### ■ Market Developments

The upturn in the rail transport market continued notwithstanding economy-related problems experienced by railfreight companies. The Rail Network Unit was confronted with changes in the customer profile for local passenger services.

Subsidiaries of the Short-Distance Traffic unit were demerged.

Local rail traffic operations, moreover, were awarded by regional executives to non-federally owned railways.

As a result third party operators are becoming increasingly active within the DB network.

### ■ Products and Schemes

Work on computer-based timetable generation and simulation was continued with as a matter of priority. The objective is to noticeably shorten the period between a customer's enquiry and the provision of train-paths and at the same time to detect conflicting requests early on and arrive at the best solution.



### ■ Strategy

At the heart of the Rail Network unit brief is the drive to implement the "Network 21" infrastructure concept.

Adapted to market requirements, the rail network of the 21st century is called upon to increase the capabilities of the infrastructure and in this way more fully exploit traffic capacity.

The first step will involve devising a change of timetable for 1998/99 in which on the most heavily trafficked routes services of differing speed are kept apart as a means of increasing performance levels and reducing capacity bottlenecks. Appropriate lines are to be identified to this end.

### ■ Capital Expenditure

DM 9.1 billion was invested in upgrading the track infrastructure (1995: DM 10.4 billion), made up of DM 3.25 billion in interest-free loans, DM 0.18 billion in federal construction grants, DM 3.12 billion in investment liabilities, DM 0.38 billion under the German Local Transport Finance Act scheme, DM 1.07 billion in construction grants from third parties/other and DM 1.09 billion in equity capital.

The main focal points of investment activity were again the German Unification Transport Projects. A large tranche of funds was devoted to upgrading the Hamburg to Berlin line (GUTP 2), the Hanover to Berlin line (GUTP 4), and the Berlin to Halle and Leipzig line (GUTP 8.3).

Further monies were invested in integrating Berlin into the high-speed network, notably via the ICE route to Hanover. Considerable amounts were funnelled into the Berlin network with major emphasis being placed on rehabilitation of the city railway and construction of the North-South Link in conjunction with the future central station in the projected government quarter. The drive to modernise command and control technologies was carried further forward.

### ■ Staff Developments

The workforce fell by roughly 14 per cent in the course of the year to stand at 72,817 at year end. More than 5,900 junior staff were afforded professional training, whilst 1,800 of the apprentice workforce were re-employed in the financial year.



» Engineering services – putting up overhead lines is just one of the Railway Construction unit's tasks «

## Railway Construction

The Railway Construction business unit, a single-source engineering service provider for installations associated with the track, has been active mainly on behalf of the Rail Network unit in the spheres of civil engineering, the permanent way, signalling, telecommunications, electrical engineering and rising structures.

### ■ Market Developments

Serving as a contractor to the central Track Infrastructure division, the Railway Construction unit carries out construction and assembly work, workshop and service tasks in building and conversion projects, and the maintenance of installations associated with the track and with DB AG's other business and central units.

The Unit specialises in civil engineering, the permanent way, signalling, telecommunications, electrical engineering and rising structures.

Besides workmanlike execution of orders, special emphasis was placed on adhering to quality specifications and deadlines in work for the rail infrastructure.

It is the Railway Construction unit's objective to concentrate its services in competitive centres. As a first step towards a new branch structure, the grouping of construction and assembly centres by trade was set in train and implemented on 1 January 1997 in the sphere of the new network centres of the main ordering party.

The ongoing policy of focusing on the core business saw all rising structure capacity transferred to the new AHS unit.



### ■ Capital Expenditure

Investment centred on modernising track construction machinery, rationalising overhead line assembly, and further improving safety equipment for securing sites and the provision of auxiliary bridges.

### ■ Staff Developments

The business unit operated with an average workforce of 13,700. In the course of the year numbers fell from just under 15,000 to around 13,000.

## Intermodal Terminals

**As a service provider in the field of intermodal cargo handling, the unit was able to develop its position. Investment in terminal infrastructure has the chief aim of raising the competitiveness of intermodal traffic.**

### ■ Market Developments

The Intermodal Terminal unit, which is responsible for building, upgrading, and maintaining transshipment yards for combined traffic, presided over cargo handling facilities at the road/rail interface at some 50 locations in the 1996 financial year. The unit achieved some two million transshipments in this period. With a market share of over 70 per cent, it is far and away the main service provider in this sector.

### ■ Strategy

The business unit's objective is to raise the competitiveness of intermodal operations. To this end, it intends systematically modernising the infrastructure, deploying innovative cargo-handling technologies, introducing new forms of production and optimising logistics in the terminals. This goal is reflected in medium-term investment thinking. This foresees readying handling capacity for the volumes expected by adding to and upgrading the terminal infrastructure at all economically important sites.

### ■ Capital Expenditure

The financial year saw work begin on building six new terminals at Basle, Erfurt, Grossbeeren near Berlin, Karlsruhe, Kornwestheim and Leipzig and on expanding and modernising the Cologne-Eifeltor facility. Total investment stood at over DM 300 million. These installations are due to be commissioned in 1998. Preparations to expand handling capacity to meet market demand took the form of planning projects for five further building and upgrade measures at Glauchau, Frankfurt am Main, Magdeburg, Regensburg and Rostock. Construction work is set to commence in 1997.



» Extended job profiles – drivers are taking on new duties «

## Traction

With demand for services up so the number of traction units in operation rose. Fuller integration of traction into operative business areas led to a pronounced extension of drivers' work profiles. The way was paved for important innovations through the commissioning of the first driving simulators for training purposes.

### ■ Market Developments

Increased demand for services led to a concomitant rise in the number of traction units in operation. Drivers clocked up a total of 839 million train-kilometres. Optimised traction unit turn-round times, improved rostering, and increased train speeds together made for significantly improved productivity.

### ■ Capital Expenditure

Investment activities were focused on rejuvenating the locomotive fleet and modernising stationary installations as well as developing data processing procedures. DM 230 million was invested in all.

Outstanding feats included the roll-out of the first locomotives in the new 101 Class for high-speed long-distance passenger services and in the 152 Class for freight traffic and the commissioning of the first travel simulator in Fulda, which, assisted by Computer Based Training (CBT), promises more efficient training under lifelike conditions.

### ■ Staff Developments

The workforce had fallen by 1,460 to 35,811 by year end. This was effected in a socially responsible manner with the help of retirement, early retirement and redundancy payment schemes.



The unit has elaborated, tested, and begun to phase in a framework plan for Teamwork in Traction Unit Duties (TAT). Moves to grant staff greater powers of self-determination in their work procedures are designed to improve motivation and raise productivity.

### ■ Outlook

In the second stage of the Rail Reform, the Traction business unit is

due to be subsumed within the operating divisions of the short and long-distance passenger traffic and freight traffic units.

This process was initiated on 31 December 1996 when locomotives were allocated to the traffic units.

Further transfers are earmarked for the current financial year culminating in the transfer of staff at the turn of the year.

Irrespective of this, the unit is in 1997 also addressing itself to further means of improving productivity and the punctuality and reliability of traction output.

## Works and Depots

**Vehicle fleet maintenance and renewal of the coach fleet through conversion work were high on the list of the Works and Depots unit's activities. At the very forefront of endeavours stood measures to raise productivity and reorganise procedures.**

### ■ Market Developments

Functioning as a service provider for the operating divisions, the Works and Depots unit processed a volume of orders equal overall to that of the previous year. Much of the work involved overhauling locomotives that have been heavily worked and are reaching the end of their service lives.

### ■ Products and Schemes

Besides overhauling vehicles, the unit also continued large-scale conversion work on ageing passenger coaches. This also gave rise to the second TouristikZug.

For the upkeep of freight wagons, the load-dependent maintenance and inspection system (LARSIG) was prepared for introduction. It is expected to lead to considerable reductions in maintenance input.

### ■ Capital Expenditure

DM 240 million was invested in upgrading and converting works and depots. Alongside measures to modernise plant, the main emphasis lay on raising productivity whilst heeding health and safety at work and environmental factors. Staff and plant were furthermore concentrated at sites where requisite input was highest.

### ■ Staff Developments

The workforce fell from 45,400 to around 41,000 in the course of the year under review.

### ■ Outlook

In the second phase of the Rail Reform the Works and Depots unit is being incorporated into the operating divisions of the short and long-distance passenger traffic and freight traffic units.



## Substantial Investments

Tourism/Long-Distance Travel  
Local Transport Services  
Freight Traffic  
Service  
Other





The DB Group's major investments produced essentially positive progress against a backdrop of distinctly varied points of departure. Balance sheets reflected the impact of reorganisation and considerable expenditure to ensure an improved position within the Group.

### Tourism/Long-Distance Travel

#### ■ Deutsches Reisebüro GmbH (DER)

The tourism industry has experienced a fall in growth in demand for travel for the first time in a decade and a half. Given reluctant booking patterns and strong increases in last-minute offers in the wake of low economic growth and stagnating real incomes, tour operators and travel agents only managed to post modest increases in turnover in 1996. Whereas, however, operators are at least expecting to match last year's growth in 1997, turnover in the agencies is set to stagnate.

Against such a problematic setting, DER GmbH nevertheless recorded turnover for the year of DM 1.3 billion, up 4.4 per cent. At DM 12 million, pre-tax profits were down a hefty 70.7 per cent on the year before. Capital expenditure amounted to DM 35 million (up 0.6 per cent). The workforce grew by 4.3 per cent to 2,064 at year end.

DERTOUR business includes package tours in catalogues and additional ex-catalogue products. The biggest growers in the financial year were long-haul tours to North America and South Africa. There was also an increase in demand for South America, the Caribbean, and Mexico as well as short trips, especially to cities or events.

DERRAIL ably performed general agency functions for DB AG and in particular contributed to the positive trend in long-distance passenger travel.

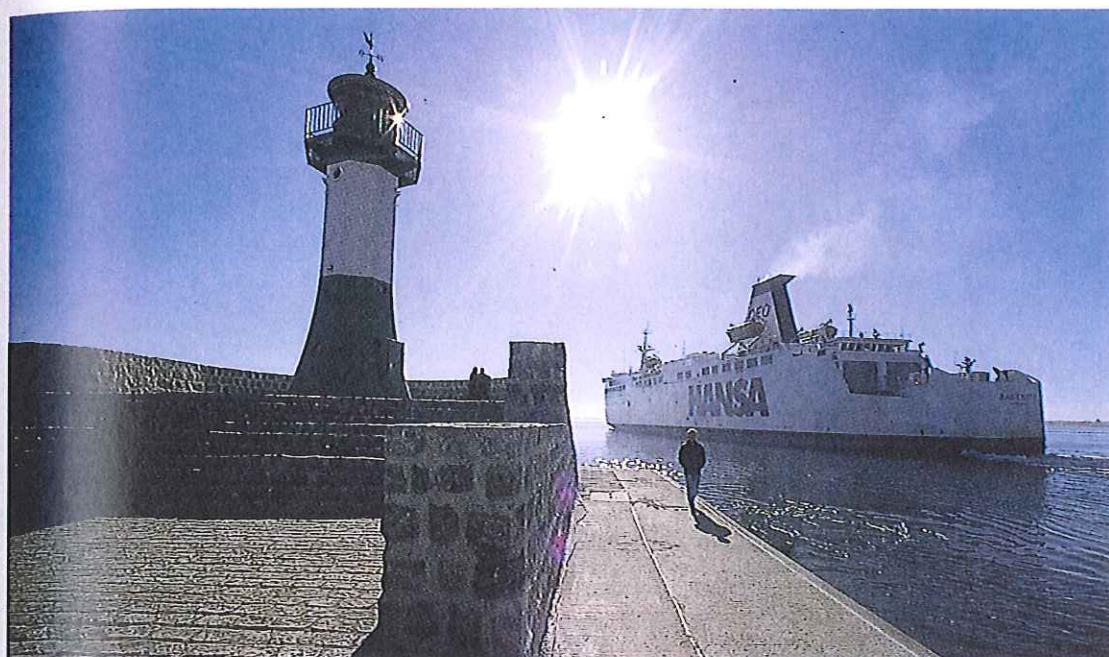
DER's travel agency business was expanded to embrace Rominger GmbH. Turnover subsequently increased via the growth in market access, notably as a result of successful sales promotion in the business travel sector.

The market situation in the tourism industry will lead to a further tightening of organisation and operating procedures at DER GmbH. Provisions for imminent restructuring measures have accordingly been made in the balance sheet.

#### ■ DFO Deutsche Fährgesellschaft Ostsee mbH

Active in Baltic ferry services since 1993, the Group subsidiary has been able to defend its leading position in the southern Baltic. With turnover up 27.2 per cent at DM 262 million as a result of service on board ferries being included, results in the ordinary course of business and having availment of special tax write-off options amounting to DM 94 million stood at minus DM 89 million. With the exception of rail traffic, conveyance income was on a par with the previous year.

Deutsches Reisebüro GmbH (DER)	1996	Change on previous year
Turnover	DM 1,300 million	4.4 per cent
Results for year before tax	DM 12 million	-70.7 per cent
Capital expenditure	DM 35 million	0.6 per cent
Workforce as of 31 December 1996	2,064	4.3 per cent



» Rails on water – DFO Deutsche Fährgesellschaft Ostsee mbH still up front in Baltic ferry services «

DFO invested DM 170 million (up 158.9 per cent) through the commissioning of the "Mecklenburg-Vorpommern" ferry. The world's largest combined ferry for the conveyance of rolling stock, trucks, and passengers, it runs between Rostock and Trelleborg in southern Sweden.

The workforce remained virtually unchanged at 474 (down 0.9 per cent).

As a means of safeguarding its market standing, the DFO is seeking to see through a wide-ranging programme of construction and investment measures in respect of the "as the crow flies" line between Puttgarden and Rödby. There are plans to commission two advanced double-ended ferries in the course of the year, and investment in the ferry installations at Puttgarden is also envisaged.

Increased capacity is expected to produce growth in traffic levels in 1997, notably on the Rostock/Trelleborg route.

DFO expects completion of the rail/road link over the Great Belt, together with the scheme for a "fixed" crossing of the Öresund between Denmark and Sweden by bridge and tunnel, to significantly intensify the competition Baltic ferry services face.

<b>DFO Deutsche Fährgesellschaft Ostsee mbH</b>	1996	Change on previous year
Turnover	DM 262 million	27.2 per cent
Results for year before tax	DM -89 million	-1,593.6 per cent
Capital expenditure	DM 170 million	158.9 per cent
Workforce as of 31 December 1996	474	-0.9 per cent



## Local Transport Services

### ■ Bahnbus-Holding GmbH

Bahnbus Holding GmbH is at present host to 28 regional bus companies.

BBHG Group enterprises achieved turnover of DM 2.363 billion (up 51.5 per cent). Pre-tax profits totalled DM 143 million, very much in line with the previous year.

The bus companies' operating output rose to just under 528 million vehicle-kilometres. The 15.8 per cent accretion here was largely due to the acquisition of three new companies. At DM 419 million, investment was 83.1 per cent higher than in the previous year.

The workforce grew to 6,496 (up 53.7 per cent). This is largely a result of the three bus companies acquired and integration of the ZugBus companies in Schleswig-Holstein and in the Alb-Bodensee (Lake Constance) region in Baden-Württemberg.

The Group expects figures for 1997 to be similarly satisfactory given a continuation of present trends.

### ■ S-Bahn Berlin GmbH

The Group subsidiary provides and markets local transport services in greater Berlin. Operating output rose to 27.5 million train-kilometres (up 3 per cent) in the company's second year. Turnover climbed 20.6 per cent to DM 897 million, which is mainly attributable to increases in traffic performance and operating output. Pre-tax profits in turn totalled DM 39 million.

DM 23 million was invested in new infrastructure and vehicles. Track rehabilitation in the rapid transit network was concluded in the year under review. Furthermore, the first

half-consist in the 481 Class underwent trials. 500 of the new vehicles will be procured in the years ahead.

The workforce increased to 4,200 (up 1.2 per cent). The rise is mainly made up of drivers transferred from DB AG and apprentices.

A further increase in operating output has been agreed with the federal states of Berlin and Brandenburg for 1997 on the basis of new route sections being commissioned. Renewal of the vehicle fleet will have been completed with delivery of 100 quarter-consist trains in the 481 Class.

<b>Bahnbus-Holding GmbH</b>	1996	Change on previous year
Turnover	DM 2,363 million	51.5 per cent
Results for year before tax	DM 143 million	0.5 per cent
Capital expenditure	DM 419 million	83.1 per cent
Workforce as of 31 December 1996	6,496	53.7 per cent

<b>S-Bahn Berlin GmbH</b>	1996	Change on previous year
Turnover	DM 897 million	20.6 per cent
Results for year before tax	DM 39 million	295.5 per cent
Capital expenditure	DM 23 million	-14.5 per cent
Workforce as of 31 December 1996	4,200	1.4 per cent





» New look for Berlin city services – S-Bahn Berlin GmbH is investing in the future of its vehicle fleet «

## Service

### ■ MITROPA AG

The MITROPA service enterprise was compelled to absorb the impact of a sluggish economy in all its spheres of business. It was nevertheless able to end the financial year with a pre-tax profit of DM 2 million (down 76.6 per cent). Turnover totalled DM 462 million (down 12.5 per cent).

Targeted sales promotion initiatives and additional commissions led to an increase in turnover in the Onboard Service division.

Catering on Baltic ferries had been transferred to the new company MSC MITROPA SchiffsCatering GmbH at the start of the financial year. Turnover at retail prices was slightly up on the previous year.

The catering division for roads and motorways was hit by the new fiscal ruling on travel costs, which was reflected in large drops in turnover.

Looking ahead, MITROPA AG will be intent on extending its basis of operations. From 1 March 1997, for instance, it assumes responsibility

for catering on the Swiss railways. Expansion of motorway service stations is also planned, with the first already having been opened in the original Federal Republic.

MITROPA invested DM 25 million in all (up 17.6 per cent). The number of employees fell by 3.9 per cent to 5,317.

MITROPA AG	1996	Change on previous year
Turnover	DM 462 million	–12.5 per cent
Results for year before tax	DM 2 million	–76.6 per cent
Capital expenditure	DM 25 million	17.6 per cent
Workforce as of 31 December 1996	5,317	–3.9 per cent



### ■ dvm Deutsche Verkehrs- dienstleistungs- und Management GmbH

Serving the travelling public are the seven rail cleaning companies that constitute the dvm group and also the security firm BSG Bahn Schutz & Service GmbH.

The group achieved turnover of DM 711 million (up 46.3 per cent). This was largely due to demergers of part companies from DB AG. Pre-tax profits were down 51.1 per cent at DM 18 million. The incorporation of 3,500 railworkers into the associate companies caused the total workforce in the group to swell to 13,721 (up 68.3 per cent). Alongside the vehicle cleaning division, station and structural cleaning

activities were also expanded. In addition, security services, a porter service, and a vegetation control unit were unveiled.

In the face of stiffening competition and staff cost increases, group profits fell by 42 per cent to

DM 21 million. The dvm group invested DM 17 million, up 41.2 per cent.

A major client of the company is DB AG. Efforts are in train to extend service provision to third parties.

#### dvm Deutsche Verkehrsdienst- leistungs- und Management GmbH

	1996	Change on previous year
Turnover	DM 711 million	46.3 per cent
Results for year before tax	DM 18 million	-51.1 per cent
Capital expenditure	DM 17 million	41.2 per cent
Workforce as of 31 December 1996	13,271	68.3 per cent

## Other

### ■ DE-Consult

DE-Consult Deutsche Eisenbahn-Consulting GmbH, an engineering, planning, and consultancy firm with worldwide activities, achieved turnover of DM 263 million (down 5.6 per cent) on predominantly rail-based business at home and abroad. Pre-tax profits totalled DM 11 million (down 13.6 per cent).

At DM 7 million, investment activity was 24.7 per cent down on the previous year. At year end the workforce was down 11.3 per cent at 1,639.

The company's fortunes were mainly affected by the demerging of surveying activities into GI-Consult (Geo Information Consult GmbH).

In the domestic market for traditional engineering products DE-Consult is facing stiff competition as regards prices.

Competitive pressure is likewise growing on foreign markets, in the form of a given country's own suppliers – the company is active in 35 countries through associates, joint venture partners, agents or its own offices.



» Alert and available  
– cleaning and  
security services  
are gaining  
dramatically in  
importance «

DE-Consult is aiming to enter new markets and consolidate existing ones by a policy of targeted cooperation and corporate participation.

#### ■ Mannesmann ARCOR AG & Co.

A particularly notable event in 1996 was the wholesale fusion of DBKom and CNI and their subsequent introduction to the market as a single enterprise trading as ARCOR.

With turnover of roughly DM 1,008 million in 1996, ARCOR is investing DM 800 million in the fixed network this year in a drive to significantly increase turnover, to a large extent through trade with non-DB Group customers.

DE-Consult	1996	Change on previous year
Turnover	DM 263 million	–5.6 per cent
Results for year before tax	DM 11 million	–13.6 per cent
Capital expenditure	DM 7 million	–24.7 per cent
Workforce as of 31 December 1996	1,639	–11.3 per cent



## Freight Transport

### ■ Transfracht International

Transfracht Internationale Gesellschaft für Kombinierte Verkehr mbH (Transfracht International) is DB AG's distribution company for container operations.

It became legal successor to Transfracht Deutsche Transportgesellschaft mbH on 31 July of the financial year. One of Transfracht International's strategic objectives is the internationalisation of supply.

Thus it has set up a subsidiary in Rotterdam and a sales agency in Antwerp.

It also runs sales agencies in Berlin, Hamburg/Bremen, Duisburg and Munich as well as logistics offices in Hamburg and Bremerhaven.

In the abbreviated financial year from 31 July to 31 December 1996, turnover of DM 104 million was achieved. Investment amounted to DM 1 million. At the end of the financial year Transfracht International had a workforce of 178.

### ■ BahnTrans GmbH

The merging of the part-load traffic businesses of Thyssen and Deutsche Bahn continued apace. With falling volumes and profit margins continuing to severely squeeze progress, turnover remained below expectations at DM 1,364 million. Including results from foreign participating interests, BahnTrans GmbH concluded the 1995/96 financial year with a balance sheet profit of around DM 0.2 million. The company does not expect any significant change in market trends this year.

Transfracht International	1996
Turnover	DM 104 million
Results for year before tax	DM 0.2 million
Capital expenditure	DM 1 million
Workforce as of 31 December 1996	178

## Tabular Synopsis of Major Deutsche Bahn AG Investments

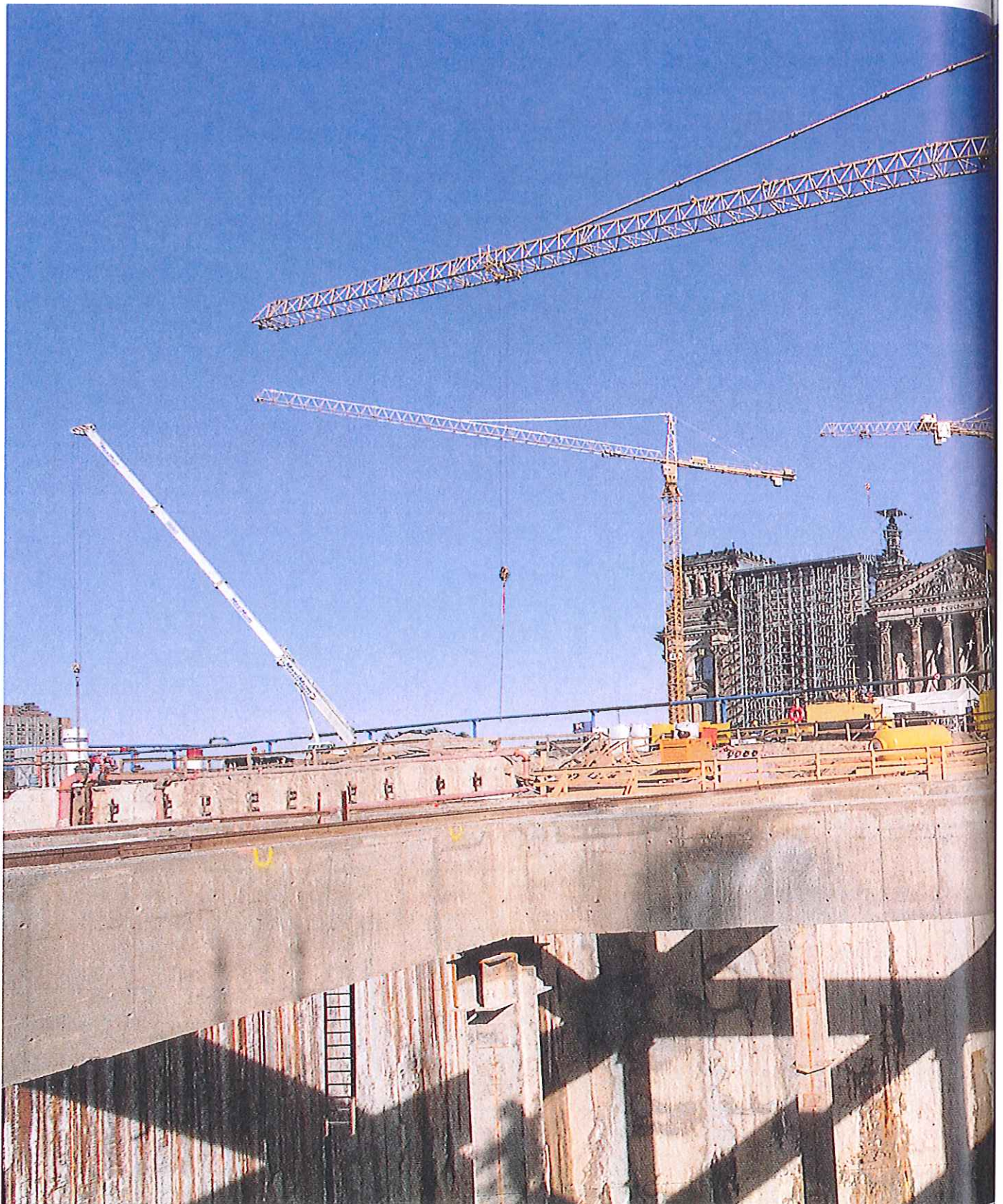
	Equity stake (%)	Net worth 31/12/96 DM mill.	Results <sup>1)</sup>		Turnover		Workforce at 31 Dec	
			1995 DM mill.	1996 DM mill.	1995 DM mill.	1996 DM mill.	1995	1996
<b>Tourism/Long-Distance Travel</b>								
Deutsches Reisebüro GmbH	66.8	142	41.5	12.2	1,245.2	1,300.4	1,978	2,064
AMEROPA-Reisen GmbH	100.0	6	-3.0	1.2	209.9	180.9	192	151
Bayern Express & P. Kühn Berlin GmbH	100.0	10	1.2	3.3	33.5	39.0	339	321
DFO Deutsche Fährgesellschaft Ostsee mbH	100.0	235	5.9	-88.6	205.6	261.7	468	474
Deutsche Touring Gesellschaft mbH	60.8	12	5.0	6.0	84.9	97.9	161	172
<b>Local Transport</b>								
BBHG Bahnbus-Holding – Group –	100.0	–	141.9	142.7	1,559.0	2,362.5	4,227	6,496
S-Bahn Berlin GmbH	100.0	350	10.0	39.4	743.5	896.9	4,140	4,200
<b>Service Companies</b>								
MITROPA AG	100.0	16	7.6	1.8	528.2	462.3	5,535	5,317
dvm Deutsche Verkehrsdienstleistungs- u. Management – Group –	100.0	–	36.3	17.8	486.0	710.8	7,883	13,271
<b>Freight Operations</b>								
Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH	100.0	1	–	0.2	–	104.3	–	178
NUCLEAR CARGO + Service GmbH	100.0	10	0.7	3.6	18.8	29.5	55	57
Kombiwaggon Vermarktungs GmbH	100.0	2	–	0.2	–	30.6	–	40
TRANSA Spedition GmbH	50.0	15	3.1	3.7	361.0	346.0	345	333
<b>Other</b>								
Deutsche Eisenbahn-Reklame GmbH	100.0	11	13.7	14.0	192.9	209.5	213	274
DBG Deutsche Bahn Gleisbau GmbH	100.0	16	4.4	0.3	66.9	99.1	179	247
lbb Ingenieur-, Brücken- und Tiefbau GmbH	100.0	5	1.6	1.1	121.0	104.7	509	383
TLC Transport-, Informatik- und Logistik-Consulting GmbH	100.0	4	2.2	2.9	58.0	90.8	122	229
DE-Consult								
Deutsche Eisenbahn-Consulting GmbH <sup>2)</sup>	74.0	59	12.7	10.7	278.4	262.7	1,848	1,639
DVA Deutsche Verkehrs-Assekuranz- Vermittlungs-GmbH	65.0	2	9.4	8.2	19.6	20.0	31	39

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

<sup>2)</sup> 1996 without GI-Consult

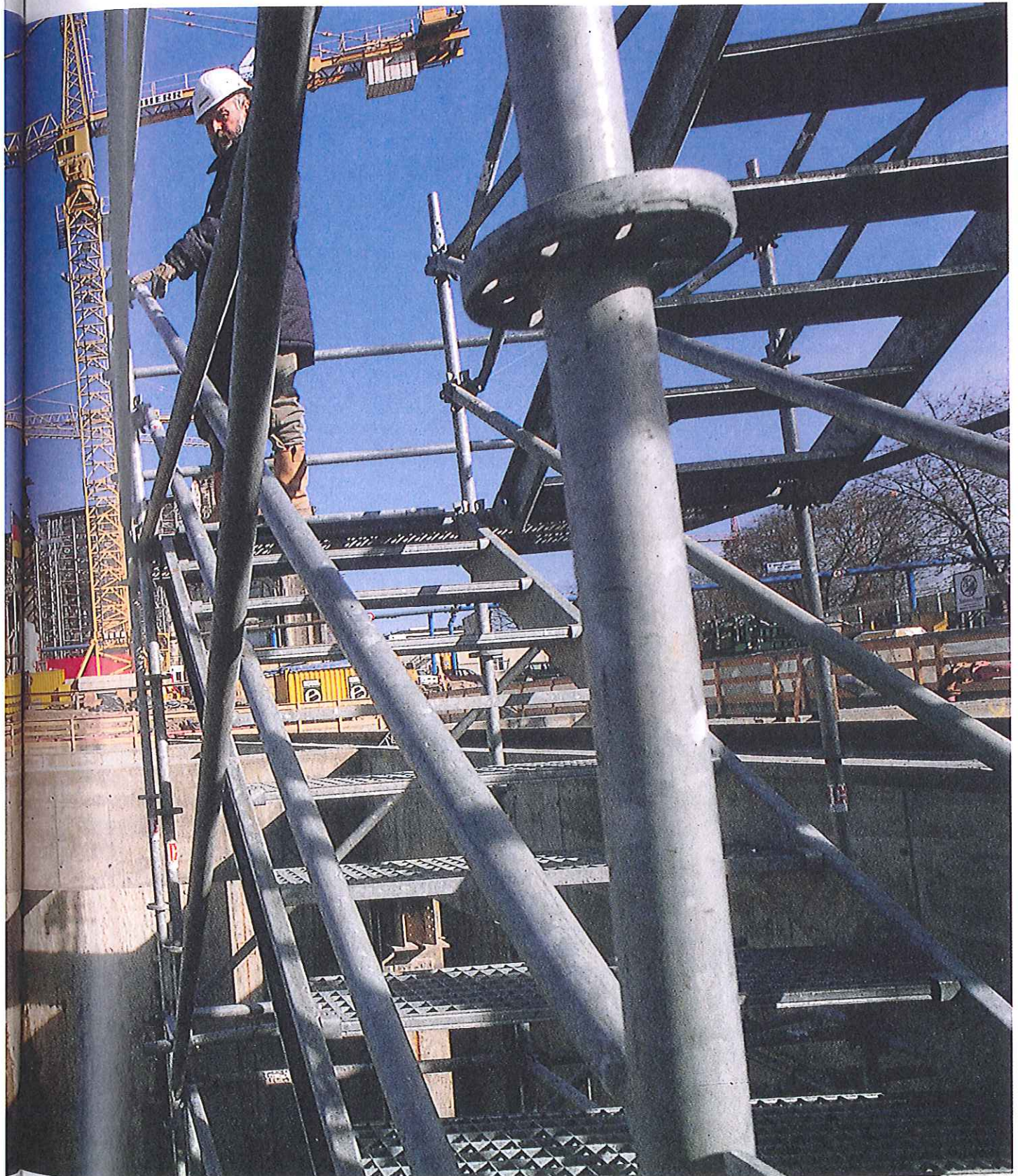


## Miscellaneous Information





Workforce  
Research and Development  
Environmental Measures  
Procurement  
Property





## Workforce

Staff developments were marked by substantial rises in productivity coupled with the need to adapt to restructuring associated with the Rail Reform. Despite a continuing process of sensitively handled job cuts, corporate training input is still well above average.

### ■ Staff Developments

DB AG's transition from a predominantly industrial transport company to a modern service provider is having an impact on staffing structures. More and more railworkers are taking on service-related duties, indeed new jobs are being created in these areas. In the operating and maintenance sectors, by contrast, processes of technological and organisational rationalisation (e.g. the two-tier structure in the largest business unit, Rail Network) are continuing to result in reduced demand for human resources.

The number of persons employed at DB AG fell from 276,957 to 246,859 in the course of the 1996 financial year. The Group workforce was cut from 312,579 to 288,768 in the same period. Staff cuts were for the most part effected on the basis of natural fluctuation or else with the aid of early-retirement and redundancy schemes and demergers. The company took on 4,295 new employees, 2,669 for apprenticeship purposes.

### ■ Productivity Trends/ Value Added

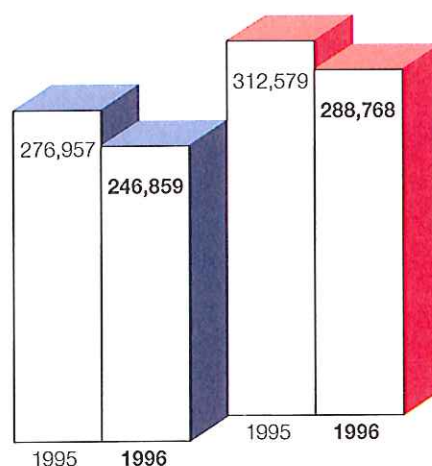
Turnover per employee rose at DB AG by 18.6 per cent, in the Group by 13.7 per cent. Valued added per employee was increased by 4.6 per cent in the company and by just under 4.2 per cent in the Group. These figures are a graphic reflection of technological and organisational rationalisation measures and improved railworker productivity.

### ■ Intra-Group Labour Market/ Restructuring

Within the framework of the restructuring project, economically meaningful deployment opportunities were created for staff who had lost their jobs in the business units as business processes were optimised. 12,900 employees were relocated to the restructuring divisions in the course of the financial year. Here they are involved in various projects such as rehabilitation work for the "Well-kept Station" campaign, the dismembering of old freight wagons, or the establishment of a contract database.

### Workforce at year end

■ Company  
■ Group





» Changing times for railworkers – more and more are assuming service duties at the interface with the customer «

3,600 staff from the restructuring divisions found new employment within the company. A further 3,600 left DB AG on generous terms or were re-employed by subsidiaries. Those remaining were involved in commercial projects.

As of 1 April 1997, DB's restructuring divisions were combined to form the "Labour Service Centre" (DZA). The DZA is becoming a qualified employment agency within the Group.

In this connection, DB is examining whether it can in future increasingly turn to having work normally awarded to outside parties performed by its own employees or those in Group subsidiaries.

#### ■ Social Partnership

The sweeping process of re-organisation was pursued throughout the financial year in a spirit of consensus.

The "Employment Alliance for the Railways" forged in the course of the year led to 4,000 additional jobs being secured in the Group and to the creation of 2,700 new traineeships in the commercial services sector.

It was agreed to forego dismissals due to operational requirements at least until the end of 1998.

Management demands for greater mobility and flexibility from staff as regards working hours and the adoption of new duties were fully met, notably in the case of necessary staff adjustments between the new states and the core Federal Republic. More than 2,000 employees accepted permanent relocation in 1996 (previous year 760).

#### ■ Wages and Salaries

The 1996 wage round was settled after arbitration. The settlement provides for an increase of 1.3 per cent as from 1 May 1997 and a raising of wages and salaries in the East to 86 per cent of western levels as from 1 January 1998. Agreement was also forthcoming on the creation of 200 apprenticeships.



Wages will continue to be paid in full in case of sickness for the non-salaried. Staff overheads of DM 8.7 billion – that's 97.6 per cent of the figure for productive work – are partly caused by high "off sick" levels of 6.5 per cent (down 0.9 per cent).

In the comparable service sector the average rate is 4.3 per cent. It is intended to tackle sickness levels with the help of the "Health Alliance for the Railways" in close consultation with statutory and works social services.

### ■ Vocational Training

With 16,336 apprentices in the company – covering a total of eleven professions –, 17,473 in the group, and an apprenticeship ratio of 7 per cent, Deutsche Bahn AG is the largest provider of professional training in the Federal Republic. Provision increased by 3 per cent over the previous year, with special emphasis being placed on structurally weaker regions.

Numerous measures were taken in 1996 to make DB AG the Number One training provider in Germany in terms of quality too. Crucially in this respect, the decision was taken to focus more strongly on commercial and service provision profiles.

Whereas only 30 per cent of training was devoted to these sectors in 1996 and 70 per cent to engineering trades, by 1999 this ratio will have been reversed. Levels of supervision by professional training staff and hence the "productivity" of staff was improved to such an extent that they are now in the top quarter on an industrial comparison.

The focus on practical skills was intensified considerably for all trades. Apprenticeships were developed in such a way that up to 60 per cent of training can now be spent actively involved in company operations. 1996 saw the first intake for commercial training in office communications. The response was so encouraging that capacity is being trebled in 1997.

A new vocational profile, the Commercial Officer for Transport Service, has been created in record time in collaboration with the social partners. The experts approved the structuring of the trade and referred it to the relevant authorities within three months, enabling over 800 apprentices to set about learning the profession in 1997.

Deutsche Bahn has been demonstrating just how quickly and lastingly internal vocational training can be improved with the help of its junior railway stations. Within a year, full responsibility for two dozen stations was handed to apprentices. In this way apprentices come into direct contact with the public in their first year of training and are in a position to manage their own budgets and

devise new schemes such as the delivery of tickets by bike or the organising of school trips. There are similar initiatives for train steward services, in the overseeing of sizeable projects, and in the engineering field.

Being able to perform real work has proved a definite stimulus to the approach and capabilities of apprentices. It has been particularly gratifying to note how much more strongly they tend to identify with the company. The positive impact this is having on the public is shown by the greatly increasing numbers of high-quality applicants.

### ■ Further Training

Service and comportment training was intensified at all levels in 1996, straightforward specialist knowledge being supplemented in this way by more service-oriented skills in line with the general development of the railways.

More than 3,200 managers took part in assessment training schemes and the top 200 managers plus Board members attended discussions on "management and the agreement of objectives". This was an important contribution towards the introduction of new instruments of leadership.





» Staff at DB Cargo – the railways offer exciting employment opportunities «

As a means of further developing the concept of "learning organisation" in day-to-day management, the "Number One" training programme was inaugurated. Superiors become the first trainer of their colleagues with the help of small training routines built into work procedures.

They deal in the main with improvements in work procedures and the need to focus on service.

Further computer-based self-instruction programs are being developed for the fields of office communications, auditing, steward services and wagon engineering.

The ability to make allowance for knowledge gained previously and one's own pace of learning can lead to fewer operating hours being lost and to training being integrated more fully into the work process.

Modernisation of training centres was systematically continued so that the standard is now uniformly high across the country.

Following comprehensive renovation work in Bad Homburg, DB AG now possesses an advanced centre for service and management training that doubles up as a meeting point for employees within the Group.

## ■ Management Trends

Management discussions were held with all leading employees at DB AG in the course of the year, one important topic being agreements on objectives. A procedure known as a management check, in which senior managers are invited to furnish self-assessments, was also introduced.

Evaluation and capture of management potential was again rigorously pursued. The Group Advancement File begun in 1996 will be completed in 1997.



The DB junior management programme was initiated. It was attended by over 100 graduates previously selected in company assessment centres. A total of 160 graduates were taken on by DB.

### ■ Beamte

The number of salaried staff employed at DB fell by 12,657 to 87,891 in 1996. This leaves 35.6 per cent of the workforce as salaried officials answering to the Federal Railways Property Directorate (BEV).

Salaried staff are deployed in accordance with commercial criteria at DB AG. Uniform assessment guidelines and promotion on merit are ensuring that the terms of employment for salaried staff and wage-earners are brought into line. There are special regulations to facilitate bonus payments to salaried staff.

### ■ Social Amenities

At the end of the financial year, there were 8,930 disabled persons in the employ of DB AG. Their integration is most graphically demonstrated by the way workplaces in the business and central units laid out.

The structural revamp occasioned by the Rail Reform and developments in the health system impacted on the statutory and works social services in the year under review.

A uniform rail works sickness fund came into force on 1 January 1996 to replace the services previously in place for Deutsche Bundesbahn and Deutsche Reichsbahn.

The Railway Social Facilities Department (BSW) was converted into an independent foundation as of 1 January 1997 and was grant-assisted by DB AG to the tune of DM 11.5 million in the financial year.

DB AG owned 7,000 units of accommodation in 1996 and enjoyed occupancy rights on a further 150,000 units. Outlay for works accommodation and for the supply of temporary living quarters amounted to DM 36.2 million. The company made DM 25 million available in the form of employers loans to enable staff to purchase their own homes.

New arrangements were introduced concerning the kitting out of staff, the first instance of which will in future be company responsibility.

Staff catering facilities have been bracketed into the Gastronomic Service Centre (DZG) with the aim of providing quality modern catering that befits a leading service enterprise. Some DM 10 million (up 50 per cent) was invested in the first phase in the year under review. Besides visual alterations it is also intended to introduce optimised work procedures to enable the business to become more self-supporting. Preliminary planning has got underway for almost 100 sites and the first pilot canteens will come on stream as DZG restaurants in the 1997 financial year.

### ■ Staff Services

To ensure staff services that are customer, quality, and cost-driven, the DZP Service Centre was established on 1 November 1996. Its remit includes Group-wide accommodation services and free international travel as well as staff care at service centres, central units, and the lesser subsidiaries.

Staff services for the business units are the responsibility of individual units. As from 1 January 1997, staff data processing and wage accounting were allocated to the DZP.





» Lending a hand – second nature for today's railworker «

### ■ Equal Opportunities

15.4 per cent of the DB AG workforce were women in 1996. The share of female managers is similarly low, though the proportion of women participating in DB's junior management scheme has risen to 36 per cent, which is to be welcomed.

Equal opportunities officers have been nominated for the business units and central units to offer support on issues such as flexitime and young mothers returning to work.

### ■ Works Suggestion Scheme

The works suggestion scheme flourished. 129 per 1,000 employees submitted proposals for improvements in the financial year, the year before the figure had stood at 54 per 1,000. At around DM 94.3 million, the economic benefits of the scheme were 65.2 per cent up on the previous year. 25 per cent of proposals were turned to account in the year under review.

In 1997, quality management and the suggestion scheme were merged into a single intellectual management entity designed to channel the promising ideas of individual staff into the product development and enhancement process.

### ■ Health and Safety at Work

At 15,323, the number of work-related accidents was roughly on a par with the previous year. 20 per cent of such incidents occurred at the track. 24 employees lost their lives in the pursuit of their duties. There were 21.0 work-related accidents per million working hours. A newly established Group directive on health and safety at work has introduced a uniform philosophy of work safety into the group's activities.



## Research and Technology

**The Research and Technology Unit addresses itself to the further technological development of the railway system as a whole. A large number of innovative projects have been taken in hand in the context of longer-term strategies within an overall plan of action updated annually.**

Further technological development of the railways as a system is essential if Deutsche Bahn is to become more competitive vis-à-vis other modes of transport. The central Research and Technology division acts as a pioneer in the field of engineering science, guaranteeing the overall functioning of the rail system and providing an R&D capability for DB AG and outside clients alike.

All development work is governed by the dictates of economic usefulness, the main emphasis being on increasing both productivity and customer appeal. Aiding this process is the fact costly field trials can now often be replaced by computerised methods of analysis and simulated procedures.

As a means of tapping ways of further developing the rail/wheel system, DB AG launched its first research competition in 1996 with the title "Increasing the Appeal of the Rail System".

All internal company activities in this sphere are set out in an annually updated R&D plan. Innovative projects run by the operating units are also fed into this plan.

In the year under review, the following were some of the projects taken in hand to help implement the unit's overall objectives:

- The testing of a new air-sprung bogie for the ICE 2 in conjunction with the coachwork
- Design work on an active high-performance pantograph together with the DLR and Adtranz
- Fitting a prototype locomotive with the EBAS electronically controlled brake system;
- simulating the system on a 60-wagon hauled train in the EBAS trial laboratory
- Presentation of the first prototypes of the CargoSprinter and innovative freight wagons as systems for more flexible and faster freight operations, commencement of approval trials

- Partial implementation of two pilot tracks for radio controlled running, which renders conventional interlockings obsolete; test runs with driverless, signal-controlled traction units between Salzgitter and Brunswick.
- Successful piloting of the Electronic Working Timetable, preparations for introduction across the board
- Intensified international co-operation in R&D activities, both within the EU and with Japan Rail East.



» Research and technology – a crucial factor in DB's drive to make itself more competitive «

## Environmental Measures

DB AG's "ecological timetable" reveals it to be ambitiously pursuing its objective of turning the inherent advantages of the rail system to practical effect for the benefit of the economy and of society. The core issues dealt with are noise protection, energy consumption, recycling and vegetation control.

DB AG intends exploiting the ecological benefits of the railways still more effectively in future as a means of enhancing its competitiveness in the transport market. Facets of environmental protection will in the process figure in all business transactions.

In November DB AG published its first environmental report. This sets forth the options open to the railways, facts and figures on the ecological status quo, and internal company measures on the environment.

An "ecological timetable" delineates strategies and schemes for the implementation of the company's environmental objectives. This first environmental report engendered much public interest.

To enable action on the environment to be further intensified despite the conflict between commercial requirements, social expectations, and technological options, an advisory committee for the environment has been constituted on which sit prominent scientists, economists, and

public figures. The committee's main project at the moment involves integrating DB AG in the process of implementing "Agenda 21" with the elucidation of how the railways can contribute to ensuring a viable society for the future.

Issues such as local transport, area railways, refuse in trains and at stations, rail traffic noise and vegetation control were discussed with environment groups and transport associations at a second workshop.

DB's noise reduction programme was taken further in the form of work on low-noise technology in freight traffic, methods of eliminating noise, and investigations on the acceptance rate for noise-level reductions achieved through rail grinding.



At the behest of the Board of Management, the "Traction Energy Management and Accounting" scheme was initiated. It enables the originators of traction energy consumption to be accurately identified and should hence act as a spur in reducing specific energy consumption.

Work is also being conducted on an all-embracing approach to waste recycling. Early moves include intro-

ducing waste collection by type in ICE 1 and 2 trains.

It is also intended investigating the potential for avoiding waste generation in onboard catering.

Following the decision of the Board of Management to suspend use of the ground-level herbicide Diuron in vegetation control procedures, the foundations for a "vegetation management system" at DB AG were laid

in talks with environmental associations, companies, and authorities.

Within the Rail Environment Centre, attention was also formally focused on innovative environmental and safety technology. The main tasks here involve developing and marshalling environmental systems engineering, material and energy cycles, process technology, environmentally sound design and environmental processing.

## Procurement

With orders for construction and engineering work, industrial goods, energy, and cleaning, security, and escort services totalling DM 22.8 billion, the DB Group again underlined its role as one of the biggest generators of business in Germany. Emphasis continued to be placed on investing in the upgrading of infrastructure and modernisation of the vehicle fleet.

In the financial year DB placed orders for deliveries and works totalling DM 22.8 billion, making it one of the biggest sources of private-sector business in Germany.

Orders broke down as follows:

- DM 11 billion for construction and engineering works
- DM 6.6 billion for industrial goods (vehicles, vehicle components, safety and telecommunications technology, data processing, office and sales technology, electrical equipment and services, machinery, operating supplies and materials, permanent way material)

- DM 2.9 billion for electricity, lighting power and heavy current, diesel fuel for traction, water, gas, heat
- DM 2.3 billion for cleaning, security, and escort and third party services for passenger traffic and road haulage.



» Big buy – the first Class 152 freight locomotive delivered in the autumn typifies DB's approach to vehicle investment «

Companies based in the new states received DM 6.5 billion's worth of orders. Overall the proportion of smaller suppliers (SMEs) was as in previous years very high, indeed roughly half of the total outlay on orders involved the award of construction contracts to SMEs. The expertise and creativity of smaller companies is readily appreciated by DB's procurement division whenever the task involves buying new products or bringing new processes to fruition.

International procurement operations were expanded, which in turn led to intensified competition. The share of orders directly placed with foreign firms in the industrial goods sector stood at around 5 per cent. In the case of construction works, special mention can be made of the involvement of an Austrian company in building the central section of the new route from Cologne to the Rhine/Main area.

Contract award activity was focused on major infrastructure projects such as the ICE route from Cologne to the Rhine/Main area, structures for the Berlin network and the fair station, and the air link in Hanover for Expo 2000.

These were joined by large projects to upgrade or modernise the rail network to enhance its potential.

New vehicle procurement was again a large source of orders, as in previous years. In a novel development, DB AG and the French SNCF company each purchased 40 diesel-electric motor cars for local services. This pooling of demand resulted in significantly improved terms of purchase.



In the interests of enhancing corporate competitiveness with the help of new ideas and further cuts in costs, co-operation between Procurement and the operating units was again intensified. It was mainly a question here of refining the general strategy of associating suppliers more fully with company interests and thereby turning the tension between competition and partnership to good purpose.

This can specifically entail:

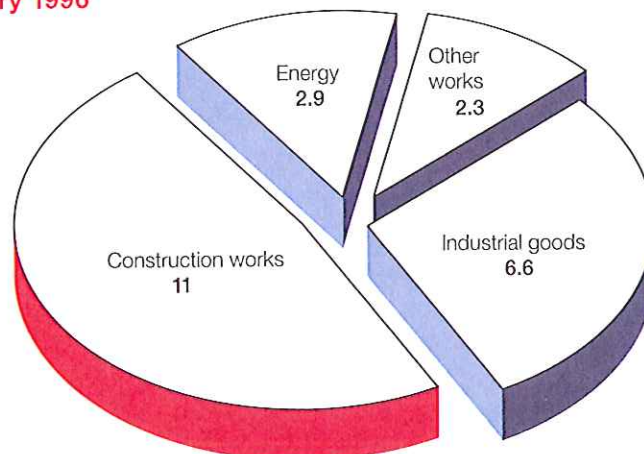
- involving suppliers in value analysis and determination
- stepping up "system buying" of all-in packages including logistics and/or maintenance services
- search for new sources in areas thus far the domain of a few "court suppliers"
- contractual optimisation and bundling of regularly effected procurements, especially where proprietary goods are concerned
- improved prices and terms through sifting of ranges.

Procedures of supplier assessment were built upon, with firms who are as yet unable to meet important DB AG performance criteria being actively supported in the development of their quality assurance systems.

Extensive staff training is devoted to the topic of the rigorous "accessing of buying potential" to ensure the highest contemporary standards are adhered to.

### Orders to industry 1996

(DM billion)





» Railway property  
– destined to  
yield the maxi-  
mum economic  
benefit «

## Property

**In the wake of implementation of the Rail Reform, Deutsche Bahn Immobilien Gesellschaft mbH (DBImm) was founded to maximise the economic benefits to be derived from the property assets.**

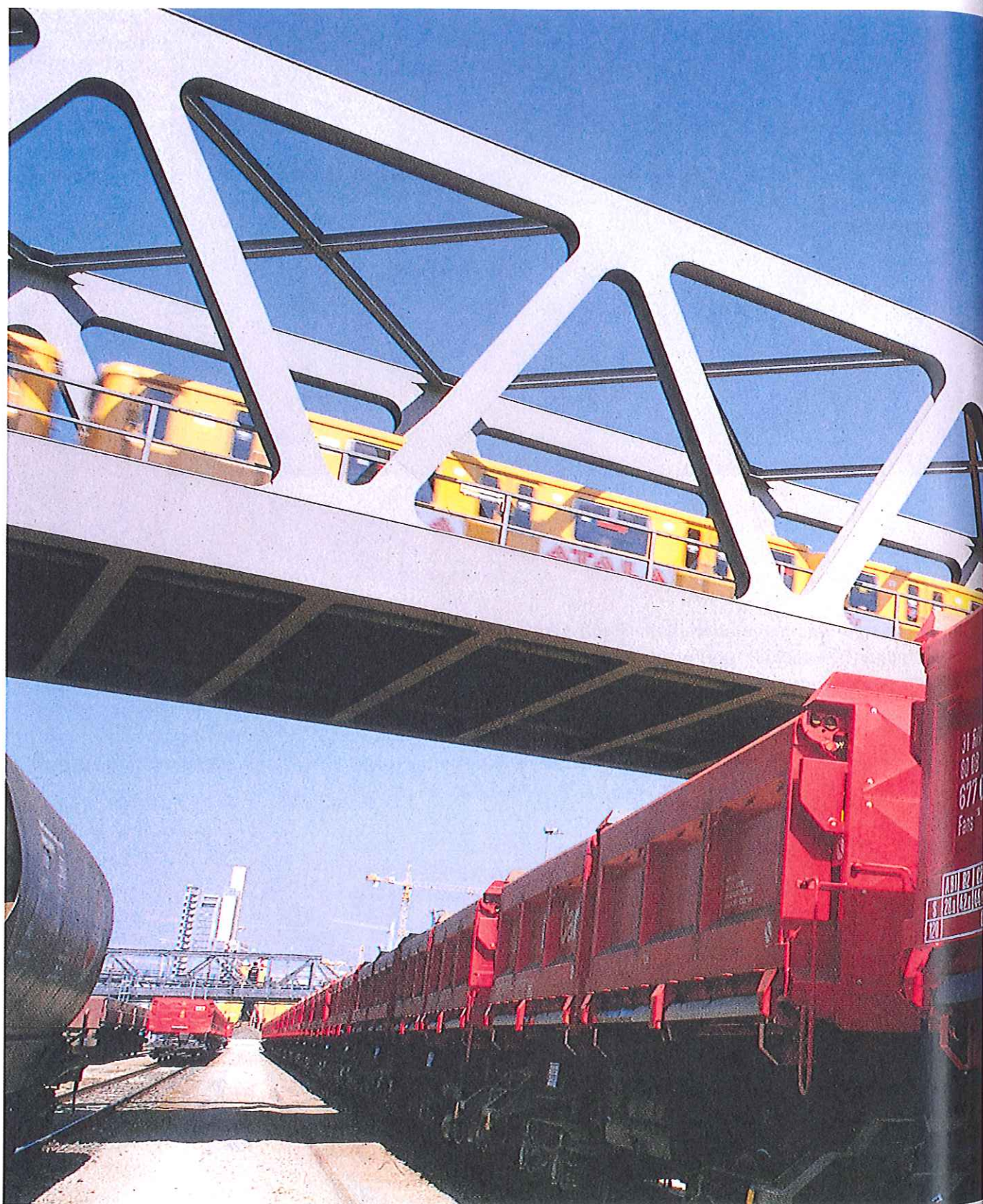
With the formation of Deutsche Bahn Immobiliengesellschaft mbH (DBImm) as a wholly-owned subsidiary at the beginning of the year under review, DB AG effected a re-organisation of its property portfolio.

Upon transfer of operations, DBImm acquired the entire workforce from the Central Real Estate Unit.

A framework agreement was concluded on 5 August 1996 between the Federal Republic of Germany, DB AG, and the Federal Railways Property Directorate (BEV) on the question of final and binding apportionment of real estate between DB AG and the BEV. This agreement addresses the BEV's assignment obligations in respect of railway property as detailed in the Railway Re-organisation Act passed in the wake of the rail reform.

DB AG has retained risks relating to the filing of restitution claims and the removal of environmental liabilities on all property conferred upon the BEV. The appropriate set-asides are contained in the DB AG balance sheet.







## Balance Sheet

- Deutsche Bahn AG
- Deutsche Bahn Group

## Profit and Loss Account

- Deutsche Bahn AG
- Deutsche Bahn Group

## Notes to the Accounts

- Deutsche Bahn AG
- Deutsche Bahn Group





## Assets

	31 Dec 1996 DM million	Previous Year DM million
<b>A. Fixed Assets</b>		
Intangible assets	514	524
Tangible assets	44,765	40,584
Financial assets	2,300	1,435
	<u>47,579</u>	<u>42,543</u>
<b>B. Current Assets</b>		
Inventories	766	962
Accounts receivable and other assets	6,811	5,410
Checks, cash in hand and on deposit with Deutsche Bundesbank and Postbank accounts, cash in other bank accounts	705	654
	<u>8,282</u>	<u>7,026</u>
<b>C. Prepayment and accrued income</b>	46	79
<b>Total Assets</b>	<u>55,907</u>	<u>49,648</u>

## Equity and liabilities

	31 Dec 1996 DM million	Previous Year DM million
<b>A. Equity</b>		
Subscribed capital	4,200	4,200
Capital reserves	7,300	7,300
Revenue reserves	616	0
Balance sheet profit	978	361
	<b>13,094</b>	<b>11,861</b>
<b>B. Provisions</b>	<b>22,352</b>	<b>20,640</b>
<b>C. Liabilities</b>	<b>20,288</b>	<b>17,007</b>
<b>D. Accruals and deferred income</b>	<b>173</b>	<b>140</b>
<b>Total equity and liabilities</b>	<b>55,907</b>	<b>49,648</b>



## Consolidated Balance Sheet of Deutsche Bahn AG as of December 31, 1996

## Assets

	31 Dec 1996 DM million	Previous Year DM million
<b>A. Fixed Assets</b>		
Intangible assets	551	553
Tangible assets	46,456	42,114
Financial assets	1,388	718
<b>Total Fixed assets</b>	<b>48,395</b>	<b>43,385</b>
<b>B. Current Assets</b>		
Inventories	958	1,167
Accounts receivable and other assets	7,242	6,041
Securities	101	98
Checks, cash in hand and on deposit with Deutsche Bundesbank and Postbank accounts, cash in other bank accounts	1,180	1,279
<b>Total current assets</b>	<b>9,481</b>	<b>8,585</b>
<b>C. Prepayments and accrued income</b>	<b>59</b>	<b>94</b>
<b>Total Assets</b>	<b>57,935</b>	<b>52,064</b>

## Equity and liabilities

	31 Dec 1996 DM million	Previous Year DM million
<b>A. Equity</b>		
Subscribed capital	4,200	4,200
Capital reserves	7,300	7,300
Revenue reserves	556	309
Balance sheet profit	978	361
Adjustment for shares of other shareholders	91	109
<b>Total equity</b>	<b>13,125</b>	<b>12,279</b>
<b>B. Special item for investment grants</b>	<b>191</b>	<b>188</b>
<b>C. Special item with an equity portion</b>	<b>210</b>	<b>158</b>
<b>D. Provisions</b>	<b>23,742</b>	<b>21,723</b>
<b>E. Liabilities</b>	<b>20,438</b>	<b>17,519</b>
<b>F. Accruals and deferred income</b>	<b>229</b>	<b>197</b>
<b>Total equity and liabilities</b>	<b>57,935</b>	<b>52,064</b>



## Deutsche Bahn AG

	31.12.1996 Mio. DM	31.12.1995 Mio. DM
Sales	24,401	23,655
Inventory changes	12	-8
Own work capitalized	3,431	3,872
<b>Gross performance</b>	<b>27,844</b>	<b>27,519</b>
Other operating income	3,923	3,204
Cost of materials	-9,762	-8,389
Staff costs	-14,988	-16,509
Depreciation, depletion, and amortization	-2,280	-1,836
Other operating expense	-3,980	-3,659
	757	330
Income from participating interests	-38	97
Interest income	-4	-37
<b>Profit or loss from ordinary activities</b>	<b>715</b>	<b>390</b>
Taxes on income	518	-209
<b>Profit for the year</b>	<b>1,233</b>	<b>181</b>
Profit brought forward from previous year	361	180
Übersetzung fehlt!!!!!!!!!!!!!!	-616	0
<b>Balance sheet profit</b>	<b>978</b>	<b>361</b>

## Deutsche Bahn Group

	1996 DM million	1995 DM million
Sales	30,221	29,824
Inventory changes	12	3
Own work capitalized	3,459	3,899
<b>Gross performance</b>	<b>33,692</b>	<b>33,726</b>
Other operating income	4,243	3,329
Cost of materials	-12,665	-11,259
Staff costs	-17,369	-18,626
Depreciation, depletion, and amortization	-2,713	-2,246
Other operating expense	-4,243	-4,374
	945	550
Income from participating interests	-248	10
Interest income	24	-7
<b>Profit or loss from ordinary activities</b>	<b>721</b>	<b>553</b>
<b>Taxes on income</b>	<b>407</b>	<b>-289</b>
<b>Profit for the year</b>	<b>1,128</b>	<b>264</b>
Profit due to other shareholders	32	39
Loss attributable to other shareholders	3	4



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 accounts of Deutsche Bahn Group and the accounts of 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.

## ■ Consolidated Group

The consolidated annual accounts include in addition to Deutsche Bahn AG as parent company 154 German and 18 foreign subsidiaries, in which Deutsche Bahn AG directly or indirectly owns more than half of the voting stock, as well as 5 companies in which Deutsche Bahn AG or one of its subsidiaries has the right, as a shareholder, to appoint the majority of the Management and Supervisory Board,

16 companies of lesser importance are not

included in the consolidated accounts according to section 296 (2) German Commercial Code (HGB).

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

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

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

Increase resulting from newly founded companies	17
Increase resulting from acquisition of shares	5
Increase resulting from initial consolidation	3
	25
Decrease resulting from sale of companies	2
Decrease resulting from mergers in the group	6
	8
	17

### b) Associated companies

Increase resulting from newly founded companies	11
Increase resulting from acquisition of shares	1
Increase resulting from initial consolidation	1
	13
Decrease resulting from sale of companies	6
Decrease resulting from purchase of shares (globally consolidated for the first time)	2
Other decreases	3
	11
	2

The differences resulting from initial consolidation are recognized in the 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 accounts were established on 31 December 1996.

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 Group's opening balance sheet.

In capital consolidation on the date of acquisition, the acquisition cost of invest-

ments in affiliates are set off against the prorated equity holding it is equivalent to at this date. The resulting difference, mainly goodwill, is allocated to revenue reserves, i.e. it 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 at 31 December has not been prepared. Where the annual accounts as at 31 December 1996 or the accounts for a fiscal year which elapsed in the financial year 1996 were not 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 the intermediate results caused by the transfer of assets within the Group.

## ■ Currency Translation Methods

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

Balance sheet items, net income for the year and depreciation 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 transla-

tion are shown as "other operating income" or "other operating expense". In the individual accounts, accounts receivable and liabilities stated 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.



## ■ Accounting and Valuation Methods

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

Article 2 section 10 (3) and (4) of the Railway Reorganization Act (ENeuOG) sets 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 at 1st January 1994, but until the current market value has been established, the value has to correspond at least to the guaranteed amount indicated in article 1 section 20 (4) of the Railway Reorganization Act, i.e. DM 5 billion.

For the fulfilment of the transfer obligations of the Federal Railway Property according to article 1 section 20 of the Railway Reorganization Act (ENeuOG) a framework agreement was signed on 5 August 1996 on the final and binding partition of real property among Deutsche Bahn AG und the Federal Railway Property on the basis of the possibilities of settlement in accordance with article 1 section 23 (6) of the Railway Reorganization Act.

The valuation of real property transferred to Deutsche Bahn AG at market value according to article 2 section 10 (3) of the Railway Reorganization Act has not yet been completed. The amount exceeding the guaranteed amount of DM 5 billion resulting from the valuation at market value according to article 2 section 10 (4) of the Railway Reorganization Act is to be allocated to the capital reserves.

Purchased intangible 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 is 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 is not included in the manufacturing costs.

The straight-line method of depreciation is applied on the basis of the useful life of assets in the area of rail traffic and shipping, otherwise the diminishing balance method 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 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 a lower valuation was advisable in individual cases. Discernible risks are accounted for by individual and lump-sum value adjustments.

Tax-allowed special depreciation is entered on the liabilities side as special item with an equity portion. German subsidiaries have used the special depreciation facility 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 6a 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 profits determined on the basis of commercial law 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 respective company predominate. 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.



■ Fixed Assets Movement Schedule for Deutsche Bahn AG	(DM million)	Acquisition	
		Amount carried forward to 1 Jan 1996	Additions
<b>Intangible Assets</b>			
1. Franchises, patents, trademarks, and similar rights and assets, as well as licences thereto		626	85
2. Payments on account		33	10
		<b>659</b>	<b>95</b>
<b>Tangible Assets</b>			
1. Land, leasehold rights and buildings including buildings on third party land			
a) Land and leasehold rights		5,340	1,678
b) Office, operational and other buildings		1,694	100
c) Track formation and structures		8,489	37
		<b>15,523</b>	<b>1,815</b>
2. Infrastructure installations, track equipment and safety installations		9,714	889
3. Rolling stock for passenger and freight traffic		6,659	757
4. Machinery and equipment not covered by 2 or 3		494	81
5. Other fixtures and fittings, tools and equipment		1,439	761
6. Payments on account and tangible assets under construction		9,661	4,738
		<b>43,490</b>	<b>9,041</b>
<b>Financial Assets</b>			
1. Shares in affiliated companies		1,026	98
2. Loans to affiliated companies		0	9
3. Participating interests		261	1,719
4. Loans to undertakings with which the company is linked by participating interests		8	0
5. Other loans		157	17
		<b>1,452</b>	<b>1,843</b>
<b>Total Assets</b>		<b>45,601</b>	<b>10,979</b>

and Manufacturing Costs			Depreciation				Book Value	
Transfers	Disposals	Balance on 31 Dec 1996	Amount carried forward to 1 Jan 1996	Depreciation 1996	Disposals	Balance on 31 Dec 1996	on 31 Dec 1996	on 31 Dec 1995
26	-12	725	-135	-96	0	-231	494	491
-19	-4	20	0	0	0	0	20	33
7	-16	745	-135	-96	0	-231	514	524
13	-209	6,822	0	0	0	0	6,822	5,340
375	-124	2,045	-167	-80	16	-231	1,814	1,527
1,027	-111	9,442	-291	-192	2	-481	8,961	8,198
1,415	-444	18,309	-458	-272	18	-712	17,597	15,065
2,256	-648	12,211	-1,220	-871	89	-2,002	10,209	8,494
641	-379	7,678	-833	-569	23	-1,379	6,299	5,826
97	-16	656	-96	-71	7	-160	496	398
237	-814	1,623	-299	-401	244	-456	1,167	1,140
-4,653	-749	8,997	0	0	0	0	8,997	9,661
-7	-3,050	49,474	-2,906	-2,184	381	-4,709	44,765	40,584
0	-51	1,073	0	-90	0	-90	983	1,026
0	-1	8	0	0	0	0	8	0
0	-623	1,357	-17	-93	0	-110	1,247	244
0	-3	5	0	0	0	0	5	8
0	-117	57	0	0	0	0	57	157
0	-795	2,500	-17	-183	0	-200	2,300	1,435
0	-3,861	52,719	-3,058	-2,463	381	-5,140	47,579	42,543



■ Fixed Assets  
Movement Schedule for  
Deutsche Bahn Group

(DM million)

(DM million)	Acquisition		
	Amount carried forward to 1 Jan 1996	Changes to consolidated group	Additions
<b>Intangible Assets</b>			
1. Franchises, patents, trademarks and similar rights and assets, as well as licences thereto	690	0	96
2. Goodwill	15	0	1
3. Payments on account	31	0	14
	<b>736</b>	<b>0</b>	<b>111</b>
<b>Tangible Assets</b>			
1. Land, leasehold rights and buildings including buildings on third party land			
a) Land and leasehold rights	5,453	-3	1,682
b) Office, operational and other buildings	2,181	-16	114
c) Track formation and structures	8,502	0	37
	<b>16,136</b>	<b>-19</b>	<b>1,833</b>
2. Infrastructure installations, track equipment and safety installations	9,694	0	884
3. Rolling stock for passenger and freight traffic	8,577	-92	1,091
4. Machinery and equipment not covered by 2 or 3	621	-2	102
5. Other fixtures and fittings, tools and equipment	1,937	-6	854
6. Payments on account and tangible assets under construction	9,745	0	4,845
	<b>46,710</b>	<b>-119</b>	<b>9,609</b>
<b>Financial Assets</b>			
1. Shares in affiliated companies	3	0	11
2. Loans to affiliated companies	0	0	1
3. Shares in associated companies	421	0	858
4. Participating interests	47	0	2
5. Loans to undertakings with which the company is linked by participating interests	15	0	1
6. Securities evidencing long-term investments	68	0	10
7. Other loans	161	0	18
	<b>715</b>	<b>0</b>	<b>901</b>
<b>Total Assets</b>	<b>48,161</b>	<b>-119</b>	<b>10,621</b>

and Manufacturing Costs			Depreciation								Book Value	
Transfers	Disposals	Balance on 31 Dec 1996	Amount carried forward to 1 Jan 1996	Changes to consolidated group	Depreciation 1996	Write-ups	Transfers	Disposals	Balance on 31 Dec 1996		on 31 Dec 1996	on 31 Dec 1995
26	-14	798	-176	0	-108	0	0	8	-276		522	514
0	0	16	-7	0	-2	0	0	0	-9		7	8
-20	-3	22	0	0	0	0	0	0	0		22	31
6	-17	836	-183	0	-110	0	0	8	-285		551	553
14	-210	6,936	0	0	0	0	0	0	0		6,936	5,453
388	-179	2,488	-374	9	-120	0	0	50	-435		2,053	1,807
1,027	-111	9,455	-294	0	-195	0	-1	4	-486		8,969	8,208
1,429	-500	18,879	-668	9	-315	0	-1	54	-921		17,958	15,468
2,256	-648	12,186	-1,219	0	-870	0	-3	91	-2,001		10,185	8,475
693	-541	9,728	-1,914	77	-831	0	4	232	-2,432		7,296	6,663
94	-19	796	-177	1	-90	0	0	14	-252		544	444
254	-863	2,176	-618	6	-497	0	0	301	-808		1,368	1,319
-4,732	-753	9,105	0	0	0	0	0	0	0		9,105	9,745
-6	-3,324	52,870	-4,596	93	-2,603	0	0	692	-6,414		46,456	42,114
0	-1	13	0	0	0	0	0	0	0		13	3
0	0	1	0	0	0	0	0	0	0		1	0
0	-22	1,257	6	0	-96	15	0	8	-67		1,190	427
0	-3	46	0	0	-3	0	0	0	-3		43	47
0	-5	11	0	0	0	0	0	0	0		11	15
0	-5	73	-3	0	0	0	0	0	-3		70	65
0	-119	60	0	0	0	0	0	0	0		60	161
0	-155	1,461	3	0	-99	15	0	8	-73		1,388	718
0	-3,496	55,167	-4,776	93	-2,812	15	0	708	-6,772		48,395	43,385



# Explanations 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 3,116 million (previous year DM 4,104 million) received from the state pursuant to Article 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 depreciation was made at an amount of DM 241 million during the fiscal year at DB AG.

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

## ■ Inventories

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Raw materials and supplies	739	925	780	969
Unfinished goods, work in process	24	18	150	148
Finished goods and merchandise	2	2	17	20
Payments on account	1	17	11	30
	<b>766</b>	<b>962</b>	<b>958</b>	<b>1,167</b>

## ■ Accounts Receivable and Other Assets

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Trade accounts receivable (not due within one year)	812	754	1,325	1,280
	(16)	(0)	(0)	(0)
Amounts owed by affiliated companies (not due within one year)	300	196	1	5
	(0)	(0)	(0)	(0)
Amounts owed by undertakings with which the company is linked by participating interests (not due within one year)	182	659	199	684
	(0)	(45)	(0)	(45)
Other assets (of which receivables not due within one year)	5,517	3,801	5,717	4,072
	(57)	(0)	(2)	(0)
	<b>6,811</b>	<b>5,410</b>	<b>7,242</b>	<b>6,041</b>

Other assets include receivables from loans against borrowers' notes.

■ **Accruals and Deferrals**

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Other accruals and deferrals	46	79	59	92
Deferred income taxes	0	0	0	2
	46	79	59	94

■ **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 correspond to the amount of equity capital exceeding the subscribed capital in the opening balance sheet of Deutsche Bahn AG.

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".

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

■ **Revenue Reserves**

**Other revenue reserves**

Amount carried forward to 1 January 1996		
Revenue reserves	309	
Balance sheet profit	361	670
Differences resulting from initial consolidation in the financial year		-223
Transfer to the adjustment item for shares of other shareholders		-12
Consolidated net income for the year	1,128	
Share of consolidated profit distributed to other shareholders	-29	1,099
		1,534
Stated as balance sheet profit		-978
Balance on 31 December 1996		556

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

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

■ **Balance Sheet Profit**

The balance sheet profit disclosed in the consolidated balance sheet corresponds to the balance sheet profit disclosed in the

annual accounts of Deutsche Bahn AG after DM 616 million have been allocated to the revenue reserves for the first time.



### ■ Adjustment Item for Shares of Other Shareholders

	Deutsche Bahn Group	
	1996	1995
adjustment on the liabilities side	130	152
adjustment on the asset side	39	43
	91	109

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 goodwill from indirect holdings of minority interests which have not been capitalized as well as accumulated losses.

### ■ Special Item for Investment Grant

If subsidiaries (regional transport undertakings) 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 subsidized assets.

### ■ Special Item with an Equity Portion

	Deutsche Bahn Group	
	1996	1995
<b>pursuant to section 273 HGB (German Commercial Code)</b>		
Reserves pursuant to section 6 b EStG (Income Tax Law) (not transferred)	18	18
Reserve pursuant to section 7 g EStG	1	2
Reserve pursuant to section 34 subsection 4 EStR (Income Tax Regulations)	0	0
	19	20
<b>pursuant to section 281 HGB (German Commercial Code)</b>		
Reserves pursuant to section 6 b EStG (transferred)	2	33
Reserves pursuant to section 14 BerlinFG (Berlin Promotion Law)	0	1
Reserves pursuant to section 3 (2) ZonenRFG (Law for the Promotion of the Economy of the Border Regions)	33	41
Reserves pursuant to section 3 (2) a ZonenRFG	1	14
Reserves pursuant to section 4 FördergebietsG (Law on Development Areas)	155	49
	191	138
	210	158

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 71 million is included in "Other operating income". The allocation of DM 123 million to the special item with an equity portion is posted to "Other operating expense".

## ■ Provisions

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Provisions for pensions	500	472	669	628
Provisions for taxation	323	355	558	543
Provisions for deferred taxes	0	0	71	56
Other provisions	21,529	19,813	22,444	20,496
	<b>22,352</b>	<b>20,640</b>	<b>23,742</b>	<b>21,723</b>

Essential items in "Other provisions" are provisions for staff-related obligations, outstanding payments for purchased goods and services, reduction of proceeds

or services to be rendered to customers as well as provisions for expenses related to environmental protection and structural measures.

## ■ Liabilities

	Deutsche Bahn AG		Maturity			1995
	1996		within			
	total	within 1 year	1 to 5 years	after 5 years		total
Interest-free loans in accordance with sections 9 and 10 Bundesschiene- wegeausbaugesetz (Law on Upgrading the Federal Rail Network)	12,337	662	2,649	9,026		9,351
Liabilities to credit institutions	2	2	0	0		1
Payments received on account of orders	106	95	11	0		67
Trade accounts payable	3,313	3,313	0	0		3,275
Accounts payable to affiliated undertakings	1,912	910	2	1,000		1,569
Accounts payable to undertakings with which the company is linked by participating interests	810	234	64	512		234
Other liabilities	1,808	1,758	45	5		2,510
(of which tax)	(93)	(93)	(0)	(0)		(118)
(of which social security)	(25)	(25)	(0)	(0)		(18)
	<b>20,288</b>	<b>6,974</b>	<b>2,771</b>	<b>10,543</b>		<b>17,007</b>



## ■ Liabilities

Deutsche Bahn Group	1996	Maturity			1995
		within	1 to 5	after	
	total	1 year	years	5 years	total
Interest-free loans in accordance with sections 9 and 10 Bundesschiene- wegeausbaugesetz (Law on Upgrading the Federal Rail Network)	12,337	662	2,649	9,026	9,351
Bonds payable	1,000	0	0	1,000	1,000
Liabilities to credit institutions	123	41	52	30	184
Payments received on account of orders	213	213	0	0	183
Trade accounts payable	3,849	3,849	0	0	3,758
Liabilities from the acceptance of drafts and making out of promissory notes	0	0	0	0	1
Accounts payable to affiliated undertakings	10	10	0	0	1
Accounts payable to undertakings with which the company is linked by participating interests	813	813	0	0	237
Other liabilities	2,093	2,082	9	2	2,804
(of which tax)	(161)	(161)	(0)	(0)	(197)
(of which social security)	(74)	(74)	(0)	(0)	(61)
	20,438	7,670	2,710	10,058	17,519

On 31 December 1996, DM 43 million of the liabilities to credit institutions of companies included in the consolidated accounts were secured by charge on

property and DM 26 million by transferring the ownership of the financed capital goods as security.

## ■ Contingent Liabilities

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Liabilities from the drawing and endorsement of bills of exchange	0	0	2	3
Liabilities from guarantees furnished (of which for affiliated companies)	1,372	1,450	373	451
	(1,000)	(1,000)	0	0
Contingent liabilities from collateral furnished for outside liabilities	3,611	4,685	3,611	4,685

The contingent liabilities from collateral furnished for outside liabilities cover liabilities of the Federal Railway Property (BEV) towards EUROFIMA (European Organization for the Funding of Railway Equipment). Lendings of EUROFIMA to the Federal Railway Property (or its legal predecessors Deutsche Bundesbahn and Deutsche Reichsbahn) were secured by the latter by transferring the 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 2,000 million Multi-Currency Commercial Paper Programme, which was valued at DM 0 on 31 December 1996.

## ■ Other Financial Obligations

	Deutsche Bahn AG	Deutsche Bahn Group
Commitment for investment projects	16,098	16,149
Outstanding contributions to the share capital	523	523
Commitments from tenancy agreements, leasing contracts and other third party obligations	756	994

The outstanding contributions to the share capital are related to EUROFIMA, the

European Organization for the Funding of Railway Equipment, Basle.



## Explanations to the Profit and Loss Account

### ■ Sales

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Long-distance traffic	5,350	5,171		
Local traffic	10,829	10,597		
Total passenger traffic	16,179	15,768	19,216	18,426
Freight traffic	6,606	6,799		
Part-load traffic	577	792		
Total freight traffic	7,183	7,591	7,222	7,825
Tourism	0	0	1,834	1,766
Catering	0	0	425	293
Other operating areas	1,039	296	1,524	1,514
	24,401	23,655	30,221	29,824

In the year under review, income from tenancy agreements for passenger stations including additional income is stated under sales for the first time and no longer under "Other operating income".

This change is in line with the idea of divisionalization also with respect to the presentation of revenue and expenditure. An adjustment of last year's figures was not carried out.

### ■ Other Operating Income

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Services rendered to third parties and sale of materials	1,568	1,509	1,419	1,326
Rental income	544	802	563	773
Other operating income	576	289	923	419
Income from fixed-assets disposals	493	106	477	151
Income from writing back of provisions	275	226	383	310
Income from release of discount on accounts receivable and from recovery of receivables written off	137	20	146	26
Income from release of the special item with an equity portion	0	0	71	28
Other income unrelated to accounting period	330	252	261	296
	3,923	3,204	4,243	3,329

## ■ Cost of Materials

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Expenses for raw materials, consumables, supplies and goods purchased	2,936	3,033	3,448	3,513
Cost of purchased services	3,613	2,182	5,950	4,520
Expenses for maintenance	5,243	5,484	5,297	5,536
	11,792	10,699	14,695	13,569
Contributions of the State pursuant to Art. 2 section 22 (1) no. 3 Railway Reorganization Act	-2,030	-2,310	-2,030	-2,310
	9,762	8,389	12,665	11,259

Deliveries and services for self-constructed assets were included in cost of materials.

Capitalization in fixed assets is stated as own work capitalized.

## ■ Staff Costs

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Wages and salaries for employees of Deutsche Bahn AG	10,488	12,009		
for officials seconded to DB AG				
a) payment to the Federal Railway Property (BEV) in accordance with Art. 2 section 21 (1) and (2) Railway Reorganization Act (ENeuOG)	4,356	4,670		
b) fringe benefits directly paid out	265	280		
	15,109	16,959	17,061	18,706
Social security costs and expenditure for pension schemes and related benefits for employees of Deutsche Bahn AG	1,898	1,887		
for officials seconded to DB AG (payment to the Federal Railway Property in accordance with Art. 2 section 21 (1) and (2) ENeuOG)	974	1,067		
	2,872	2,954	3,301	3,324
(of which pensions)	(1,365)	(1,394)	(1,428)	(1,441)
reduced by refund of personnel costs by the Federal Railway Property (BEV) in accordance with Art. 2 section 21 (5) no. 1 ENeuOG	-2,993	-3,404	-2,993	-3,404
	14,988	16,509	17,369	18,626



## ■ Personnel

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
annual average				
employees	164,302	189,938	202,441	226,802
trainees	15,248	16,931	16,252	17,853
	179,550	206,869	218,693	244,655
officials seconded in accordance with Art. 2 section 12 Railway Reorganization Act (ENeuOG)	92,354	104,973	93,169	104,972
	271,904	311,842	311,862	349,627
on 31 December				
employees	158,968	176,409	199,736	212,031
trainees	16,336	17,887	17,473	18,973
	175,304	194,296	217,209	231,004
officials seconded in accordance with Art. 2 section 12 ENeuOG	87,891	100,548	89,032	100,548
	263,195	294,844	306,241	331,552

■ Other Operating  
Expenses

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Rental expenditure	599	470	705	655
Other operating expense (of which other taxes)	2,664 (269)	2,347 (179)	2,646 (283)	2,641 (190)
Losses from fixed-assets disposals	389	287	378	289
Expenses from creation of discount on accounts receivable and from write-off of receivables	167	317	189	375
Expenses from allocations to special item with an equity portion	0	0	123	49
Other expenses unrelated to accounting period	161	238	202	365
	3,980	3,659	4,243	4,374

■ **Income from  
Participating Interests**

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Income from participating interests	125	90	4	34
(of which in affiliated companies)	(123)	(73)	(0)	(0)
Income from associated companies	9	0	37	26
Income from profit transfer agreements	102	54	0	0
Expenses resulting from agreements to assume losses	-91	-30	-190	-30
Writedown of investments in shares of affiliated companies	-183	-17	-99	-20
	-38	97	-248	10

■ **Interest Income**

	Deutsche Bahn AG		Deutsche Bahn Group	
	1996	1995	1996	1995
Income from other investments and loans forming part of financial assets (of which from affiliated companies)	3 (0)	1 (0)	8 (0)	5 (0)
Other interest receivable and similar income (of which deriving from affiliated companies)	151 (6)	128 (3)	186 (0)	156 (0)
Interest payable and similar charges (of which concerning affiliated companies)	-158 (89)	-166 (-50)	-170 (0)	-168 (0)
	-4	-37	24	-7



## Additional Information

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

■ Comparison of  
Balance Sheets

	31.12.1996		31.12.1995		Variation	
	DM	%	DM	%	DM	%
	million		million		million	
Tangible and intangible assets	47,007	81.1	42,667	82.0	4,340	10.2
Financial assets	1,388	2.4	718	1.3	670	93.3
<b>Fixed assets</b>	<b>48,395</b>	<b>83.5</b>	<b>43,385</b>	<b>83.3</b>	<b>5,010</b>	<b>11.6</b>
Inventories	958	1.7	1,167	2.2	-209	17.9
Accounts receivable and other assets	7,402	12.8	6,233	12.0	1,169	18.8
Liquid funds	1,180	2.0	1,279	2.5	-99	7.7
<b>Current assets</b>	<b>9,540</b>	<b>16.5</b>	<b>8,679</b>	<b>16.7</b>	<b>861</b>	<b>9.9</b>
<b>Total assets</b>	<b>57,935</b>	<b>100.0</b>	<b>52,064</b>	<b>100.0</b>	<b>5,871</b>	<b>11.3</b>
<b>Equity</b>	<b>13,125</b>	<b>22.7</b>	<b>12,279</b>	<b>23.6</b>	<b>846</b>	<b>6.9</b>
Special item with an equity portion and special item for investment grants	401	0.7	346	0.7	55	15.9
Provisions for pensions	669	1.1	628	1.2	41	6.5
Long-term liabilities	10,058	17.4	7,849	15.1	2,209	28.2
<b>Long-term debt capital</b>	<b>10,727</b>	<b>18.5</b>	<b>8,477</b>	<b>16.3</b>	<b>2,250</b>	<b>26.6</b>
Short-term provisions	23,073	39.8	21,095	40.5	1,978	9.4
Other short-term liabilities	10,609	18.3	9,867	18.9	742	7.5
<b>Short-term debt capital</b>	<b>33,682</b>	<b>58.1</b>	<b>30,962</b>	<b>59.4</b>	<b>2,720</b>	<b>8.8</b>
<b>Total liabilities</b>	<b>57,935</b>	<b>100.0</b>	<b>52,064</b>	<b>100.0</b>	<b>5,871</b>	<b>11.3</b>

■ **Group Cash Flow Statement**

(DM million)

Net income for the year	1,128
Depreciation of fixed assets	+ 2,812
Write-ups of fixed assets	- 15
Change in the special item for investment grants	+ 3
Change in the special item with an equity portion	+ 52
Increase in provisions	+ 2,019
Profit on disposals of fixed assets	- 99
Increase in trade accounts receivable, other current assets and other assets	- 1,204
Decrease in inventories and other prepayments and accrued income	+ 244
Decrease in trade accounts receivable and other liabilities	- 13
Increase in payments received on account of orders and in repayment of amounts owed to affiliated companies	+ 39
<b>Cash inflow from current operating activities</b>	<b>+ 4,966</b>
Cash received from disposals of fixed assets	+ 2,887
Additions to fixed assets	- 13,711
Investment grants received	+ 3,116
Differences resulting from initial consolidation recognized in "other revenue reserves" in the financial year	- 223
<b>Cash outflow from investing activities</b>	<b>- 7,931</b>
Cash received from other shareholders resulting from increase of share capital at group companies	+ 9
Distribution of profits to other shareholders at group companies	- 68
Interest-free loans in accordance with Law on Upgrading the Federal Rail Network (Bundesschienenwegeausbaugesetz)	+ 2,986
Repayment of bank loans	- 61
<b>Cash inflow from financing activities</b>	<b>+ 2,866</b>
Changes in funds	- 99
Cash and equivalents on 1 January 1996	1,279
<b>Cash and equivalents on 31 December 1996</b>	<b>1,180</b>



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

	Deutsche Bahn AG DM thousand	Deutsche Bahn Group DM thousand
Remuneration of the board of management	7,253	7,253
Remuneration of former members of the board of management	320	320
Provisions for pensions of former members of the board of management	1,915	1,915
Total remuneration of the supervisory board	480	480
Remuneration of former supervisory board members	0	0
Lendings to members of the board of management	0	0
Lendings to supervisory board members	0	0

**■ Proposal on the Appropriation of Profits**

After allocation of DM 616,000,000 to the other revenue reserves according to section 56 (2) German Stock Corporation Law (AktG) the Profit and Loss Account of Deutsche Bahn AG shows a balance sheet profit of DM 977,591,940.92 on 31 December 1996.

Assembly to allocate an amount of DM 884,000,000 to the other revenue reserves and to carry forward an amount of DM 93,591,940.92.

Berlin, 22 April 1997

The Board of Management

The Board of Management and the Supervisory Board propose to the General

**■ 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, den 23 April 1997

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