Die Bahn DB

Annual Report 2000

Higher Transport Performance

We were able to increase our transport performance
in passenger and freight transport significantly in 2000.

Positive Income Development

Our operating income after interest
improved by € 286 million.

Modernization of Deutsche Bahn AG

A comprehensive fitness program and the expansion
of our capital expenditures will pave the way
to our becoming an even more effective railway.

Key figures in € million		2000	1999	Change in %
Revenues		15,465	15,630	– 1.1
Revenues (comparable)		15,465	14,725	+ 5.0
Income before taxes		37	91	– 59.3
Income after taxes		85	87	– 2.3
EBITDA		2,502	2,036	+ 22.9
EBIT		450	71	+ 533.8
Operating income after net interest		199	– 87	+ 328.7
Return on capital employed	in %	1.6	0.3	–
Fixed assets		34,671	33,495	+ 3.5
Total assets		39,467	37,198	+ 6.1
Equity		8,788	8,701	+ 1.0
Cash flow (before taxes)		2,113	2,107	+ 0.3
Gross capital expenditures		6,892	8,372	– 17.7
Net capital expenditures [1]		3,250	3,229	+ 0.7
Employees (as of Dec 31)		222,656	241,638	– 7.9

Performance figures Passenger Transport			2000	1999	Change in %
Passengers	DB Reise&Touristik	million	144.8	146.5	– 1.2
	DB Regio	million	1,567.7	1,533.6	+ 2.2
	Total	million	**1,712.5**	**1,680.1**	+ 1.9
Passenger kilometers	DB Reise&Touristik	million pkm [2]	36,226	34,897	+ 3.8
	DB Regio	million pkm [2]	38,162	37,949	+ 0.6
	Total	million pkm [2]	**74,388**	**72,846**	+ 2.1
Train kilometers	DB Reise&Touristik	million train-path km	175.9	177.5	– 0.9
	DB Regio	million train-path km	563.9	552.4	+ 2.1
	Total	million train-path km	**739.8**	**729.9**	+ 1.4
Freight Transport					
Freight carried		million t	301.3	279.3	+ 7.9
Ton kilometers		million tkm [3]	80,634	71,494	+ 12.8
Mean transport distance		km	268	256	+ 4.7
Train kilometers		million train-path km	225.5	220.3	+ 2.4
Passenger Stations					
Number of passenger stations			5,794	5,876	– 1.4
Track Infrastructure					
Train kilometers on track infrastructure		million train-path km	984.2	976.6	+ 0.8
Length of line operated		km	36,588	37,525	– 2.5

[1] Gross capital expenditures less investment grants from third parties

[2] Passenger kilometers (pkm): product of number of passengers and mean travel distance

[3] Ton kilometers (tkm): product of freight carried and mean transport distance

Management Board


Hartmut Mehdorn
Chairman and CEO


Diethelm Sack
Chief Financial Officer


Dr. Horst Föhr
Personnel


Dr. Karl-Friedrich Rausch
Technology


Klaus Daubertshäuser
Marketing


Dr. Christoph Franz
Passenger Transport


Dr. Bernd Malmström
Freight Transport


Dieter Ullsperger
Passenger Stations / Real Estate


Roland Heinisch
Track Infrastructure / Integrated Systems

Organizational Structure

Management Board of Deutsche Bahn AG

- Chairman and CEO
- Finances / Controlling
- Personnel
- Technology
- Marketing
- Passenger Transport
- Freight Transport
- Passenger Stations / Real Estate
- Track Infrastructure / Integrated Systems

Group Divisions

- **Passenger Transport**
  - DB Reise & Touristik AG*
  - DB Regio AG*
- **Freight Transport**
  - DB Cargo AG*
- **Passenger Stations**
  - DB Station & Service AG*
- **Track Infrastructure**
  - DB Netz AG*
- **Real Estate**
  - DB Immobilien GmbH

* and related subsidiaries

Contents

Dear Ladies and Gentlemen,

The year 2000 was the first full year under my responsibility at the Deutsche Bahn Group. It was an eventful year characterized primarily by our situation assessment, but also by many new policies and measures to get Deutsche Bahn in shape for the future – and whose effects will only become fully apparent over the course of time.

Our new combined word trademark “Die Bahn DB” (“The Railroad”) is a clear sign for all our staff and customers: we operate Deutsche Bahn as an integrated system.

In another step, we reformed our management structure in the spring to improve our customer focus. We manage our company in corporate divisions, which themselves consist of business areas and business units.

Service organizations now handle additional functions that are required enterprise-wide.

Holdings that do not belong to our core business are managed through a separate, profit-driven organization.

The rail network and our operations are already separated legally and economically into two independent stock corporations. As a result, Deutsche Bahn already meets all European directives with regard to its organization. The establishment of a regulatory agency is still pending.

The second major focus of our work in the year 2000 was our situation assessment and the resulting revision to our plans for the coming years.

The situation assessment showed that – at halftime of the rail reform program – we still have tremendous deficits to overcome in infrastructure, our rolling stock, and our railway stations. It also showed us that the most difficult years of rail reform and restructuring are still to come. We had to adjust the focus of our medium-term plans over the past year. Most of the planning changes are the result of newly discovered capital expenditures requirements, which turned out to be higher than initially planned. By the end of 2005, we will invest some € 40 billion in infrastructure and rolling stock. These massive expenditures are the only way to improve our products enough to truly achieve our ambitious goals of winning far more passengers and freight traffic over to our rails. At the same time, we also have to start a restructuring initiative to get in shape for the competition – an altogether difficult balancing act. But those who say that rail reform has already failed are dead wrong. We are certain that we can complete the rail reform program successfully, provided we are given a reliable economic and political framework to do so.

In December, we submitted our preliminary planning up to 2005 to the Supervisory Board for its information. The reason why only preliminary figures were provided was the ongoing negotiations for additional infrastructure funding from the federal government. The additional € 3 billion from UMTS license revenue that have now been promised by the end of 2003 as the result of our talks, in addition to the collective wage agreements that we signed with the unions in February 2001, give our medium-term plans – which have been approved in the interim – a solid foundation for the coming years.

The fact that we managed to achieve a positive operating profit despite these difficulties is all the more reason to celebrate. All Deutsche Bahn staff can be proud of the fact that our Annual Report 2000 presents the most successful results since the start of the rail reform program. With growth of 2.1 % in passenger transport and 7.4 % in freight transport (on a comparable basis), we were able to significantly increase our transport performance.

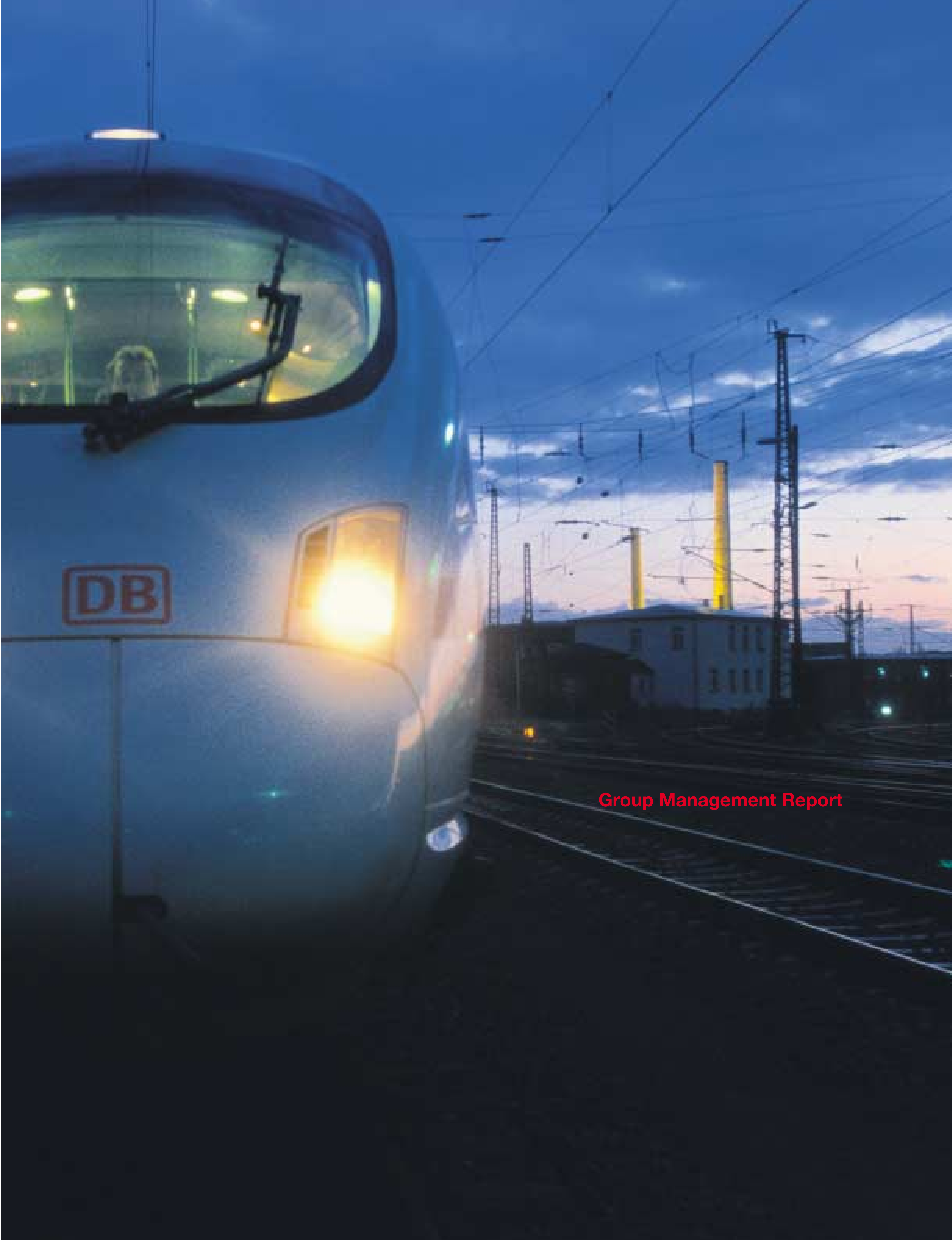
To improve our cost structures, thus providing a foundation for our ambitious planning, we started a major Group-wide restructuring initiative in the past fall. This initiative consolidates the key projects and involves every manager from the CEO downwards.

With the promised public infrastructure funding, the consequences from our situation assessment, our investment and restructuring initiatives, and our new, long-term collective wage agreements, we now go optimistically into the home stretch of the rail reform program. What will certainly not help us achieve our goals is publicly seeded uncertainty about the future of the company. Such uncertainty would only lead to a wait-and-see attitude. But we do not have time to wait and see. We have to get things on track right now – especially if we want to achieve our expressed goal of increasing competition. But we also have to be given the chance to become competitive ourselves, not least for the sake of the entire economy – a fact that all those involved in the Deutsche Bahn debate should consider.

The commitment, personal dedication, and reliability of our staff – to whom I wish to express my heartfelt thanks – will enable us to continue along the tracks to progress that Deutsche Bahn has laid over the past several years.

I would also like to express my sincere thanks to our customers, and promise that we will continue to work at improving ourselves, to be a good railroad – since perfection is a goal that we can strive for, but never truly achieve – with much improved customer service.

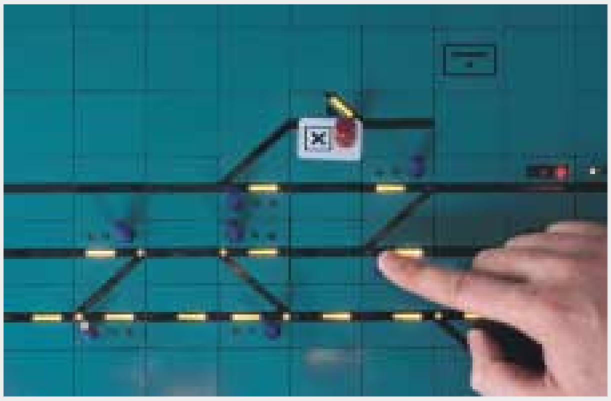
Hartmut Mehdorn
Chairman of the Management Board
of Deutsche Bahn AG



Group Management Report

Die Bahn DB

Group Management Report



Setting the right tracks in 2000, we launched a restructuring program and expanded our capital expenditure on a large scale with the objective of getting more traffic onto rail. On the way to becoming a competitive company, we were able to achieve considerable success: We increased our transport performance significantly and improved our operating income.

Group Structure Optimized

Management Structures Reorganized

A successful market presence at all value creation levels and sub-markets is highly dependent on the successful integration of all individual competencies in day-to-day operations, as well as on the continuing entrepreneurial and technological development of the overall rail system.

Within the framework of the second phase of the rail reform (Bahnreform) program, the Deutsche Bahn Group (DB Group) reorganized the operating activities of the Deutsche Bahn AG (DB AG) into five subsidiaries in 1999: DB Reise&Touristik AG, DB Regio AG, DB Cargo AG, DB Station&Service AG, and DB Netz AG. These newly founded companies became the management companies for the corresponding Group divisions and were the result of a schedule that was set in law at the start of the reform process, prior to 1994. In the process, investments previously in the possession of Deutsche Bahn AG were allocated to the individual Group divisions and transferred to the respective management companies. The new management structures resulted in a number of unpleasant consequences, however, including increased inertia, reduced efficiency, and – especially – a rapidly decreasing ability to control the overall rail system.

For this reason, we decided to further reorganize parts of our management structure during the year under review. The reorganization involved **consolidating related competencies** to form Group service functions (such as Purchasing, Research and Technology, and Environmental Protection). In addition, the activities of the DB Group were reorganized in new "Group divisions" on June 1, 2000. We combined the activities of DB Reise&Touristik and DB Regio to form the Group Passenger Transport division. In addition to the Group divisions Freight Transport, Passenger Stations, and Track Infrastructure, we have now also consolidated our real estate activities in a separate Group Real Estate division. The business activities within the individual Group divisions have been broken down into strategic business units. The corporate structures remained unaffected by the management reorganization, especially as regards DB Netz AG. These measures are intended to capture synergy effects and further increase our efficiency.

Continuing Focus on Core Business

During the year under review, we continued to reshape our portfolio structure to concentrate on our core business and its development. Faced with increasing consolidation in the tourism sector throughout Europe, we reduced our activities in this area, particularly because tourism was at best a complementary addition to our business portfolio. Effective January 1, 2000, DB Reise & Touristik AG sold its wholly owned subsidiary Deutsche Reisebüro GmbH (DER Group), Berlin, to the REWE retail group in Cologne. The tourism-related activities of the DB Group now concentrate mainly on the activities of Ameropa GmbH, Bad Homburg, which is specialized in recreational and tourism activities involving rail travel.

In contrast, our **Railion joint venture** enabled us to strengthen our position in rail freight transport considerably. Effective January 1, 2000, we transferred the DB AG's equity holdings in DB Cargo to Railion GmbH, Mainz. NS Groep N.V. of Utrecht/Netherlands transferred its equity holdings in NS Cargo N.V. (now Railion Benelux N.V.) of Utrecht/Netherlands to Railion GmbH as of the same date. The shares of Railion GmbH, which acts as a financial holding company, are now held by DB AG (94 %) and NS Groep N.V. (6 %). The controlling and profit transfer agreement between DB AG and DB Cargo AG was revoked. Controlling and profit transfer agreements now exist between DB AG and Railion GmbH on one hand, and between Railion GmbH and DB Cargo AG on the other hand. By merging the freight transport activities of DB AG and NS Groep N.V. in Railion GmbH, we have created a platform that is open for additional collaboration with European transportation and logistics service providers. This integration in the year 2000 was a complete success. Further expansion in 2001 is planned with the accession of the Danish DSB; these plans are described under "Events After the Balance Sheet Date."

The other changes in our holdings had no major influence on the structure of the DB Group. DB Reise & Touristik AG, for example, increased its holdings in City Night Line CNL AG, Zurich, to 100 % by buying 40 % of the CNL shares from Swiss Federal Railway operator SBB AG, a stock corporation subject to special legislation, Bern. DB Cargo AG sold an additional 31.1 % of its shares in Bahntechnik Kaiserslautern GmbH, Kaiserslautern, to Karl Georg Bahntechnik Verwaltungsgesellschaft mbH, Neitersen, reducing its holdings in the company to 19.9 %. In the project company area, we consolidated related activities by merging DB Verkehrsbau GmbH Knoten Berlin, Berlin, with Planungsgesellschaft Bahnbau Deutsche Einheit GmbH, Berlin, which was then renamed DB Projekt Verkehrsbau GmbH in accordance with its business activities.

Overall Economic Situation

As expected, the **global economy** experienced significant growth during the year 2000. Worldwide gross domestic product (GDP) rose by 4.8 % (previous year: +3.5 %). Global trade increased by 13 %, more than twice as much as in 1999. After growing at an especially rapid pace during the first half of the year, the dynamism in the economies in the industrialized nations declined in the latter six months. Key factors for this development were more restrictive money market policies, a vast increase in oil prices, and a significant decline in the U.S. economy.

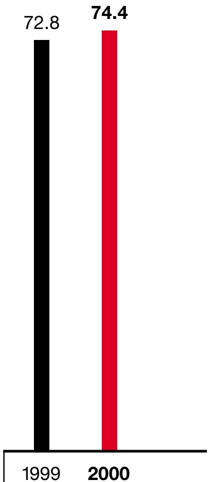
On the **European continent**, the main operating environment for our Group, the economies of the European Union (EU) and the euro countries weakened over the course of the year; however, GDP growth was greater than in prior years, at 3.3 % and 3.4 % respectively. This development was largely due to booming exports, which were helped by a weak euro. The countries in Central and Eastern Europe enjoyed rapid growth.

According to preliminary calculations by the Federal Office for Statistics, **German GDP** increased by a net 3.0 % during the year 2000 (previous year: +1.6 %). This is the highest growth rate since German reunification. This growth was driven mainly by significant increases in equipment and other industrial investment, as well as a strong increase in the net export surplus. Each of these factors contributed around one percent of the overall growth. The rest was accounted for by an increase in personal consumption, which at 1.6 % failed to match the figure from the previous year (+2.6 %). The freight transport sector benefited substantially from the export boom. Both goods exports – with real growth of 13.9 % (previous year: +5.3 %) – and goods imports – with real growth of 11.1 % (previous year: +7.9 %) were far above the previous year's values. This was also a major factor in the significant increase in output in the manufacturing sector, at around 7.5 % (previous year: +1.7 %).

In this favorable economic environment, the number of gainfully employed persons increased by 1.6 % during the year 2000 (previous year: +1.1 %). Accordingly, the unemployment rate declined by about 0.5 % in comparison to the previous year. Thanks to tax cuts for private households and the improvement in overall employment, the disposable income of private households increased by a nominal 2.9 % (previous year: +2.6 %). At the same time, however, faster increases in living costs, especially the strong rise in energy prices (1.9 %; previous year: +0.6 %), hampered real income growth.

The energy markets that are important to the DB Group were faced with opposing trends. Deregulation of the electricity market had already provided for falling prices and thus lower purchasing costs during the previous year, and this trend continued during the year under review. In contrast, massive increases in fuel prices – due primarily to unexpectedly high increases in crude oil prices on top of an increased tax burden – resulted in significantly higher costs.

Development and Performance of Transport Sectors



Total rail passenger transport performance
in billion pkm

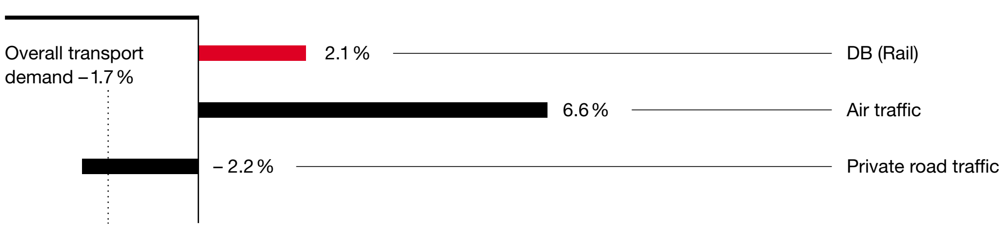
Relative change: + 2.1 %
DB R&T: + 3.8 %
DB Regio: + 0.6 %

During the year under review, we achieved satisfying gains in both passenger and freight transport. Passenger transport increased significantly despite overall downward market trends. No final conclusions can be drawn in the freight transport area due to ongoing uncertainty in our competitors' statistics. Nonetheless, we assume that we achieved growth on par with the overall market in the past year. The transport performance figures of both the Passenger Transport and Freight Transport divisions are the best since the start of the rail reform program.

Passenger Transport

According to preliminary figures, overall transport demand in the year 2000 declined for the first time since 1994, by some – 1.7 % (previous year: + 1.4 %). This decline was primarily the result of negative developments in motorized private traffic, which dominates the passenger transport sector with a market share of 90 %. Transport performance of private road traffic, measured in passenger kilometers (pkm), decreased by 2.2 % in the year 2000. This was mainly due to rapidly increasing fuel prices, which rose by 19 % over the previous year. Other modes of transport were only partly the beneficiaries of these developments, as many car drivers simply chose to stay home in response to the high prices.

Growth rates in passenger transport sector 2000
in %



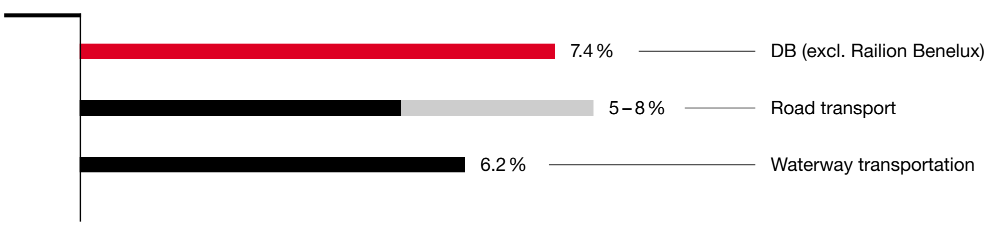
DB AG made **significant gains,** contrary to the overall trends. In the year-on-year comparison, we increased total rail transport performance by 2.1 % to 74.4 billion pkm. We benefited from the overall favorable developments in the economy as a whole, especially from the increase in disposable incomes and the improved employment level – a crucial factor for local transport demand. In addition, the sharp rise in fuel prices has greatly improved the price competitiveness of rail transport. Long-distance transport by the DB Reise & Touristik Group increased by an above-average 3.8 % to 36.2 billion pkm (previous year: + 1.0 %). Local transport operated by DB Regio AG also improved, by 0.6 % to 38.2 billion pkm (previous year: + 1.8 %). Another positive one-time influence was the EXPO 2000, for which we increased service from June to October 2000.

Germany's domestic air traffic sector once again recorded above-average growth in transport performance at + 6.6 %. However, this market segment only accounts for around one percent of the overall passenger transport market.

Freight Transport

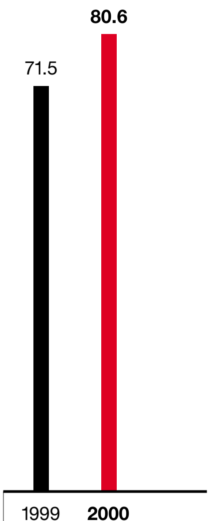
Boosted by an excellent economic framework both in Germany and abroad, the overall market (= DB Cargo + road transports greater than 50 km + inland waterway transport) increased significantly. Preliminary figures show growth between 5.5 % and 7.5 %. Performance in international transport, in particular, grew by an estimated 10 %, thanks to rapid economic growth in the EU and booming German exports. In contrast to 1999, all modes of transport benefited from this growth in the year 2000.

Growth rates in freight transport sector 2000
in %



According to current figures, road transport was once again able to increase its performance (+ 5 to + 8 %; previous year: + 8 %). The continuing strength of the economy led to a particular increase in the production of goods predisposed to road transport. The transport performance of foreign vehicles in international transport increased significantly. The intense competition in the road transport sector resulted in decreasing freight rates, shifting even more traffic to the roads.

Inland waterway transportation boosted its performance by 6.2 % compared to the year 1999. In addition to the economic upswing, another positive factor was that – in contrast to the previous year – there were no weather-related interruptions in service. International transports increased while domestic transports declined.



Total rail freight transport performance in billion tkm

Relative change: +12.8 %
DB Cargo: + 7.4 %
Effect Railion: + 5.4 %

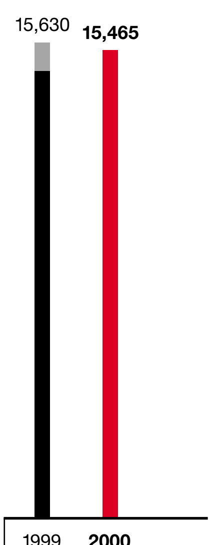
During the year under review, our Group Freight Transport division increased its transport performance by 12.8 % and reached its highest value since the start of the rail reform program – 80.6 billion tkm. Of this increase, 5.4 percentage points are attributable to the **first-time inclusion of Railion Benelux N.V.**, which means the real performance increase of DB Cargo AG amounts to 7.4 %. The markets for goods predisposed to rail transport recovered nicely compared to the previous year. We registered a significant increase in performance in mining products, which is especially important to DB Cargo, thanks largely to increased demand for steel. The mean transport distance in freight transport increased across the board. Like in the previous year, the share of **international transports** accounted for over half of total transport performance, while showing a slight **upwards trend**. **Intensifying competition** on **rail** had a negative effect on freight rates in some areas, **as** did the price pressure in **road transport** caused by the increased use of foreign carriers.

Business Performance

Revenues Trends

Revenues achieved during the year under review were just slightly under the previous year's level, at € 15.5 billion. This decline is the result of trimming our portfolio. We sold the DER Group and divested the ship catering activities of Mitropa GmbH to Scandlines AG, an associated company consolidated on an at-equity basis, effective January 1, 2000. On a comparable basis to the previous year – that is, **adjusted** for the revenues of € 0.9 billion no longer included – we achieved a **revenue increase of +5.0%** (previous year: +1.8%). The bulk of this increase, 4.1 percentage points, was the result of organic growth. The remaining 0.9 percentage points were attributable to the first-time inclusion of Railion Benelux revenues resulting from the Railion joint venture, which also took effect on January 1, 2000.

External Group revenues by Group division in € million	2000	Share in %	1999	Change in %
Group division Passenger Transport	10,980	71	10,585	+ 3.7
Group division Freight Transport	3,831	25	3,541	+ 8.2
Group division Passenger Stations	200	1	184	+ 8.7
Group division Track Infrastructure	110	1	83	+ 32.5
Group division Real Estate	10	0	8	+ 25.0
Others	334	2	324	+ 3.1
Group – comparable –	**15,465**	100	**14,725**	+ 5.0
Activities that were discontinued or that are no longer fully consolidated	–		905	
Group – as reported –	**15,465**	100	**15,630**	– 1.1



Revenues
in € million

Relative change: – 1.1 %

Relative change on a comparable basis: + 5.0 %

All Group divisions contributed to our increase in revenues. Only minor shifts in the revenue structure took place: the Group Passenger Transport division remained the area with the highest revenues, contributing 71% (previous year: 72%) of the total. The Group Freight Transport division increased its share slightly to 25% (previous year: 24%). As in the previous year, the Group Passenger Stations and Track Infrastructure divisions made a nearly negligible contribution to the Group's external revenues, with around 1% each, since the vast majority of their services are rendered to other Group divisions.

The Group **Passenger Transport** division achieved external revenues of € 11.0 billion, topping the previous year's figure by 3.7%. Both local and long-distance transport contributed to this increase. The DB Reise&Touristik business unit (long-distance transport) increased its revenues by 6.3% to € 3.5 billion. This growth was driven primarily by our ICE train product line. The DB Regio business unit (local passenger transport) increased its revenues by a gratifying +2.6% to € 7.5 billion, once again due mainly to positive developments in passenger fares. Payments from ordered-service contracts with the federal states and the respective ordering organizations for local rail passenger transport remained fairly constant at € 4.3 billion. The strong increase of 8.2 % in the Group **Freight Transport** division to € 3.8 billion is due largely to increased revenues from existing business (+4.3 percentage points). An additional boost was lent by the first-time inclusion of Railion Benelux (+3.9 percentage points).

The Group **Passenger Stations** division increased its external revenues in the year under review by 8.7 % to € 200 million; these revenues are primarily the result of marketing railway station spaces to third parties. These figures positively reflect the completion of several station renovation projects.

As a result of reorganization of the management structures, several construction companies – regardless of their legal integration – are now internally reported under "Participating interests" (in the internal reporting and management structure) and no longer under the Group **Track Infrastructure** division. On a comparable basis, external revenues increased by 32.5 % to € 110 million. The train path revenues contained in these figures resulted from use of the DB rail network by non-Group railroads, whose number has now increased to around 200.

Elements of the Income Statement

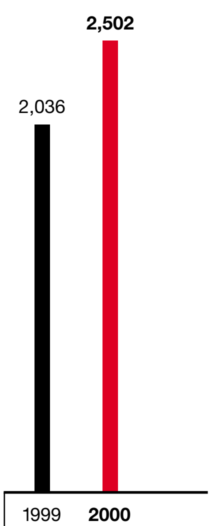
At € 17.3 billion, **overall performance** of the Group was slightly below the previous year's figure (– 1.4 %). This development was the result of declines in revenues (– 1.1 % to € 15.5 billion) and the reduced volume of own work capitalized (–12.5 % to € 1.7 billion), with slight inventory changes in the amount of € 0.1 billion. Other operating income amounted to € 3.7 billion, a significant increase over the previous year's figure (€ 2.5 billion). Overall operating income amounted to € 20.9 billion, a 5.7 % increase over the previous year. Total operating expenditures also increased significantly, by 4.4 %, even though cost of materials was reduced. This increase was largely the result of provisions relating to operating expenses. Cost of materials declined – due not least to the divestment of the DER Group – by 0.9 % to € 6.6 billion; its share of total performance increased slightly from 38.2 % to 38.4 %. Personnel expenses were influenced by opposing forces: while our continued streamlining efforts had a positive effect, they were countered by the negative effects of increased wages and salaries and reduced government reimbursement for heightened staff expenditures in the area of the former Deutsche Reichsbahn, and additions to provisions for restructuring charges. On balance, personnel expenses increased slightly by 2.3 % to € 8.5 billion. Measured by overall performance, personnel expenses in the year under review amounted to 49.1 % (previous year: 47.3 %).

The DB Group receives grants from the federal government for the purpose of closing the technical and organizational gaps of the former Deutsche Reichsbahn, in accordance with the agreement of December 23, 1994. These grants are reduced in volume according to a defined schedule, and will cease completely in 2002. As a result of these declines, we have to achieve significant gains in productivity merely to stabilize income. Therefore, the fact that federal grants were reduced by some € 0.4 billion has to be taken into account in the above figures on cost of materials and personnel expenses.

The required modernization of the overall rail system is reflected in a capital expenditures ratio that has been on a high level since the start of the rail reform program. This results in increased charges due to depreciation as well as interest expense. In the year under review, depreciation amounted to € 2.1 billion, 4.4 % over the previous year's figure. An expansion of capital market financing resulted in a decline in net interest income to € –251 million (previous year: € –158 million). Nonetheless, the ratio of interest expense to total expenditures remains low at 1.2 %. The total increase in expenses from increased depreciation volume and the poorer interest balance was € 180 million compared to the previous year.

Net income from investments of € –44 million (previous year: € –55 million) chiefly comprises net income from equity interests in associated companies or expenditure related to the transfer of losses and write-downs on equity interests. Our equity investment in Mannesmann Arcor AG & Co. resulted in a prorated transfer of startup losses that was not fully compensated for by other investment income. The previous year's figure already included provisions for equity investment risks.

On balance, the Group recorded **pre-tax earnings** of € 37 million in the financial year 2000 (previous year: € 91 million) and a **net income** of € 85 million (previous year: € 87 million).



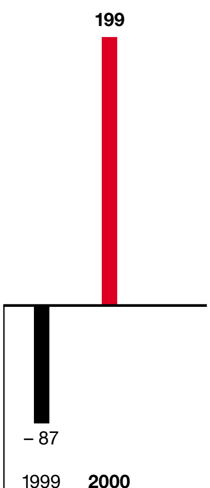
EBITDA
in € million

Relative change: +22.9 %

Operating Income: Negative Trend Reversed

The key factors for assessing our operating result are the standard business measures EBITDA and EBIT, as well as operating income. During the year under review, **EBITDA** (adjusted operating income before interest, taxes, depreciation) from operations increased by 22.9 % to € 2,502 million (previous year: € 2,036 million). In contrast to the previous year, this result was not only due to higher depreciation, but also to a significant increase in **EBIT** (adjusted operating income before interest, taxes), from € 71 million to € 450 million. The key factor is the trend reversal in **operating income after interest** (adjusted e.g. without income from the disposal of equities). After a loss of € 87 million in the previous year, we were able to achieve a profit of € 199 million.

Restated for the federal compensation for special charges related to the former Deutsche Reichsbahn, such as surplus personnel and increased material costs, which is included in the EBITDA calculation – this compensation amounted to € 1,228 million in the year under review, € 381 million less than the previous year – EBITDA excluding special charges compensation reflects an **operating improvement of € 847 million** compared to the previous year.



Operating income after interest
in € million

Change: € 286 million

Operating income after interest in € million	**2000**	**1999**
Group division Passenger Transport	173	234
Group division Freight Transport	49	– 11
Group division Passenger Stations	4	0
Group division Track Infrastructure	57	11
Group division Real Estate	108	– 385
Other/Equity Investments/Consolidation	– 192	23
Group – comparable –	**199**	**– 128**
Group – as reported –	**199**	**– 87**

When assessing income performance as shown in the statutory income statement, one must bear in mind that provisions for equity investment risks and expenses for ongoing major projects were increased in the year 2000 upon conclusion of special examinations – especially for the projects involving the new Cologne–Rhine/Main line and the Berlin hub. Based on the negotiations between management and labor and in light of future restructuring measures – for example, the replacement of bonuses through industry funds – provisions were mainly built up at the subsidiary level. In turn, DB AG has released its provisions – especially for risks in the equity investment area. The book profit that resulted from the sale of the DER Group was also allocated to increasing the Group's reserves. In the table shown above, the operating income after interest has been restated for these effects.

Value Creation and Contributions Made

Value Creation

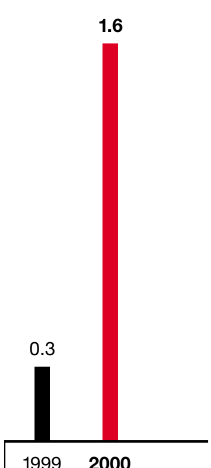
The DB Group created total value of € 8.8 billion through its business activities during the year 2000. This represents an increase of 2.5 % over the previous year. The added value was created almost exclusively in the domestic market.

Generation of added value in € million	**2000**	**1999**
Overall performance	17,267	17,521
+ Other operating income	3,653	2,511
Overall operating income	**20,920**	**20,032**
– Cost of materials*	– 6,625	– 6,688
– Other operating expenses	– 3,436	– 2,790
– Depreciation (properties and intangible assets)	– 2,052	– 1,965
Added value	**8,807**	**8,589**

Distribution of added value in € million	**2000**	**1999**
Employees*	8,475	8,285
Public authorities (taxes)	– 48	4
Creditors	251	158
Shareholders (incl. minority interests) and non-operating income (income from investments)	129	142
Added value	**8,807**	**8,589**

* restated for reimbursement of burdens inherited from Deutsche Reichsbahn

By far the largest share of value added, 96.2 %, was once again distributed to staff (previous year: 96.5 %). The proportion of added value going to investors and public authorities remained relatively minor.



Return on capital employed
in %

Value Management: Strong Increase in ROCE from a Low Base

In light of the high capital intensity of our business, we implemented a return-on-investment concept in 1999 in order to steer and channel our resources on a value basis. Our key measure is the return on capital employed (ROCE), which is calculated as the ratio of EBIT (operating income before interest and taxes) to employed capital. At the same time, long-term target values were defined for the individual Group divisions and for the Group as a whole. These values are based on the levels targeted upon completion of the rail reform program. By today's measures, our long-term goal for the DB Group's ROCE is around 10 %. As a result of our capital expenditures activities, the capital employed continued to increase – as was the case in the year 2000. Therefore, an over-proportional increase in EBIT would be required to improve the ROCE, an improvement that we achieved in 2000. We increased our ROCE from 0.3 % to 1.6 %. This did not cover our cost of capital; although the yield covered interest expenses, we have as yet been unable to achieve an adequate rate of return on our equity capital.

Balance Sheet Structure

The balance sheet total increased by 6.1 % (previous year: 6.4 %) to € 39.5 billion in the financial year 2000. The continuing growth in the balance sheet total is the result of high levels of capital expenditures in fixed assets (€ 34.7 billion; + 3.5 %) and from an increase in current assets of 25.7 % to € 4.4 billion. The share of fixed assets to total assets decreased to 87.8 % (previous year: 90.0 %) as a result of the increased current assets.

At € 8.8 billion, shareholders' equity was 1 % above the previous year's figure. The equity capital ratio fell from 23.4 % to 22.3 % as a result of the higher growth in the balance sheet total. Long-term provisions and liabilities accounted for 54.1 % (previous year: 56.9 %), while short-term provisions and liabilities made up 23.6 % (previous year: 19.7 %). Equity and long-term debt therefore covered 86.9 % of fixed assets (previous year: 89.2 %).

The analysis of the capital structure needs to take into account the fact that at € 6.7 billion (previous year: € 6.3 billion), a significant proportion of our liabilities consists of interest-free federal government loans provided for infrastructure investments. Financial debt (interest-bearing liabilities) increased from € 4.2 billion to € 5.5 billion, but at 13.8 % of total capital as of December 31, 2000, its share remains low.

In 1999, the DB Group had purchased redemption commitments at fair value (net present value) for the years 2025 through 2041 relating to interest-free loans. Because of the deferral of the amount in excess of the purchase price, accruals and deferred income on the balance sheet showed a marked increase. With this purchase, the funds originally extended as a loan by the federal government underwent a change in nature and were to be treated like subsidies and can thus be deducted from the properties subsidized. Anticipating a foreseeable necessary final reduction in the acquisition and production costs of the new Cologne–Rhine/Main line still in construction, part of the amount of these costs was reallocated to provisions, which largely accounts for the reduction in accruals and deferred income from € 1.4 billion to € 1.0 billion.

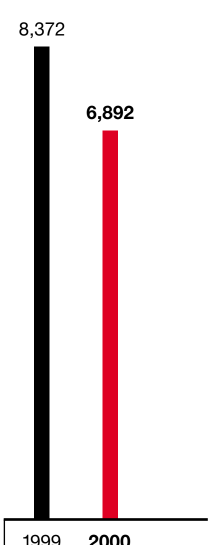
Balance sheet structure (in %)	**2000**	**1999**		**2000**	**1999**
			Equity	22	23
Fixed assets	88	90	Provisions	36	35
Current assets	11	9	Liabilities	39	38
Prepayments and accrued income	1	1	Accruals and deferred income	3	4
Balance sheet total	**100**	**100**	**Balance sheet total**	**100**	**100**

Capital Expenditures

Capital Expenditures

Since the start of the rail reform program, we continue to invest in the modernization of the rail system at a level that is unusually high in industry comparison. During the year under review, **gross capital expenditures** amounted to € 6.9 billion.

Capital expenditures in € million	2000	Share in %	1999	Change in %
Gross capital expenditures by Group division				
Group division Passenger Transport	1,804	26	1,926	– 6.3
Group division Freight Transport	405	6	501	– 19.2
Group division Passenger Stations	552	8	554	– 0.4
Group division Track Infrastructure	3,896	57	4,782	– 18.5
Group division Real Estate	51	< 1	53	– 3.8
Others	184	< 3	546	– 66.3
Group – comparable –	**6,892**	100	**8,362**	– 17.6
Group – as reported –	**6,892**	100	**8,372**	– 17.7
Net capital expenditures – as reported –	**3,250**	47	**3,229**	+ 0.7



Gross capital expenditures
in € million

Relative change: – 17.7 %

The Group Track Infrastructure division is the key influence on the structure of capital expenditures, as well as on the changes in the year-on-year comparison. This Group division alone accounted for € 0.9 billion of the total decline in gross capital expenditures of € 1.5 billion. At the same time, the Track Infrastructure division was still the target of more than half of all capital expenditures. Capital expenditures in the Passenger Transport and Freight Transport divisions primarily reflect the acquisition of new rolling stock as part of extensive, multiyear modernization programs. The capital expenditures volume in the Passenger Stations division represents a multitude of station modernization measures and selected new buildings. As in the previous year, the largest individual project by far was the new Cologne–Rhine/Main line, with an investment volume of € 0.7 billion.

In accordance with the relevant legal regulations, our capital expenditures in infrastructure are generally financed by means of interest-free federal government loans, investment grants netted with properties, and to a lesser extent through funds obtained under the Local, Regional, and Municipal Traffic Financing Act (Gemeindeverkehrsfinanzierungsgesetz) and the Railroad Crossings Act (Eisenbahnkreuzungsgesetz). As in the previous year, we again made a significant contribution to capital expenditures through internal funding.

The Group's **net capital expenditures** after deduction of non-repayable investment grants amounted to € 3.3 billion (previous year: € 3.2 billion). **Investments in financial assets** at less than € 0.1 billion were once again of little significance for the DB Group.

Financial Situation

Financial Policy

The DB AG company is the central treasury for the DB Group. This structure ensures that all Group companies can borrow and invest funds at the best possible conditions. Before we seek funding from outside sources, we conduct intra-Group financing transactions. When external funds are borrowed, the DB AG takes out short-term loans in its own name, whereas long-term funds are generally obtained through the Group's finance company, DB Finance B.V., Amsterdam/Netherlands. These funds are then passed on to the Group companies in the form of time deposits or loans. This concept enables us to pool risks and resources for the entire Group. It also enables us to consolidate our expertise, capture synergy effects, and minimize refinancing costs.

Initial Rating Confirms Excellent Creditworthiness

The successful conclusion of the rating process marked an important step towards securing favorable refinancing for the long term. In May 2000, the two leading rating agencies, Moody's and Standard & Poor's, awarded us excellent long-term ratings, with Aa1 (Moody's) and AA (Standard & Poor's). In addition, the two agencies awarded us the best possible rating in the short-term area, with P-1 (Moody's) and A-1+ (Standard & Poor's). This puts us near the top in comparison to other industrial companies, as well as to other rail companies (those without an explicit state guaranty). Lastly, our proactive financial communication policy, which we intensified during the year under review, enabled us to further improve our standing in the financial markets.

Financing the Capital Expenditures Program in 2000

Capital requirements for the financing of capital expenditures – after deduction of the inflow of funds (net) from investment grants, interest-free federal loans, and the sale of assets – amounted to € 2.5 billion. We were able to fund the majority of this amount (86 %) from the Group's cash flow.

Cash flow before taxes matched the previous year's level at € 2.1 billion. Increased depreciation compensated for slightly lower pre-tax earnings. At 13.7 %, the ratio of cash flow to revenues rose slightly compared to the previous year's level (13.5 %).

We borrow funds from capital markets to cover the difference between the outflow of funds for capital expenditures and the inflow of funds from ongoing business operations. In June 2000, DB Finance B.V. floated a 10-year **bond** issue amounting to € 1.0 billion with a coupon payment of 6.0 %. Like our 1999 bond issue, this benchmark bond issue – incidentally the first one with an assigned rating – was also floated in Frankfurt and Berlin as well as internationally, in Paris and Milan. The fact that 85 % of the issue volume was placed outside Germany proves the positive reputation our company enjoys among international institutional and private investors. We also obtained a loan in the amount of € 219 million from the European Company for the Financing of Railway Rolling Stock (EUROFIMA), Basle/Switzerland.

Financial debt rose to a total of € 5.5 billion (previous year: € 4.2 billion). Cash and cash equivalents increased slightly to € 0.4 billion (previous year: € 0.3 billion). In the short-term sector, the DB Group had guaranteed credit facilities of approximately € 1.8 billion as well as the Multi-Currency Multi-Issuer Commercial Paper program of € 1 billion. These financing instruments were not utilized as of the balance sheet date.

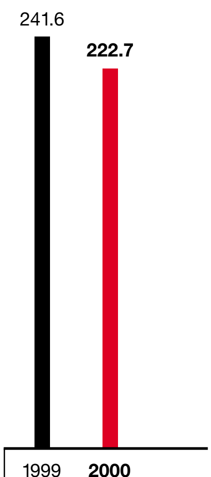
During the financial year 2000, DB AG concluded two sale-and-lease-back transactions involving cargo locomotives with a total volume of € 255 million. The sales price corresponded to the net book value on the balance sheet. The terms of the leasing contracts are 15 and 16 years, respectively.

Employees

Group headcount was reduced from 241,638 as of December 31, 1999, to 222,656 as of December 31, 2000 (–7.9 %). The average headcount during the year 2000 was 230,615, some 5.8 % less than the previous year's figure.

The decline is the result of continued improvements to our processes and structures. Another major factor was the sale of the DER Group. We were once again able to avoid forced redundancies, achieving the reduction in headcount solely through natural turnover and socially acceptable measures.

We will continue our intensive training programs – even in excess of the requirements of the DB Group. The trainee share in the Group – not including DB Arbeit GmbH and counting all trainee and apprentice contracts – remained at a high level with 5.7 % (previous year: 6.1 %). Thus, the DB Group is the company with the largest number of trainees and apprentices in Germany.



Employees (at year end)
in thousand

Relative change: – 7.9 %

Employees by Group division as of December 31	2000	Share in %	1999	Change in %
Employees				
Group division Passenger Transport	83,062	37	87,115	– 4.7
Group division Freight Transport	38,555	17	40,995	– 6.0
Group division Passenger Stations	5,015	2	5,593	– 10.3
Group division Track Infrastructure	53,554	24	57,629	– 7.1
Group division Real Estate	1,293	1	1,286	+ 0.5
Others	41,177	19	45,835	– 10.2
Group – comparable –	**222,656**	100	**238,453**	– 6.6
Group – as reported –	**222,656**	100	**241,638**	– 7.9
Apprentices / Trainees	11,851		14,438	– 17.9
Trainee share	5.7 %		6.1 %	

Research and Technology

Our research and technology (R&T) activities concentrate on the **technological enhancement of the overall rail system** and of its relevant components. Especially when components such as rolling stock are involved, the development responsibility lies with the respective manufacturers, while our activities focus on specifications, product requirement details, technical acceptance, and preparation for operational rollout. Because our suppliers are usually highly specialized in individual areas, our integrated approach places a key role in the further development of rail as a mode of transport.

We reorganized our R&T area during the year under review in order to meet increasing demands on system technology: starting October 1 we concentrated all our technological competency in our **Technology Center** (TC), which now supports all Group divisions. It is the central instance that assumes all the technical functions that were previously performed separately by the different Group divisions. Bundling this expertise will help us to optimize the safety, availability, and quality of the technical systems throughout the DB Group. TC activities are concentrated in three areas: it provides support for the entire rail technology, performs conformity checks, and is responsible for procuring new means of production, in the context of accompanying its development and realization.

The TC cooperates closely with both suppliers and other railroads (primarily in Europe, but also elsewhere – such as with the East Japan Railway in the area of high-speed passenger transport). We also conduct extensive exchanges with universities and other research institutions. “Harmonization” is the keyword for a future of border-free international rail traffic.

Expenditures for research and technology amounted to € 79 million in the year 2000. As of the end of the year, the TC employed total staff of 1,350 – 607 more than during the previous year.

Purchasing

During the financial year 2000, the DB Group placed orders worth some € 9.7 billion (previous year: € 11.5 billion), making it one of the largest ordering parties in Germany. The total order volume is distributed among the following four major procurement sectors:

Purchasing volume in € billion	2000	1999
Construction and engineering services	3.5	4.3
Industrial products	2.7	3.4
Other services	2.1	2.4
Utilities and fuel	1.4	1.4
Total	**9.7**	**11.5**

The above order volume was spread among almost 50,000 different suppliers. At 48 % (previous year: 51 %), a high proportion of orders was once again placed with small and medium-sized companies, especially in the construction services sector. Contracts awarded directly to foreign companies amounted to € 0.2 billion, matching the level of the previous year. The purchasing functions of the DB Group used to be managed on a decentralized basis. We have now consolidated all purchasing activities in the Purchasing service function. This service function performs both conceptual and operative functions. It is responsible for managing purchasing in sectors that are the sole responsibility of individual Group companies. One example of this is the purchasing of utilities and fuel, which DB Energie GmbH performs for the entire Group in order to fully benefit from the opportunities posed by deregulated energy markets. The new focus of responsibility for the Purchasing service function is intended to capture synergy effects and significant savings for the restructuring program.

To meet these expectations, Purchasing has started numerous activities together with other Group units and companies. For the procurement of rolling stock, the Purchasing service function – together with Technology – defines demands regarding quality assurance, standardization, and modularization as early as in the product construction phase. Purchasing will apply a new form of contract (guaranteed maximum price contract) for complex projects in the construction sector, which will combine high cost reliability with the maximum possible flexibility in construction planning and execution. The “eProcurement” project was started to make procurement processes even faster and more effective. An Internet marketplace for purchasing will be launched in the year 2001 and will be successively expanded thereafter.

Other Information

Euro Changeover

The DB Group has been dealing with the pending introduction of the euro since late 1995. Coordination of all euro-related activities is managed by a project team under the direction of the central Treasury department. Customers have been able to receive invoices denominated in euros and passengers have been able to make non-cash payments in euros at our Service Centers since January 1, 1999. The changeover of the corporate currency to the euro will take place on January 1, 2002. This changeover date takes the following aspects into account: the domestic orientation of the DB Group, the high proportion of cash transactions, the option of successively supplementing existing IT systems with the necessary euro components, and our close ties with government institutions – whose changeover date has also been set to coincide with the end of the dual-currency phase.

Participation in the German Economy Foundation Initiative "Remembrance, Responsibility and the Future"

DB AG is participating in the German economy foundation initiative "Remembrance, Responsibility and the Future" for the benefit of Third Reich forced labor and has contributed € 31 million to the foundation. With this contribution, we wish to set an example of how to deal responsibly with the historic legacy of German railroad companies.

Risk Report

Our business activities pose risks as well as opportunities. Our risk management activities aim to proactively minimize these risks. Our risk management system processes all the relevant risk-related information. To identify and monitor risks, and in light of the German Act on Corporate Control and Transparency (KonTraG), we already began expanding our existing early warning and monitoring systems to form an integrated risk management system in 1999. During the year under review, we continued to both enhance the systems integration and expand the scope of contents covered.

Key Risks and Measures to Limit Them

The risks inherent to the DB Group include:

- **Market risks** such as overall economic development and cyclical demand for services. The major factors influencing passenger transport – household consumption expenditures, number of gainfully employed persons, population – have been largely stable. The most important factor in freight transport is the transportation demand for consumer products, mining products, petroleum products, chemicals products, and building materials – which are all subject to cyclical fluctuations. Other market risks include the effects of increasing deregulation in European transport markets and significant increases in competition across all modes of transport. We are reacting to these developments with extensive measures aimed at improving efficiency and reducing costs, in addition to optimizing our service offerings. We are responding to risks resulting from changing customer demands – including the ordering organizations and regional political subdivisions – and from shifts in traffic patterns with an intensified customer focus and extensive market research.
- **Operating risks:** The DB Group operates a networked production system of high technological complexity. We combat the risk of interruptions in service through systematic maintenance, the employment of qualified staff, and ongoing quality assurance and process improvement measures. We significantly increased the level of maintenance expenditures in the Group Track Infrastructure division starting in July 2000.

- **Project risks:** The modernization of the overall rail system involves immense capital expenditures as well as a number of highly complex projects. Delays in the implementation or necessary modifications during the project lifetimes – which often last several years – result in project risks that can often affect multiple areas due to our networked production structures. We conducted an extensive situation assessment in the spring of 2000 that examined all of the DB Group's major projects – especially the new Cologne–Rhine/Main line, the Berlin hub, and the Nuremberg–Ingolstadt–Munich line. As a consequence of the identified risks, we not only increased existing reserves, but also invested in further organizational and staff qualification measures.
- **Financial risks:** We use financial instruments and derivatives to hedge our exposure to interest rate changes and price fluctuations. These instruments are described in the Notes.
- **Political and economic uncertainties:** Our political, legal, and social environment is subject to constant change. A stable framework is needed to effectively plan our future corporate activities. We strive to positively influence these framework conditions and eliminate existing hindrances through open dialog. We contribute extensively to discussions regarding the different framework conditions applying to the individual modes of transport. A central issue in this area was securing federal infrastructure financing for the medium term, which we accomplished through the trilateral agreement with the Federal Ministry of Transport, Building and Housing and the Federal Ministry of Finance that was signed in March 2001.

During the year 2000, we undertook an exhaustive situation assessment of all major projects, processes, and systems, and implemented a comprehensive restructuring program ("Fokus"). In addition, we took out insurance policies to secure unavoidable risks, in order to limit the financial consequences of potential damages and liability risks for the DB Group.

Comprehensive Risk Management System

The principles underlying the risk management policy are formulated by Group management and implemented at DB AG and the subsidiaries. Our system for the early recognition of risks entails quarterly reporting to the DB AG Management Board. The risks noted in the risk report are categorized and classified by their probability of occurrence; in addition to the possible consequences, we also analyze potential offsetting measures and their costs. All suddenly detected risks and unfavorable developments must be reported immediately. Our Group Controlling department is responsible for coordinating all risk management activities for the DB Group. In addition, planned acquisitions are subject to intensified monitoring.
The Group Finance and Treasury department is responsible for limiting and monitoring credit risks, market price risks, and liquidity risks associated with our corporate refinancing, which is strictly limited to our operations. Consolidating these transactions (money market, securities, derivatives) with DB AG enables us to manage and limit the associated risks. The Finance and Treasury area is organized based on the Minimum Requirements for Trading (MAH) formulated for financial institutions, the derived criteria of which meet all the requirements of the German Act on Corporate Control and Transparency (KonTraG).

Assessment of the Current Risk Exposure

Our risk management system models the sum total of risks exceeding defined materiality thresholds in a risk portfolio, as well as providing a detailed individual listing. Based on our current assessment of risks, offsetting and hedging measures, and provisions, no risks capable of threatening the Group's continued existence are discernable, now or in the foreseeable future.

Report by the Management Board on Relations with Associated Companies

The Federal Republic of Germany is the sole shareholder of DB AG. Pursuant to sec. 312 of the German Stock Corporation Act (AktG), the Management Board of DB AG has compiled a report on relations with associated companies. The report concludes with the following statement:

"We hereby declare that, according to the circumstances known to us at the time the legal transactions were entered into, our company received adequate consideration in each and every legal transaction.

During the year under review, no measures were taken or omitted on the initiative or in the interests of the federal government or of any company associated with it."

Events After the Balance Sheet Date

Danish State Railways as New Partner in the Railion Joint Venture

Retroactive to January 1, 2001, 100 % of the shares of Railion Denmark A/S, Copenhagen/Denmark, currently held by the Danish State Railways (DSB), will be purchased by Railion GmbH, Mainz. In return, DSB will receive 2 % of the shares of Railion GmbH held by DB AG. This reduces the share held by DB AG to 92 %; N. S. Groep N.V. continues to hold 6 % of Railion GmbH. By transferring the freight transport activities of the Danish State Railways to Railion GmbH, we intend to further expand our platform for European transportation and logistics services. Uniform operating processes and the shared use of modern systems will help promote the competitiveness of the cargo companies. Railion GmbH continues to function purely as a financial holding company.

Maintenance Facilities Consolidated in DB AG

Effective January 1, 2001, the major maintenance facilities (the so-called “C facilities”) were transferred from DB Reise & Touristik AG, DB Regio AG, and DB Cargo AG back to DB AG. We expect this consolidation to provide greater efficiency and flexibility and help us capture significant synergy potential.

Plan Approval Procedure for Stuttgart 21 Can Begin

In February 2001, the Federal Ministry of Transport, Building and Housing, the State of Baden-Württemberg, and the Free State of Bavaria reached a basic agreement on the prefinancing of the federal share of the “Stuttgart 21” construction project, which is expected to cost some € 2.5 billion. The project is closely tied to the technical progress of the new Stuttgart–Ulm line, as well as the Ulm–Augsburg–Munich continuation. We will now press onward the plan approval and the invitations to bid; a final profitability analysis will be conducted before the project is implemented.

Comprehensive Collective Wage Agreements Signed

A comprehensive collective wage agreement between Deutsche Bahn AG and labor was signed in early March 2001. The objective of the overall package is to create competitive conditions of employment. In addition to confirming the results of the pay negotiations from October 2000, the parties agreed to reorganize DB Arbeit GmbH, the Group's employment company. The plan of replacing certain benefits with a comprehensive central fund ("Zukunftssicherungsfonds") has been dropped. Instead, industry funds for specific businesses are to provide appropriate compensation for any disadvantages that arise from the transition from the DB collective wage agreement to a new industry wage agreement or from employee transfers between companies.

Trilateral Agreement Signed

Deutsche Bahn AG, the Federal Ministry of Transport, Building and Housing, and the Federal Ministry of Finance signed a trilateral agreement in March 2001. Among other arrangements, this agreement **secures medium and long-term federal funding to finance infrastructure** improvement measures. The annual volume was increased and locked in at a total of over € 13 billion until the end of 2003. Moreover, the inflow of funds will primarily take the form of investment grants. By confirming the continuing inflow of funds, the signed agreements create a solid foundation for ongoing planning and project realization. At the same time, the DB Group has agreed to a defined level of own funds to be provided. Moreover, the federal government will make limited contributions to covering the additional costs of the new Cologne–Rhine/Main and Nuremberg–Ingolstadt–Munich lines, as well as the Berlin north-south connection. The agreement also governs the planned discharge of certain DB AG obligations set forth in the framework agreement on the allocation of DB real estate of 1996.

Working Group to Examine the Future Organizational Structure

The question of the right organizational structure of the rail network and the operations conducted on it is currently subject to heavy debate, especially at the European transport policy level. With our clear organizational and accounting separation of DB Netz AG, Germany is at the fore in implementing EU Directive 91/440. The Federal Minister of Transport, Building and Housing initiated a working group (“Task Force”) in March 2001 to investigate the need for additional action in this area in Germany. The working group, which is not bound by any foregone conclusions, also includes representatives of the Federal Ministry of Economics and the Federal Ministry of Finance. The entrepreneurial position of the DB Group – including the benefits of seeing the wheel/rail system as an integrated system – is represented in the working group by the CEO of DB AG. The working group began its activities in March 2001 and initial results are expected by the end of the year 2001.

New Train-Path Pricing System Lowers Prices for Infrequent Users

Effective April 1, 2001, DB Netz AG converted its two-tier pricing system to a one-tier system; in comparison to the previous approach, prices for infrequent users are now much lower. Even though the previous train-path pricing system was also non-discriminatory in our opinion, it had been criticized by the Federal Cartel Office; preliminary investigations by the Federal Cartel Office were abandoned shortly after the new price system was announced in March 2001. In light of the intensifying competition on the rails, DB Netz AG expects to double revenues with non-Group railroads, despite the declining specific revenues from smaller non-Group users resulting from the new train-path pricing system.

Strategy

The railroad reform process, which was started in 1994, is currently undergoing the second half of its implementation. Restructuring the original government-run railroad to form a powerful company is tied to clear expectations of our economic efficiency and performance in transport markets. We have added weight to these expectations in the year 2000. We declared our objective of getting the DB Group into shape for an IPO at the conclusion of the reform process. To achieve this objective, we implemented a value management concept that defines detailed target rate of return requirements for the DB Group and our individual Group divisions. By today's measures, the rate of return to be achieved by the conclusion of the railroad reform program is a return on capital employed of around 10 %.

The dynamism in transport markets has increased on several levels since the start of the railroad reform process. Competition on the rails and with all other modes of transport has intensified. Moreover, the boundaries in our relevant markets – such as freight transport – are shifting towards integrated logistics services. The integration of European economies requires a cross-border strategy rather than staid domestic thinking. New technologies are opening new dimensions of service for our customers. In order to effectively control and economically operate our overall rail system, the operative and technical complexities have to remain manageable. We have addressed these challenges in our strategy process, and achieved noteworthy gains in all areas during the year 2000. To secure our planning success, we started a comprehensive restructuring program ("Fokus") and established an intensive capital expenditures program.

"Fokus" Restructuring Program

The objective of the "Fokus" restructuring program is to further increase our efficiency and establish sustainable structures. The **program involves the entire Group** and currently features 25 projects, 9 of which deal with issues affecting the entire group, while 16 others deal with individual divisions. In addition to visible improvements in performance for our customers, we expect "Fokus" to deliver considerable cost reductions. The centralized control of the restructuring program helps us ensure that the overall rail system will be optimized in both operational areas and administrative functions.

Optimization of Services in Passenger and Freight Transport

The peak values in transport performance we achieved during the year 2000 are clear evidence of our company's capability. It is worth noting, however, that not all of our transport services produce the efficiencies required in the long term. Causes for this deficit include incorrect dimensioning of services in prior years and overlaps in our service spectrum. To combat this trend, we introduced strategies for a market-focused performance optimization in both the Passenger Transport and Freight Transport divisions in the year 2000. We are convinced that these approaches will lead to visible improvements in quality. Moreover, we are working intensively on our price and marketing systems in passenger transport. The Freight Transport division is implementing various measures to expand its logistics competencies in order to capture new markets. The most important measures include the intensified utilization of the CustomerServiceCenter in Duisburg, industry-specific offers such as ChemCargo for the chemicals industry and special transportation services for the automobile industry, and our planned collaboration with Stinnes AG in the Raillog joint venture (starting in 2001).

Intensified Internationalization through Collaboration

By further improving our international transportation offerings, we plan to emphasize the particular strengths of rail travel for medium and long-distance journeys. One effective, economic approach that we are following is the expansion of collaborative projects. Thalys passenger transport between France, Belgium, the Netherlands, Luxembourg, and Germany has been popular among customers for years. We started service with the multisystem ICE 3 between Amsterdam and Cologne; when the new Cologne–Rhine/Main line is completed in the year 2002, this service will be extended all the way to Frankfurt/Main. We have signed two cooperative agreements to improve traffic with our European neighbors: **Rhealys** serves as a project company for future high-speed traffic between France (SCNF), Germany (DB), Luxembourg (CFL), and Switzerland (Swiss Federal Railways, SBB). The **TEE Rail Alliance** is designed to intensify the cooperation between DB, SBB, and the Austrian Federal Railways (ÖBB).

The **Railion** joint venture in freight transport – initially with the Dutch Railroad – has proven to be on target. It is a platform that is open for additional partners; the next one to transfer its freight division to the joint venture will be the Danish State Railways. In addition, we have signed agreements aimed at improving joint production with the Swedish State Railways (SJ) and the French railroad (SCNF).

To increase interoperability – the capability of bringing the existing European systems together and using them jointly – we are increasingly coordinating the definition of technical specifications and capital expenditures decisions with other European railroads. Thanks to the common specifications, we expect both technical and economic benefits from quantities of scale when ordering rolling stock.

And our shared command and control technology – especially GSM-R, a new European standard – will create a broad common technical foundation for both rolling stock and vehicles.

Higher Capital Expenditures Program Approved

Owing to the high level of capital expenditures that we have maintained since the start of the rail reform program, we have already been able to at least partially compensate for decades of past neglect. We have approved another intensive capital expenditures program for the planning period to 2005 in order to more quickly modernize our infrastructure and rolling stock. Total capital expenditures of € 40 billion are planned by the end of 2005. The vast majority of this capital expenditures program, with around 85 % of the total volume, is focused on the Passenger Transport, Freight Transport, and Track Infrastructure divisions. The capital expenditures program is targeted at increasing the capacity and availability of the rail network and significantly reduce the average age of our rolling stock. Our capital expenditures in modern products and processes directly benefit our customers in the form of improved services. We also see these capital expenditures as the foundation for further improvements in productivity.

A Stable, Fair Framework Is an Essential Prerequisite

Our entrepreneurial success as a railroad is highly dependent on the economic and political framework in which we operate. To achieve a fair, predictable framework, we play an active role in policy debates, especially those involving the rail reform process itself. In addition to the entrepreneurial responsibility that we face, the federal and state governments have their own obligations, particularly the federal government's basic obligation with respect to rail infrastructure funding. After intensive debates that began during the year under review, we were able in a first step to secure continuing funding for our entrepreneurial processes. The foundation of this funding is the trilateral agreement between Deutsche Bahn, the Federal Ministry of Transport, Building and Housing and the Federal Ministry of Finance that was signed in March 2001. This agreement also stipulates an increase in funding levels until the end of 2003.

Another significant issue affecting the development of the DB Group are the duties for local public transport that have been devolved to the states under the Regional Restructuring Act: the states have access to increased federal funding in the amount of more than € 6 billion for the purchase of local transport services. Both the purchasers and service providers want to provide the best possible service, but achieving this demands that the terms of the ordered service contracts are economically sensible. Because significant capital expenditures are required to achieve our common goal, we are in favor of synchronizing the contract terms with the useful life and depreciation periods of the purchased equipment.

Our competitive environment is especially characterized by competition between the different modes of transport, but also by competition on the rails. Germany boasts a leading role in liberalizing rail operations in comparison with other European countries. Every operator is free to enter the market, and some 200 service providers currently compete on the German rail network. Our success on the rails is determined by our own performance, but it is also crucial to create a level playing field for all modes of transport. Increases in energy taxes (the “eco-tax”) and the issue of demanding a contribution to infrastructure financing from users of the road network were substantial points of contention in both European and German transport policy debates. In both areas, we hope that our economic playing field can be leveled out, which will improve the relative competitive position of rail transport. Despite the massive burden the eco-tax places on our company, we expect to benefit nonetheless when the tax is applied equally to all modes of transport, as we are the most environmentally-friendly mode of all. The introduction of usage-based road fees for heavy trucks – planned for Germany in 2003 – will help to successively balance out the over-proportional burdens that rail transport currently has to bear. We actively represent our position in both debates. The same applies to issues involving uniform social welfare and safety standards, even though these issues will have to be dealt with in an international framework in order to be effective.

Outlook and Expectations for the Financial Year 2001

Sustained Favorable Economic Framework

Based on current estimates from economic research institutes, we expect growth of global GDP to decrease to around 3.0 % in the financial year 2001. The main uncertainty factor remains economic development in the U.S. The faith that the current correction phase will be short-lived will be critical to global development, to the ability of monetary policy to influence the economy, and to corporate capital expenditures patterns. The expected appreciation of the euro will subdue the dynamism of German and other European exports. In contrast, we expect a positive impetus to result from increasing domestic demand in Germany and the other euro countries. We expect growth of around 2.5 % (GDP) for the euro countries in 2001. Estimates for GDP growth in Germany range from 2.0 % to 2.5 %. Household consumption and expansionist fiscal policies should help stabilize growth; the latter through reduced taxes and social contributions, as well as through the use of funds from the UMTS frequency license auctions for improving the transport infrastructure. We expect to return to a path of increasing growth in 2002.

Transport Sectors: Unbalanced Development

The passenger transport market will enjoy impetus from an increase in household consumption and an additional slight increase in the number of gainfully employed persons during the year 2001. Declines in petroleum prices should compensate for the renewed increase in the eco-tax. The increase in the commuter tax allowance is also expected to have positive effects. In comparison to the year under review, however, the additional traffic generated by EXPO 2000 will not be repeated.

As a result of these positive factors, we assume that both motorized private traffic and the entire passenger transport market will return to positive growth rates (around 1.5 %). Air traffic is expected to grow at 6 %, again faster than the overall market.

Rail passenger transport will benefit from the ongoing positive economic development in both long-distance and regional traffic. On the other hand, the end of the EXPO 2000 traffic will have a visible effect. In total, we expect a slightly decreased transport performance in rail passenger transport with an improved range of services. We assume that competition will continue to increase in both rail-bound regional transport and road-bound local public transport; reasons for this include the increasing importance of bid tenders and the further internationalization of the competitive environment.

The framework data for the freight transport sector point to a slight decrease in growth in the year 2001, although from a high level. In the key business sectors for rail transport, we expect a slight decrease from the extraordinarily high raw steel production figures in the year under review. We expect the decline in production in the construction industry to continue. In contrast, further growth is predicted in the areas of chemical products, mechanical engineering, and the automobile industry. We estimate the primary energy consumption of hard coal to decline slightly, while petroleum consumption will increase slightly.

A series of underlying trends affect the development of the market and competitive situation, and will continue to do so during the year 2001. For example, increased trading within the euro area will likely lead to further increases in and further internationalization of freight transport. However, the bulk products that are predisposed to rail transport will play a subordinate role in the market growth. At the same time, road freight transport – with its inherent flexibility in collection and distribution – will benefit from increasingly decentralized production structures and the existing advantages in cross-border transports. Under the current framework, the majority of growth in the freight transport sector will continue to take place largely on the roads. The aggressive predatory pricing trends in road freight transport – under which social welfare and safety standards are all too often disregarded – also drags down the freight rates of other modes of transport.

For the year 2001, we expect road freight transport to enjoy a growth rate that is above the market average, but slightly lower than in the year under review. We expect the performance of inland waterway transport to stagnate. The slight decline in the steel industry, which still has a favorable outlook overall, means that we will be unable to match the high rail transport performance values of the past year. This development also reflects a reorganization in the structures of our Group Freight Transport division to achieve more market focus in our services, a reorganization that is creating the necessary foundation for sustained future growth.

In the medium term, rail freight transport will benefit from a number of factors. The trend towards increasing internationalization in freight transport that results from more trading within the euro area is expected to continue. Our intensified cross-border collaborations will enable our Group Freight Transport division to benefit from this trend. Additional potential is expected from the politically supported opening of European rail networks to international freight transport. Measured by the number of competitors and the intensity of competition on the rails, Germany already has a leading role in this sector. The introduction of usage-based road fees for heavy trucks will result in a crucial, necessary leveling of the framework conditions among the individual modes of transport within Europe; this step is planned in Germany at the start of 2003.

Expectations for the DB Group: Reduction in Income in 2001

During the year 2001, we will continue to exploit the synergy potential resulting from the reorganization of our management structure. No major changes to the enterprise structure of the Deutsche Bahn Group are expected – including changes as the result of mergers or acquisitions. Nor do we expect any major changes in revenues or income structure. Development of revenues will primarily be characterized by the Group Passenger Transport and Freight Transport divisions. We expect slight declines in transport performance in both areas as the result of external effects (elimination of EXPO traffic in passenger transport, a weakening steel market in the freight transport sector), as well as the implementation of our market-oriented services (MORA) concept. Moreover, because we elected to keep our price structure stable in passenger transport and prices for freight transport are more likely to decline, we expect a slight decrease in revenues in the year 2001. We anticipate additional increases in efficiency and major cost reductions as the result of our “Fokus” restructuring program. In contrast, our intensified capital expenditures program will result in higher expenses, in the form of increased depreciation and interest expenses. The scheduled reduction in federal subsidies for burdens inherited from the former Deutsche Reichsbahn (surplus personnel and increased material expenditures) will once again amount to some € 0.4 billion in the year 2001. We will also continue to maintain the high level of maintenance expenditures in the Group Track Infrastructure division that we started in the latter half of the year 2000. Despite the expected productivity gains, we will not be able to fully compensate for the increased expenses in the year 2001. The significant structural improvement of the overall rail system will therefore have to be contrasted with an operating loss after interest. In the individual Group divisions, we expect a slightly negative result for the Passenger Transport division, primarily due to further revenue declines in the DB Regio area. The Group Freight Transport and Real Estate divisions are counting on declining but positive results. The Group Passenger Stations division will grow slightly from a low base. Clearly negative – and thus the primary influence on the corporate income – is the expected result in the Group Track Infrastructure division.

Expectations for the year 2001 **in € million**	**2000**	**2001** **expected**
Revenues	15,465	↘
Gross capital expenditures	6,892	↑
Operating income after interest	199	↓
Group division Passenger Transport	173	↘
Group division Freight Transport	49	↘
Group division Passenger Stations	4	→
Group division Track Infrastructure	57	↓
Group division Real Estate	108	↘

Statements Relating to the Future

This Annual Report contains forward-looking statements based on beliefs of Deutsche Bahn Group management. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” and “plan” are intended to identify forward-looking statements. Such statements reflect the current views of Deutsche Bahn Group, its Group divisions and individual companies with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results to be materially different, especially those described in the “Risk Report.” Actual results may vary materially from those projected here. The Deutsche Bahn Group does not intend or assume any obligation to update these forward-looking statements.

Group Divisions

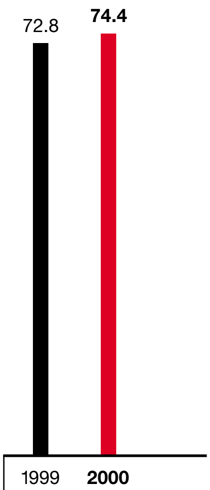
Die Bahn DB

Passenger Transport

in € million	2000	1999	Change in %
External revenues			
DB Reise & Touristik	3,463	3,257	+ 6.3
DB Regio	7,517	7,328	+ 2.6
Total	**10,980**	**10,585**	+ 3.7
Intra-Group revenues	816	708	+ 15.3
Divisional revenues	**11,796**	**11,293**	+ 4.5
Operating income			
DB Reise & Touristik	100	49	+ 104.1
DB Regio	73	185	– 60.7
Total	**173**	**234**	– 26.1
Gross cash flow			
DB Reise & Touristik	383	326	+ 17.5
DB Regio	559	580	– 3.6
Total	**942**	**906**	+ 4.0
Gross capital expenditures			
DB Reise & Touristik	499	615	– 18.9
DB Regio	1,305	1,311	– 0.5
Total	**1,804**	**1,926**	– 6.3
Employees as of Dec 31			
DB Reise & Touristik	30,293	31,510	– 3.9
DB Regio	52,769	55,605	– 5.1
Total	**83,062**	**87,115**	– 4.7

Getting to your destination quickly, safely, and comfortably with Deutsche Bahn – a choice that is becoming more and more popular. Our efforts to continue to improve our transportation services, especially the creation of integrated services and a targeted modernization of our vehicle fleet, are paying off.

Passenger Transport – Focus on the Market



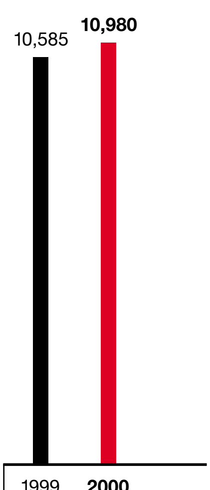
Total rail passenger transport performance
in billion pkm

Relative change: + 2.1 %
DB R&T: + 3.8 %
DB Regio: + 0.6 %

We want to continue to improve our passenger services and offer coordinated transportation concepts. For this reason, we merged the Group divisions DB Reise & Touristik and DB Regio to form the Group Passenger Transport division in the year 2000. This newly created Group division was able to complete **its first year of the changed corporate structure** with an entirely **positive result**. The number of passengers in rail transport increased by around 32 million to 1.71 billion, an increase of 1.9 %. Our **transport performance** on the rails increased by 2.1 %, from 72.8 billion passenger-kilometers (pkm) to 74.4 billion pkm. This shows that more and more people are using Deutsche Bahn ever more frequently, a development that is also reflected in our **external revenues**: they increased by € 0.4 billion to € 11.0 billion.

Deutsche Bahn offers a comprehensive range of passenger transportation services. They include both high-speed long-distance connections along main traffic routes and a widespread network of local transport links on the rails and – with busses – on the road. Various medium-sized companies operating regional networks complement this system.

The most important factor in scheduling our services is customer demand. By focusing our passenger transport services on market demand (project **MORA P**), we are taking an important step towards increasing our profitability, thus ensuring the continuity of our transport offerings in the long term. Our customer focus is evidenced by the fact that we not only kept the basic long-distance fares stable in the year 2000, but we will also abstain from raising fares in both local and long-distance transport during the year 2001.



External revenues Passenger Transport
in € million

Relative change: + 3.7 %

Despite positive developments in the year under review, the Group Passenger Transport division is undergoing a tough restructuring process that will take several more years. As part of this restructuring process, we are examining all existing workflows and structures and weighing their benefits to the passengers. We aim to create a lean, efficient structure to provide transportation services that are reliable and geared to our customers' needs, while taking the economic feasibility for Deutsche Bahn into account at the same time.

Capital expenditures for new rolling stock is a top priority in the restructuring process. A part of the vehicles used for passenger transport is far past its time. On average, our local transport vehicles are more than 20 years old. To correct this deficit, we invested over € 1.5 billion in trains for local and long-distance transport during the year under review. We took delivery of **31 new ICE 3 trains**, 9 of which are multisystem vehicles for international routes. A total of 452 vehicles were commissioned for local transport, including 160 electric multiple units, 209 diesel multiple units, and 252 double-deck cars. With these purchases, we were able to significantly improve our service quality.

In sales and marketing, the Group Passenger Transport division increased its commitment to new media. Steps in this direction include adding a new travelers' information system to our wide range of existing Internet services, as well as the expansion of **Surf & Rail**, our direct-sales channel. Our sales strategy is multifaceted to address the individual preferences of our highly diverse customers. In addition to our conventional points of sale in the stations, we also operate the DB agencies, automatic ticketing machines, call centers, and our Internet presence. Our 3,871 travel agency partners are another important factor.

Long-Distance Transport Business Unit (DB Reise & Touristik)

Even though the overall passenger transportation market experienced a steep decline of 1.7 % in the year 2000, the trains and busses operated by DB Reise & Touristik achieved a sustained increase in their market share. Our **transport performance** rose by almost 4 % to a total of 38.9 billion pkm. On the rails we recorded a 3.8 % increase to 36.2 billion pkm.

An overproportional share of this growth was contributed by scheduled day-time services (our products ICE, EC/IC, IR/D trains), with an increase of 4.4 % to 33.1 billion pkm. This positive development was driven mainly by the ICE product family, which was extended by the integration of the third generation vehicles. Fortified by **large numbers of EXPO 2000 visitors**, the ICE segment achieved an increase of 2.3 billion pkm – or almost 20 % – to a total of 13.9 billion pkm. Transport performance in the EC/IC and IR/D trains segments was less than that achieved in the previous year, due largely to adjustments in service (EC/IC: minus 0.6 billion pkm to 11.3 billion pkm; IR/D trains: minus 0.3 billion pkm to 7.8 billion pkm). The development in scheduled daytime transport services illustrates the shift in our product portfolio, from conventional locomotive-hauled trainsets to more efficient multiple units. With improved passenger comfort and shorter travel times, they help us reach new groups of customers who might otherwise travel by private car or plane. Of course, these attractive services require significant capital expenditures.

The other product segments in long-distance transport (DB AutoZug, DB NachtZug, special-purpose transports) declined slightly during the financial year 2000 due to adjustments in service. They achieved a transport performance of 2.7 billion pkm (previous year: 2.9 billion pkm). Our night and special-purpose transport is the target of intensive restructuring measures, during which we are analyzing the economic efficiency of our individual lines and services and adjust our supply accordingly.

In the past financial year, DB Reise & Touristik AG purchased a 40 % share of CityNightLine CNL AG in Zurich from SBB, the Swiss Federal Railways. We are now the sole owner of the company, which is specialized in overnight connections between Germany, Austria, and Switzerland. As the result of strategic decisions and in light of the increasing consolidation in the tourism sector throughout

Europe, we completed the sale of our significant tourism-related investments – with the exception of our subsidiary Ameropa-Reisen GmbH, a travel agency that is specialized in rail tourism: We sold Deutsches Reisebüro GmbH (DER Group) to the REWE Group effective January 1, 2000.

Expanding Service through Partnerships

In the year 2000, DB Reise&Touristik AG founded the **RHEALYS** project company – together with French railroad SCNF, the Swiss Federal Railways (SBB), and Luxembourg's CFL. The company's headquarters are in Luxembourg. We hold a 30% share in the company, which is preparing high-speed rail services from Paris and Strasbourg to Frankfurt, Luxembourg, and Basle/Zurich. In addition, the **TEE Rail Alliance** was established in summer 2000 between Deutsche Bahn, the Swiss Federal Railways (SBB), and the Austrian Federal Railways (ÖBB). The aim of this partnership is to develop networked services for our customers, in addition to improving quality and service by capturing synergy effects.

Positive Development in the Year under Review

External revenues of the long-distance transport area amounted to € 3,463 million in the past financial year. Adjusted for the DER Group, which is no longer included in the scope of consolidation, external revenues amounted to € 206 million or 6.3% more than in the previous year. DB Reise&Touristik AG increased its external revenues by € 175 million or 6.2% to € 2.983 million. With 40.3% of external revenues, the expanded ICE product family was the key driver of this growth. Our EC/IC and IR/D trains product segments declined slightly, due to adjustments in service, accounting for 31.4% and 18.7% of external revenues, respectively. The other product segments (DB NachtZug, DB AutoZug, special-purpose transport, others) also declined slightly due to adjustments in service, to a 9.6% share.

External revenues of € 0.5 billion achieved in the equity investment area matched the previous year's level – adjusted for the divestiture of the DER Group. Overall revenues of the MITROPA Group declined slightly as the result of the sale of Mitropa Schiffs-Catering GmbH to SCANDLINES AG. CNL AG, which is now a wholly-owned subsidiary, reported an especially positive development in the past year. It was able to achieve significant growth in passenger transport – especially during EXPO 2000 – and was able to increase its external revenues by over 14% to around € 36 million.

The long-distance transport business unit earned **operating income after interest** in the amount of € 100 million in the year 2000, a significant increase over the previous year's income of € 49 million – adjusted for the sale of the DER Group. DB Reise&Touristik AG was able to significantly increase its contribution to earnings. Most of our subsidiaries and affiliates were able to report positive performance. Negative operating results were recorded as the result of the far-reaching restructuring measures in the MITROPA Group, in addition to the start-up costs of

Metropolitan Express Train GmbH. At € 383 million, **gross cash flow** was 17.5 % above the comparable previous year's figure.

Gross capital expenditures – adjusted for the sale of the DER Group – amounted to € 499 million in the past financial year, and thus remaining at a high level. The focus of our capital expenditures programs remained on the procurement of new ICE product generations (standard and multisystem ICE 3 and the ICE T with tilting technology), as well as the modernization of our vehicle fleets for the DB NachtZug and DB AutoZug segments.

We once again invested significant amounts in updating our maintenance and sales and marketing infrastructure, as well as in our it.p project, which involves restructuring the IT systems used for passenger transport – with the aim of enhancing and expanding the information technology that we use for pricing, sales, billing, and in demand and production planning.

As of December 31, the long-distance transport business unit employed a **staff** of 30,293. Adjusted for the sale of the DER Group, this amounts to a decline of 3.9 % compared to 1999, a decline due primarily to staff reductions at DB Reise&Touristik AG.

Regional and Urban Transport Business Unit (DB Regio)

We also made significant gains in regional and urban transport in the year 2000. Our **transport performance** in this area increased by 0.5 %, reflecting above-average growth – in comparison to both the overall transport market and the public transport segment, which grew by only 0.4 % to 90.9 billion pkm in the year under review. Rail transport operated by DB Regio achieved a share of 42 % with 38.2 billion pkm (+0.6 %).

External revenues of the business unit increased by 2.6 % from the previous year, to € 7,517 million. The main growth driver was farebox revenues in DB Regio rail transport, with an increase of 3.6 % to some € 2.1 billion. In total, external revenues of DB Regio rail transport increased by 2.3 % or € 145 million to € 6.5 billion. The **bus transport companies** contributed some € 1.0 billion to external revenues, which represents growth of 4.6 % or € 45 million. The German federal states are responsible for providing local rail passenger transport. During the year 2000, they ordered services worth some € 4.3 billion from DB Regio, an increase of € 47 million over the previous year.

The positive development in revenues was not enough to compensate fully for the increased burdens of higher fuel costs, increased depreciation, and higher interest payments resulting from our capital expenditures. **Operating income after interest** was € 73 million, € 112 million less than in the previous year. **Gross cash flow** declined by 3.6 % to € 559 million.

DB Regio employed a **staff** of 52,769 as of December 31, a decline of 5.1 % compared to the previous year.

Modernization of the Vehicle Fleet

Gross capital expenditures declined only slightly in comparison to the previous year, by 0.5 % to € 1,305 million. The bulk of the funds was dedicated to **procuring modern multiple units and double-deck cars** – important elements in making local rail transport more attractive. We are also investing significant amounts in the purchase of new busses, the modernization of our vehicle maintenance plants, and the expansion of our sales and marketing technology. We commissioned two new simulators for training locomotive engineers in Saarbrücken and Munich. They help to further increase the reliability and safety of rail transport.

A special highlight of the past financial year was the **commissioning of the S-Bahn network for the greater Hanover area** at the start of the EXPO on June 1, 2000. With support from the State of Lower Saxony, we spent a total of € 125 million on 40 new S-Bahn (metro) trains. This new local transport system has achieved an on-time rate of over 99 %.

DB Regio is also investing in the **modernization of the S-Bahn** (metro) in the metropolitan regions of Munich, Stuttgart, and Rhine/Ruhr. In the first step, we commissioned the S8, the Munich Airport Line, with 35 new type BR 423 multiple units. We intend to purchase 171 new vehicles for the Munich S-Bahn (metro) alone in the next two years (capital expenditures volume: € 561 million).

First Regional Network (RegioNetz) started

The Kurhessenbahn in Hesse is the first regional network founded as part of our program for promoting medium-sized companies. It was introduced to the public in December 2000. The federal government, the State of Hesse, the involved municipalities, and Deutsche Bahn AG have provided a total of € 100 million to the **Kurhessenbahn**. We are currently examining 37 networks and 10 individual lines with a total length of 9,000 km throughout Germany. The aim of our “RegioNetz” project is to develop and implement innovative solutions for secondary lines in rural areas in order to secure their continued existence.

Competition in Local Transport

DB Regio is faced with tough competitors. For example, the contract for **operating S-Bahn Rhine-Neckar** was subject to a Europe-wide tender offer on November 11, 2000 – with some 6 million train kilometers annually, this was the **largest tender offer** for a local rail passenger transport service in Europe to date. So far, DB Regio has won some 60 % of the tendered transport services.

In public road passenger transport, DB Regio's 20 regional bus transport companies have a market share of some 7 %. In order to provide integrated local transport services from a single source, we want to expand in urban transport. We intend to increase the number of partnerships between DB Regio and the municipal transport companies. This will give both parties an excellent chance to get in shape for competition in the deregulated European transportation sector. With **new focal areas** such as urban bus systems, trams, and light rail, DB Regio wants to significantly improve its position through integrated concepts for providing comprehensive solutions to both passengers and purchasing parties.

To improve our competitiveness in local transport, we started a restructuring program during the year under review that primarily addresses the cost structure. The main components of this program are leaner administration and the shift of entrepreneurial responsibility to the regions. DB Regio is completely repositioning itself in nine regions in order to bring local transport planning closer to its customers. We plan to create integrated transport services by coordinating rail and road traffic more closely, a coordination that is best achieved right where the demand for it arises.

Outlook for Passenger Transport: Integrated Services, Competitive Costs

Our goal is to better integrate the services available in local and long-distance transport. We plan to offer **integrated mobility services** that convey passengers to their destinations quickly and seamlessly, services that we feel will help us get ahead in times of increasing competition in local and long-distance transport.

Faced with this tougher competition, the cost structures of the Group Passenger Transport division will also have to change to meet the competition. This applies to personnel costs – especially in the administrative area – as well as to all other costs. We want to increasingly shift decision-making authority to the sites of the operative activity – that is, to the regions – to make fast, customer-friendly decisions with concrete benefits for our passengers.

The renewal of our rolling stock continues to play a pivotal role in our activities. By the end of 2005, we intend to invest € 2.1 billion for vehicles in long-distance transport and € 4.3 billion in local transport; the trend is moving from conventional locomotive-hauled trainsets to integrated multiple units. In order to provide planning security for the comprehensive capital expenditures in local transport, we will emphasize the necessity of longer-term contracts – with terms of 10–12 years – during our future negotiations with the federal states.

We are continuing the restructuring process in the Group Passenger Transport division with renewed vigor. The main restructuring projects have been started and significant progress has already been made. In addition to achieving a better market focus for our services, our activities include projects in the production and sales areas and the revision of our vehicle strategy. A critical factor in restructuring our core business in local and long-distance transport is the establishment of more productive structures and cost-effective processes, enabled in particular by advanced information technology. Our goal is to offer our customers a better cost/benefit ratio than our competitors. To achieve this, we have to improve on punctuality, cleanliness, and safety.

In view of the expiring special burden compensation from the federal government and the increased depreciation and financing costs as the result of our aggressive capital expenditures programs, we have increased charges from expenses during the current financial year that we will only be able to compensate for with increased revenues in the following year. As a result, we expect that income for the year 2001 will fail to reach last year's level despite expected steady revenues.

Die Bahn DB

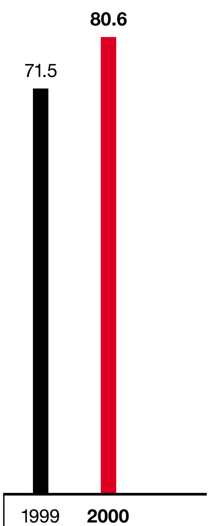
Freight Transport

The Deutsche Bahn Group is gaining ground in a highly contested market. DB Cargo is reacting to the increasingly competitive conditions in freight transport by actively concentrating on rail’s inherent strengths. Our strategy is centered on continuing the internationalization process, modernizing our vehicle fleet, and increasingly tailoring our services to our customers’ specific needs.

in € million	2000	1999	Change in %
External revenues	3,831	3,541	+ 8.2
Intra-Group revenues	816	632	+ 29.1
Divisional revenues	**4,647**	**4,173**	+ 11.4
Operating income after interest	49	– 11	–
Gross cash flow	259	171	+ 51.5
Gross capital expenditures	405	501	– 19.2
Employees as of Dec 31	38,555	40,995	– 6.0

Freight Transport: Successful in a Tough Market

The Freight Transport division benefited more from the economic upswing in the year 2000 than any other division of the Deutsche Bahn Group. The industry sectors that are important for freight transport grew dynamically and across the board – with the exception of automobiles. The crude steel and hard coal sectors, in particular, as well as the forestry sector (removal of damage caused by the gale "Lothar") generated a vast increase in transport demand. The **transport performance** of the Freight Transport division, measured in ton-kilometers (tkm), increased in the year 2000 by 12.8 % to some 80.6 billion tkm. 5.4 % of this growth resulted from Railion, our joint venture with the Dutch Railroad (NS Groep N.V.) and from the first-time inclusion of Railion Benelux N.V. Average transport distances continued to increase as a consequence of our intensified cross-border cooperation in rail cargo. Over half of total transport performance is now accounted for by international services.

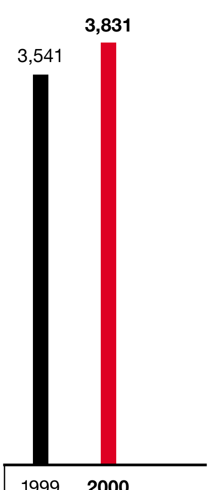


Total rail freight transport performance
in billion tkm

Relative change: +12.8 %
DB Cargo: +7.4 %
Effect Railion: + 5.4 %

Clear Positioning in a Highly Contested Market

The **markets for transport services and logistics** are experiencing an **extensive structural transformation**. This process is being driven by increasing customer demands, the integration of European economies, and ever-increasing competition – competition that has seriously eroded wage, safety, and social welfare standards in the road transport sector. The trend towards decentralized industrial structures is adding additional momentum. The Freight Transport division is positioning itself in this highly contested market with clearly defined goals: our focus lies on additional rationalization and modernization activities, improved customer focus, and increasing internationalization of our business.



External revenues Freight Transport
in € million

Relative change: + 8.2 %

Double-Digit Increase in Revenues

Divisional revenues increased by 11.4 % to € 4,647 million. The division's **external revenues** increased in step with the improved transport performance, by 8.2 % to € 3,831 million (share resulting from the integration with Railion Benelux: 3.9 %). Increasing **price competition between road and rail transport** resulted in a further decline of specific revenues. Moreover, the presence of other, competing rail transport companies added additional price pressure. Nonetheless, our optimized service program paid off: DB Cargo achieved significant cost savings in traveled train kilometers.

Operating Income: Positive Development

Operating income after interest amounted to € 49 million, € 60 million more than the previous year's negative result. The main reasons for this positive development are our continuing efforts to increase the productivity of freight transport and streamline costs. **Gross cash flow** amounted to € 259 million, a significant increase over the previous year's figure of € 171 million.

The number of employees declined by 2,440 to 38,555 (including the employees of Railion Benelux).

On Track to Border-Free Freight Transport

The integration of European economies is changing trade and transportation flows. In this context, a broad international presence in freight transport is a strategic necessity. The **successful integration of the Dutch company Railion Benelux N.V.** was a first step in this direction. Moreover, the Danish State Railways (DSB) intends to transfer its cargo division, DSB Gods, to the joint venture effective January 1, 2001, under the new name **Railion Danmark**. After the transfer, the shares in Railion GmbH will be held by Deutsche Bahn AG (92 %), the NS Groep N.V. (6 %), and DSB (2 %). The company has its headquarters in Mainz.

Together with the French SNCF, we founded a joint product management company in mid-2000 – based on the successful "Rhône-Westphalia Express" pilot project – to optimize bilateral transports. We also **collaborate closely** with **SJ Cargo Group AB**, a division of the Swedish State Railways. Since the summer of 2000, all traffic between Germany and Sweden is channeled through several hubs (in Germany: Maschen and Rostock). This provides for higher departure frequencies and accelerated turnaround times – both of which are beneficial to our customers.

Customer Service Improved

Besides the actual physical transport performance, the decisive factors in achieving competitiveness are comprehensive customer care, excellent process clarity, and in-transit information management. Our CustomerServiceCenter (KSZ) in Duisburg, which will also serve the customers of Railion Benelux and Railion Danmark in future, plays a critical role in this area.

To better respond to our customers' needs, we have extended key points in the Cargo division's value chain. One example of this extension is **Parcel Intercity**, the new rail system operated by DB Cargo and Deutsche Post. Established at the start of the year 2000, the service involves the travel of fast freight trains in reserved time slots along the north-south route between the Hamburg/Hanover and Nuremberg/Munich/Stuttgart regions. These trains ensure that time-sensitive parcel post can be routed and delivered reliably, on time, and in an environmentally friendly manner. The expansion of this successful service to include east-west connections is being planned.

Another example is our collaboration with Porsche. The sports car manufacturer is the first German carmaker to make intensive use of a state-of-the-art transportation system that utilizes enclosed special-purpose wagons developed by our subsidiary ATG Autologistik GmbH, a service that was started on September 1, 2000. The concept makes the transportation of Porsche cars through Germany faster, safer, and more environmentally friendly. Before the service started, cars intended for the North American and Japanese markets were taken by road on car carriers from Porsche's Stuttgart factory in southern Germany to the shipping ports on the North Sea coast.

Modernization of Locomotives, Freight Wagons and Processes

We intend to start an extensive **multiyear capital expenditures program** to modernize the division's entire vehicle fleet. The highlight of the program is the acquisition of electric locomotives, including ones with multi-system technology for cross-border transport. Considerable funds will also be invested in the purchase of new freight wagons, especially special-purpose wagons. **Gross capital expenditures** in the financial year 2000 amounted to € 405 million, a slight decrease on the previous year.

Single freight wagon transport by DB Cargo AG no longer meets the demands imposed by a modern logistics system. The **MORA C** (market-oriented services – cargo) restructuring program that we started in the year 2000 aims to improve the quality and speed of transport by concentrating this single-wagon traffic in several hubs and offering alternatives in combined rail/road transport. We are cooperating with non-Group rail companies and our own forwarding agencies to achieve this goal.

We are increasing our capital expenditures in modern freight wagons for unit train transports and bulk transports. Container transport, the largest growth segment, is the target of both capital expenditures and quality-improvement programs. Effective January 1, 2001, DB Cargo transferred its major maintenance facilities for locomotives and freight wagons to the centralized maintenance division of the Deutsche Bahn Group. This package of measures will lay the foundation for solid growth in the future.

Stable at a High Level

The current year offers promising perspectives for freight transport. The industry sectors that expanded in the year 2000 have stabilized at a high level. We expect that integration of Railion Benelux and Railion Danmark will provide additional positive stimulus. Still, revenues will likely stagnate as a result of ongoing pressures on profit margins and the implementation of our market-oriented services program. Our cooperation with SCHENKER AG, a Stinnes subsidiary, in the **Railog joint venture** (starting 2001) will bring us another step closer to our goal of offering services that span the entire logistics chain to our European customers. We will maintain our high level of capital expenditures. Thanks to our comprehensive measures, especially those aimed at increasing productivity, we expect a positive operating profit also for the financial year 2001.

Die Bahn

Passenger Stations

Modern passenger stations:
Some 1.7 billion passengers use the railway stations every year; 2.4 billion visitors take advantage of comprehensive information and a wide variety of shopping and entertainment possibilities. The Passenger Stations division plays a key role in making rail travel more attractive.

in € million	2000	1999	Change in %
External revenues	200	184	+ 8.7
Intra-Group revenues	600	582	+ 3.1
Divisional revenues	**800**	**766**	+ 4.4
Operating income after interest	4	0	–
Gross cash flow	111	93	+ 19.4
Gross capital expenditures	552	554	– 0.4
Employees as of Dec 31	5,015	5,593	– 10.3

Passenger Stations – Mobility and Service Portals

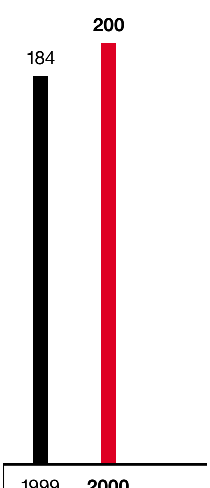
The Passenger Stations division is responsible for the technical operation of some 6,000 active railway stations, as well as for marketing commercially utilized space in some 3,000 station buildings. Its two business areas of traffic stations and marketing therefore constitute two distinct and different markets. Success in the traffic station area is primarily dependent on the efficient utilization of existing infrastructure, a factor that was influenced by positive developments in passenger transport during the year 2000. Both business areas are closely linked through their joint representation in the stations and stopping points; our comprehensive measures are therefore concentrated on **safety, cleanliness, customer information, and services** for travelers and station visitors.

Positive Development in Revenues

Revenues generated by the Passenger Stations division grew by 4.4 % to € 800 million in 2000. About 75 % of the **divisional revenues** were accounted for by intra-Group revenues (€ 600 million). **External revenues** generated from non-Group transport companies, tenants, and leaseholders rose by 8.7 % to € 200 million.

The traffic stations business segment increased its revenues to some € 0.6 billion. The single largest customer remained the intra-Group Passenger Transport division, while the share of revenues generated from non-Group transport companies increased by nearly 2 %. Additional revenues of the Passenger Stations division were raised from travel-related services and facilities, such as luggage lockers and parking.

Revenues in the marketing segment amounted to around € 0.2 billion. Much higher rents were achieved from locations that were thoroughly renovated in 2000. In contrast, rental income was lower at locations that are now targeted for development of the stations and surroundings.



External revenues Passenger Stations
in € million

Relative change: + 8.7 %

Balanced Result

The **operating income after interest** increased slightly to € 4 million, a trend that was helped by a cost-reduction program including a streamlining of the organizational structure, which was implemented in the year 2000. Opposite effects resulted from comprehensive renovation and modernization programs at the stations, capital expenditures which also led to higher interest payments and higher depreciation. **Gross cash flow** improved by 19.4 % to € 111 million, primarily due to increased depreciation.

EXPO 2000 – Meeting the Challenge

The comprehensive construction projects for managing the huge numbers of expected visitors were completed promptly before the start of **EXPO 2000**. Particular mention should be made of the modernization of **Hanover Central Station** and the **Laatzen Fairground Station**, the construction of the S-Bahn (metro) network with 56 stations, and a number of modernization measures at smaller stations nearby. The renovation and modernization of Hanover Central Station has been extremely well received by travelers and station visitors alike.

The modernization of the Uelzen station was a globally unique architecture project: this Wilhelminian building, a protected landmark, has been redesigned as an environmental and cultural station according to plans by the Viennese artist and master builder Friedensreich Hundertwasser.

Targeted Enhancement of Railway Station Value

Gross capital expenditures, at € 552 million, remained at the previous year's level. Also in the year 2000, major capital expenditures included the measures in preparation for EXPO 2000, the Lehrter Station in Berlin, the so-called "railway station package" (Bahnhofspaket) – which comprised the development of 26 different stations-, and several local transport projects.

We completed multi-year modernization and renovation projects at 13 major stations over the year 2000. The redesign of **Cologne Central Station**, a protected historical landmark, was especially well received. Besides providing comprehensive services for travelers, we have set new standards with the "Colonaden" – a full-service shopping center with 70 stores, cafés, and restaurants occupying a total of 11,500 square meters. Over the course of the year 2000, we also celebrated the grand reopening of the stations in Stralsund, Rostock, Berlin-Lichtenberg, Berlin Ost, Oranienburg, and Frankfurt/Oder. These six projects represent the **completion of the railway station package in the former East Germany**.

We also improved the appearance and functionality of 1,210 smaller and medium-sized railway stations throughout Germany: fitting entrance halls and platforms with new furnishings, extending platform canopies, and improving sign-posting and information systems. We installed DB Plus-Punkt modules and waiting modules in an additional 107 stations, in order to improve the quality of time travelers spend waiting. We opened **DB ServiceStores** in 40 smaller and medium-sized stations by the end of 2000. The ServiceStores are based on a convenience store concept and are established and run by two companies (DB ServiceStore Systemführungs GmbH and DB ServiceStore Betriebs GmbH) that were founded in 1999 specifically for this purpose. We are acutely aware that the success of railway stations depends directly on the quality of their fixtures and fittings, reliability of infrastructure, security, and cleanliness. The Passenger Stations division is increasingly developing integrated concepts to systematically eliminate the deficits that still persist in some locations.

Our **Modernization campaign for railway stations in North Rhine-Westphalia** (Modernisierungsoffensive für Bahnhöfe in NRW) is a milestone in this direction. The contract for this modernization package, with a total volume of € 176 million, was signed in 2000, and the project is scheduled for completion by the year 2004. The stations involved were selected in close cooperation with local governments and citizens' groups, and the state of North Rhine-Westphalia will split the costs with DB Station & Service AG. We also started the pilot project **Safer Station** at Frankfurt/ Main Central Station in November 2000 as an extension of our ongoing **3-S program** (safety, service, station cleanliness). The systematic application of existing property laws is intended to increase perceived safety among customers, tenants, and employees.

Improved Customer Focus through Leaner Workforce Structure

Although the number of **employees** declined by 578, to a total of 5,015 as of December 31, 2000, customer service at the railway stations remained unaffected by this development, as the staff reductions resulted largely from a **restructuring of middle management**. We reformed the previous three-level organizational structure in the summer of 2000 with the result that the responsibility for operations and business transactions now lies directly with our "Station Management Directors," each of whom is responsible for an average of over 70 stations and stops. Another new concept, **Mr. Station** (Mr. Bahnhof) is intended to increase customer focus and improve service: railway customers now enjoy direct contact to service managers who can assume complex coordination tasks.

Lasting Increase in Yields

In addition to the ongoing implementation of revenue-increasing measures that are already under way, we will particularly focus on improving basic station services for customers in the current financial year 2001. We have started both a major cleanliness improvement program and intensive maintenance efforts. A detailed portfolio analysis enabled us to identify over 1,000 station buildings that are no longer required to maintain operations, or that do not cover their operating costs, and we are intensively searching alternate utilization options. We expect slight increases in both revenues and income in the financial year 2001.

Die Bahn DB

Track Infrastructure

The efficiency of the rail network is a decisive factor in determining the Deutsche Bahn's market potential. The Track Infrastructure division has been investing heavily for years in the maintenance, upgrading, and expansion of the transportation infrastructure. The "Netz 21" strategy will make rail transport even more competitive.

in € million	2000	1999	Change in %
External revenues	110	83	+ 32.5
Intra-Group revenues	3,415	3,354	+ 1.8
Divisional revenues	**3,525**	**3,437**	+ 2.6
Operating income after interest	57	11	+ 418.2
Gross cash flow	987	916	+ 7.8
Gross capital expenditures	3,896	4,782	– 18.5
Employees as of Dec 31	53,554	57,629	– 7.1

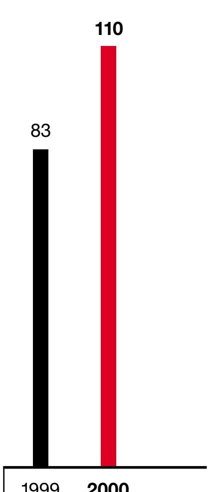
Track Infrastructure – The Foundation for Mobility

The Track Infrastructure division is responsible for the DB Group's rail network and the organization of all rail traffic that rolls over it. Its most important activity is guaranteeing **safe, reliable operations** across a network of 36,600 rail kilometers (at the end of 2000) and at the 33 rail/road transfer terminals. The railway infrastructure of the DB Netz AG is also open to other rail transport companies on a non-discriminatory basis – as required by EU Directive 91/440. Some **200 non-Group customers** used this opportunity during the year 2000. DB Netz AG draws up and coordinates the timetables in cooperation with the various rail companies. This Group division has three subsidiaries that manage major construction projects as project companies. The Group's construction companies, which were still part of the Track Infrastructure division in 1999, were allocated to the "Subsidiaries" sector in the year 2000. To simplify comparability, the previous year's figures mentioned below have been adjusted to reflect this reorganization.

Positive Development in Revenues

Demand for service – measured in train-path kilometers – rose by over 1 % to 984 million train-path kilometers during the year 2000. **Divisional revenues** amounted to € 3,525 million, an improvement of around 2.6 % compared to the previous year's figures. 89 % of total revenues came from train path revenues, 8 % from rentals and leases on marshaling yards and storage sidings, and 3 % from project and transshipment services.

Internal revenues from the DB Group transport divisions increased by 1.8 % to € 3,415 million. **External revenues** grew – as in the previous year – by an outstanding 32.5 % to € 110 million, due primarily to greater utilization of the lines by non-Group railway companies.



External revenues Track Infrastructure
in € million

Relative change: + 32.5 %

Operating Income Increased

Operating income after interest increased from € 11 million to € 57 million. This improvement was due both to increased revenues and cost savings, the latter primarily achieved in the area of "Other operating expenses." This enabled us to compensate for the scheduled reduction in federal subsidies for inherited burdens resulting from reunification (€ –185 million). **Gross cash flow** amounted to € 987, an increase of 7.8 % over the previous year's figure.

Gross capital expenditures were reduced by 18.5 % to € 3,896 million during the year 2000. The largest single project by far – as in the previous year – is the new Cologne–Rhine/Main line, with capital expenditures of around € 690 million. An additional € 317 million was invested in the Nuremberg–Ingolstadt–Munich line.

Increases in productivity led to a renewed decline in the number of **employees** by 4,075 to 53,554 employees by year-end.

“Netz 21” Strategy Continued

Seven years after the German railroad reform, DB Netz AG is faced with the challenge of improving the competitive position of rail transport in a tough economic environment. To achieve this goal, we continue to pursue the **“Netz 21”** strategy, which was approved in 1999.

The aims of “Netz 21” are to significantly increase capacity and performance of the rail infrastructure in order to cope with increasing volumes of passenger and freight traffic. In the medium term, “Netz 21” is intended to segregate faster-moving from slower services, which will improve overall traffic flow and reduce current operating costs. We will implement the “Netz 21” strategy on defined corridors as well. For this purpose, we have divided our rail network into 30 central and some 40 regional corridors, as well as 7 independent hubs. All planning orders have been placed and the necessary action programs can now be drawn up. We are convinced that the “Netz 21” initiative will attract more traffic to the rail network.

The political decision to upgrade the Hamburg–Berlin line for high-speed traffic was made in February 2000. DB Netz AG has begun the necessary planning. Our goal is to upgrade the line to handle speeds of up to 230 km/h, which will convey rail passengers from Hamburg to Berlin in 90 minutes. This journey currently takes at least 2 hours and 18 minutes. The high-speed rail line is scheduled for completion by the end of 2004.

Advanced Command and Control Technology Systems

Modern **electronic interlockings** (ESTW) play an increasingly important role for DB Netz AG. They make it possible to control rail operations from a small number of operations centers, while reducing potential sources of manual error at the same time. These facilities also greatly improve the economic efficiency of our operations management. During the year 2000, we commissioned 10 electronic interlockings and expanded the signaling range of 14 existing ESTW (150 in total). In parallel, we began establishing a total of 7 **operations centers**, which will monitor and schedule all activities on the commissioned lines and control them through electronic interlockings. Operations are already under way at the centers in Frankfurt/Main, Berlin, Karlsruhe, Duisburg, Hanover, and Leipzig, and the final center in Munich is scheduled to go online in summer 2001.

Another cornerstone of our track infrastructure strategy is the **GSM-R** (Global Standard for Mobile Communications-Rail) digital cellular communications network. It is based on international GSM standards and was extended in the past year to meet the special demands of European rail operators. 32 European railroad companies plan to implement GSM-R in future. Within the DB Group, GSM-R is scheduled to progressively replace existing analog telecommunication systems servicing the operations, maintenance, train, marshaling, and motor-vehicle sectors starting in the year 2004.

Reorganization of DB Netz AG

We **reorganized** DB Netz AG effective January 1, 2001 and divided it into three segments: **"Long-Distance/Conurbation Network," "Regional Networks,"** and **"Marshaling Yards/Transshipment Terminals."**

The long-distance/conurbation network is the largest segment, generating the highest revenues. It handles 91 % of all rail traffic volume. This area is responsible for ensuring seamless, efficient operations and for maintaining the lines covered. The "Regional Networks" segment mainly operates lines that handle regional rail traffic. At the same time, the regional networks form the foundation for even closer cooperation between DB Netz AG and regional rail transport providers. The third segment, "Marshaling Yards/Transshipment Terminals," offers its services directly to passenger and freight transport customers, and decides on the scope of its infrastructure at its own discretion. Despite this reorganization, capital expenditures planning for all three segments remains the responsibility of DB Netz AG. To streamline planning, the Network Management decision unit has defined 22 interconnected corridors throughout Germany, which will serve as the basis for planning and implementing all future capital expenditures projects.

New Train Path Pricing System and Intensified Capital Expenditures Program

We revised our train path pricing system (TPPS) effective April 1, 2001, with the aim of replacing the previous two-tier pricing system with a **single-tier system**. As a result, the same prices will fundamentally apply to all customers – regardless of how much train path capacity they utilize. Nonetheless, the new TPPS will continue to feature different line categories, as did the former pricing system. These categories take the significance, capacity utilization, and technical infrastructure of the respective lines into account.

The signing of a trilateral agreement between the Deutsche Bahn, the Federal Ministry of Transport, Building and Housing, and the Federal Ministry of Finance in March 2001 ensured **continued federal subsidies** for infrastructure measures, while increasing the amount of available funding at the same time. We intend to use these additional funds to improve the quality of the existing network significantly. Our aim is to **aggressively renovate** and modernize the entire **infrastructure**. In the current financial year, we anticipate a significant decrease in operating income – despite nearly identical expected divisional revenues – due to intensified maintenance activities, higher interest payments, and scheduled reductions in federal subsidies for inherited burdens resulting from reunification.

Die Bahn DB

Real Estate

Managing some 25,000 buildings, our Real Estate division ranks among the largest real estate organizations in Germany. We expect the consolidation of the management of our real estate holdings to result in sustained positive contributions to earnings.

in € million	2000	1999	Change in %
External revenues	10	8	+ 25.0
Intra-Group revenues	74	74	–
Divisional revenues	**84**	**82**	+ 2.4
Operating income after interest	108	– 385	–
Gross cash flow	163	– 320	–
Gross capital expenditures	51	53	– 3.8
Employees as of Dec 31	1,293	1,286	+ 0.5

Real Estate – Assets with Untapped Potential

The new Group Real Estate division was formed in 2000 in the course of the ongoing reorganization of the DB Group's management structure. The division – and in particular Deutsche Bahn Immobiliengesellschaft GmbH – is designed to **combine the entire Group's resources** for managing, developing, and marketing properties that are no longer essential to our core operations. With properties covering a total area of about 300 million square meters, including approximately 25,000 buildings and some 30,000 tenancies, our Real Estate division ranks among the top five real estate marketing organizations in Germany. More than 160 projects throughout Germany are currently under development.

Apart from its other responsibilities, the division is in charge of sewer/drain management, remediation of inherited ecological burdens, and the clearing of areas for their further use. While the property of this objectives remains with DB AG or its subsidiaries, Deutsche Bahn Immobiliengesellschaft mbH is now the full-service provider in the real estate area and performs property and real estate management tasks as well as project development and marketing in this field.

Result Meets Forecast

Divisional revenues of € 84 million for the year under review increased over the previous year's level. Total earnings from operating activities (including rentals) increased by 9.7 % to € 750 million. **Operating income after interest** amounted to € 108 million and met the forecast. **Gross cash flow** rose sharply to € 163 million. This achievement is attributable both to successful marketing activities and to unwavering cost control efforts. Targeted measures resulted in a significant reduction in expenditures compared to the previous year's figure, especially in the real estate management area. By contrast with this performance, the negative result in 1999 was largely due to provisions set aside for a number of selected large-scale projects.

Ambitious Large-Scale Projects

Gross capital expenditures of the division amounted to € 51 million, slightly less than in the previous year.

The large-scale projects currently being developed by the Real Estate division **represent ambitious urban developments**. They include the "Europe Quarter" in Frankfurt/Main, the "New Munich Addresses," "Stuttgart 21," the "Potsdam Center," the Düsseldorf "City Park" (Stadtgarten), and the Hamburg "Port Campus." These projects cover areas in the range of 100,000 to 1.5 million square meters. A number of other construction projects have also reached the master plan stage. The value added by these projects will ensure a lasting positive contribution to the earnings of the DB Group.

Process Optimization and Raising Skill Levels

The Group Real Estate division currently employs a **staff** of 1,293, which represents only a slight increase over the previous year. Further enhancing the skills of our staff and continually optimizing internal processes and workflows were focal areas in 2000. To achieve these goals, we launched an integrated education and career training program and a targeted campaign to recruit additional qualified staff from the real estate sector.

Strategic Development of the Group Division

This Group division will be the target of further strategic development in 2001. Our goal is to increase the value added by our real estate holdings in metropolitan areas. We intend to achieve this by establishing an attractive collection of readily marketable office buildings and development areas that will constitute our future core portfolio. In addition, we intend to sell all properties that do not meet our criteria for a portfolio of sustained high-value assets.

The Group Real Estate division is also the **corporate real estate management organization** for the entire Group. All real estate activities that are not part of the core business areas of other DB companies are consolidated here in order to achieve higher efficiency in managing such real estate. A long-term site concept will also help to produce synergy effects within the DB Group and, at the same time, to reduce significantly the running expenses in real estate management. This allows us to realize further value potential and opens windows of opportunity of streamlining for the entire Group.

Steady Development

The Group Real Estate division operates in a sector that has enjoyed years of positive development. Demand for industrial and residential real estate is increasing, especially in metropolitan areas. This trend will continue steadily in 2001. Therefore, we expect revenues and operating income after interest for the current year to remain at the same level as in the year under review.

Other Information

Die Bahn DB

Employees

The Deutsche Bahn Group employs a staff of over 220,000. Our staff are the guarantors of our performance. On our way to becoming more competitive, we will continue to increase our productivity, establish competitive terms of employment, and further develop our workforce potential.

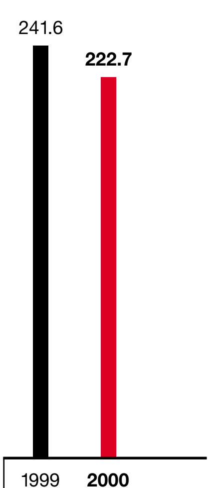
Employees: On Track to More Competitiveness

At the end of financial 2000, the Deutsche Bahn Group employed a **staff** of 222,656 – 18,982 less than at the end of 1999. The headcount reduction of 7.9 % was largely the result of natural turnover, employees taking early retirement, and employees accepting severance packages. Our proactive Group-wide labor market policies enabled us to avoid forced redundancies. The number of civil servants was especially reduced: it declined from 64,976 to 55,850. With 11,851 trainees and apprentices, the **trainee ratio** for the entire Group (excluding DB Arbeit) was 5.7 %, a considerable amount compared to the rest of the German economy.

Rail Employment Alliance

To create **competitive conditions of employment,** a company that operates in many different markets like Deutsche Bahn does has to base its pay structures on industry norms and regional differences. At the same time, we want to expand the incentive-based component of our remuneration systems. We also have to include other relevant employment conditions in the further development of our pay scale system, such as working hours, leave, imputation of down times, and career training. The foundation for renegotiating the employment conditions is a set of **benchmarks** compiled from the respective competitors of the Group divisions and Group subsidiaries.

With the new collective wage agreements being signed, the basic approach of the "Future Preservation Fund" (Zukunftssicherungsfonds) – special provisions established to ensure the future of DB employees affected by the reorganization – can be drawn upon to compensate in whole or in part for any financial drawbacks suffered by employees as a result of the necessary modifications, such as the elimination of grandfathered benefits and differences in income between the old and new remuneration tables.



Employees (at year end)
in thousand

Relative change: – 7.9 %

Deutsche Bahn and our social partners know that in order to become competitive, we have to follow through with the restructuring process we have started, yet make it socially acceptable at the same time. Due not least to the difficult economic situation at Deutsche Bahn, the Management Board, the unions, and the Group Workers' Council started negotiations in the year 2000 with the aim of modifying the Rail Employment Alliance; these negotiations were tied with the **year 2000 pay negotiations.** These negotiations resulted, among other things, in a 2.0 % increase in employee and trainee remuneration as of November 1, 2000, and an additional 2.4 % increase as of March 1, 2002. At the same time, the parties agreed to align the pay of employees in the former East Germany more closely with western levels. This will take place in two phases: to 89 percent as of January 1, 2001, and to 90 percent as of January 1, 2002. This includes an imputed 0.2 percent increase each on benefits grandfathered from former government-run times, as of April 1, 2001, and March 1, 2002. With a term of 30 months (September 2000 to February 2003), the collective wage agreement gives the company a secure base upon which to plan for the future. Moreover, both sides of industry not only agreed on the above changes to wage policies, they also agreed to changes in the Group-wide labor market, to bring its instruments and procedures more in line with standard business practices.

A focus on improving competitiveness is clear in the new inhouse agreement with DB Anlagen und Haus Service (Facilities and Building Service), which took effect on January 1, 2001. The staff of the DB Group's provider of facility management services now receives market-driven remuneration. In addition to more flexible working hours and agreements regarding semi-retirement, the inhouse agreement also provides for incentive-based wage components, which means commitment and creativity will now have visible effects for each individual employee.

The necessary changes at our company require **codetermination processes based on mutual trust.** In the fall of 2000, Deutsche Bahn AG and the TRANSNET union jointly agreed on ten propositions of codetermination. We declared our joint responsibility for leading Deutsche Bahn to lasting success, securing jobs, and offering career education and opportunities for advancement to our employees. We see the open discussion of our contrary interests as a healthy part of our corporate culture.

Group-Wide Labor Market Opens New Perspectives

During the year 2000, DB Arbeit GmbH continued to help provide Group employees who lost their jobs as a result of rationalization and restructuring with new occupational perspectives. The primary goal of this Group subsidiary is to find new permanent jobs for dismissed employees – both within and outside the DB Group. Employees who cannot be placed quickly are enrolled in additional qualification programs or employed in personnel leasing projects.

During the year under review, DB Arbeit looked after some 8,750 employees, including the new Station Maintenance Team (BIT). Around 2,700 of these employees either found a new position or left the company through socially acceptable measures or natural turnover.

Personnel and Management Development

Deutsche Bahn needs highly qualified, motivated staff in order to achieve lasting success. The career development of our staff is both a prerequisite for achieving business success and our duty as an employer. During the year under review, we invested € 442 million in education and career training measures for our staff.

The key objective of our **management development program** remains the strengthening of our management competency. In the year under review, our efforts focused on intensifying estimates of staff potential, courses on the “quality of management objectives,” and extensive use of “appraisal interviews” as a management tool.

The **DB Academy,** the development of which continued during the year under review, consolidates all our career training programs for specialists and managers Group-wide in three business areas. The “Academy for International Mobility” offers specialist qualifications and degree programs in areas such as business administration, transportation management, transport economist specialized in passenger transport, communications and IT management. Our “Executive School” is responsible for the individual skills development of upper management. The school discusses – with the participation of competent external specialists – current issues affecting the Group. Lastly, the “Entrepreneurial Competencies” area encompasses all our Group-wide staff and management seminars, with a focus on service, conduct, and management skills.

Our **focus on service** is a key success factor for Deutsche Bahn. Together with Swissair and Dorint Hotels, DB Training – the DB Group’s provider of training services – has developed a novel training concept. “ServTrain” teaches service standards, increases service sensibility, and prepares our staff for major events like EXPO 2000. Another module, “Service International,” trains staff in how to deal with international guests. During the year under review, 4,140 DB staff and 2,100 external participants took advantage of the “ServTrain” offer.

Our **pilot project “Multimedia-Based Training”** introduces our office trainees to the world of virtual learning. Launched at three sites on September 1, 2000, this Internet-based learning platform is planned for use in career training measures starting in 2001. Advantage: Every user can review the contents at any time and in any location. A qualified “teletutor” is available to help the participants through any difficulties.

Career Training at a High Level

With 11,851 trainees (as of December 31, 2000), we are the largest vocational training organization in Germany. The social and educational responsibilities associated with this distinction are very important to us – even if we have to align the number of trainees more closely with our operational requirements. We **refocused** our training program in the year 2000: for example, we added three highly qualified IT professions to our existing range of 30 training programs in the service, industrial, and craft sectors. A new type of “junior company” – the junior IT VAR – teaches future application developers, systems integrators, and IT system electronics technicians how to act as entrepreneurs, submit their own bids for IT projects, and implement them independently.

Our training partnership with over 100 partner companies makes surplus training capacity available to smaller companies – even our competitors – to enable them to offer their own trainee programs. At the same time, this program promotes the formation of practical networks, for example, with local public transport operators. We are also committed to increasing the **internationalization of our training programs,** for example, through a trainee exchange with SNCF, the French Railways. These programs will continue to increase in scope and importance in the future.

Further Expansion in University Recruiting

We are increasing our efforts in developing the rail specialists and management staff of tomorrow in order to ensure that Deutsche Bahn remains an attractive place to work. We need to recruit 200–300 new university graduates to the Group each year. In particular, business graduates, electronics engineers, mechanical engineers, controllers, and recent graduates with e-commerce skills are in high demand. In addition, DB Netz currently needs to hire some 200 engineers as a result of our extensive capital expenditures program.

A one-year **trainee program** is the first step for young university graduates towards a career as a specialist or manager at Deutsche Bahn. We also offer direct placement and a doctoral program. Our most important recruiting activities in the year 2000 were links and data sharing between Deutsche Bahn's Internet presence and "StepStone," an Internet career portal, and our participation in important graduate recruiting congresses. The results of surveys taken at these congresses show growing interest in careers at Deutsche Bahn among university and technical college graduates. Especially in these times of radical change, Deutsche Bahn offers prominent challenges for a new generation of ambitious, entrepreneurial managers.

Optimization of Personnel Management

We plan to optimize our workflows in personnel management to enhance value creation and improve customer focus. We implemented "People Soft," a modern human resources management system, to achieve this goal. At the same time, the relevant management functions were redefined and the processes comprehensively restructured in order to optimize all work processes and interfaces throughout the Group. By the end of 2004, these measures will reduce the proportion of staff working in personnel management from the current 1.1 % to 0.8 % of the total workforce, even though we plan to significantly increase the advisory and support services offered by our personnel officers at the same time. Management will also assume increased operational responsibility for personnel matters.

The total expenditure for this reengineering project will amount to some € 31 million by the end of 2001. This is in comparison to expected productivity increases in the amount of almost € 117 million by the end of 2005. With this program, personnel management intends to both achieve a significant increase in quality and make its own contribution towards getting the company back in shape.

Modernization in Health Care and Social Services

In coordination with our social partners, we modernized our company's social benefits in the year 2000. This modernization was preceded by an extensive cost-benefit analysis. We adjusted our social benefits to changing requirements wherever this was economically necessary and socially acceptable.

DB GesundheitsService (Health Service) is the Group-wide occupational health care organization rendering its services in 7 medical centers and a total of 68 offices throughout Germany. In order to maintain the high quality of care and permanently reduce costs, we will reorganize the individual operations of our Health Service and transfer some of them to a partnership with a powerful partner.

The measures we introduced in the **industrial health and safety area** – such as workshops on special accident protection guidelines or the analysis of accidents in monthly meetings – resulted in a significant reduction in accident figures. Despite our efforts, time lost due to accidents on-the-job and on the way to/from work amounted to a total of 1,200 employee years. "TOP 2005", our newly developed industrial health and safety program, is intended to reduce this lost potential in the medium term, with the additional effect of stabilizing the contributions to the workers' compensation association at a much lower level.

Active Measures against Bigotry and Xenophobia

We are taking active steps to combat the increase in right-wing, xenophobic violence in Germany. In the year 2000, we approved revisions to existing regulations defined in 1998. These revisions include a Group-wide agreement that places heavy sanctions on xenophobic or antidemocratic behavior. These measures are intended to protect our employees from on-the-job discrimination. Prejudice against nationality, religion, or ethnicity has no place at Deutsche Bahn. At the same time, we are committed to guaranteeing our customers' safety against xenophobic, neo-Nazi attacks. Our train conductors and engineers have received specific instructions on how to respond to such incidents, and a special hotline to Group security and the Federal Border Guard ensures rapid response to critical situations.

We also actively teach our company's social and moral concepts to our young staff. "Rail Trainees Against Hatred and Violence" was the credo under which we called upon some 2000 first-year trainees to hold critical discussions, in the framework of team activities and project sessions, on the subject of right-wing extremism.

Die Bahn DB

Environmental Protection

When it comes to environmental protection, we are pioneers in the transportation sector. We use less energy and impact the environment with fewer harmful emissions than other modes of transport. We are making our environmental protection measures even more efficient in order to further increase our competitive ecological advantages.

Environmental Protection – A Decisive Competitive Advantage

Proper care of the environment and natural resources has always been an important factor for our Group. Our group-wide environmental policy is based on the guidelines established at the United Nations Earth Summit in Rio de Janeiro in 1992 and outlined in the **Bahn-Agenda 21** – our central program for safeguarding the positive development of the company in the long term. We continued to advance our environment-related activities during the year 2000 to make our company's environmental protection measures even more efficient. The Rail Environment Center (Bahn-Umwelt-Zentrum) now acts as a service provider that gives the DB Group's management companies everything they need to implement environmentally-friendly policies. The services provided are tailored to the individual divisions' requirements and cover the entire spectrum of environmental protection.

Environmental Information System Goes Online

Our new Environmental Information System (UIS) is a state-of-the-art tool that can quickly supply all Group divisions with up-to-date environmental data and ensure that they are in compliance with all environmental laws. Since its implementation in the year 2000, this computer-supported system has served as the **central control instrument for environmental protection** measures in all Group divisions. It improves legal certainty in day-to-day operations by giving users a comprehensive, up-to-date synopsis of all legal requirements and issues involving the relevant areas – including questions of waste management, acoustic protection, hazardous materials, and energy consumption. The UIS also serves as a management information system that helps us detect deficiencies in our Group-wide environmental protection measures and develop ecologically and economically specific solutions to correct them. In its final expansion phase, the Environmental Information System supplies all the data, statistics, trends, and forecasts that our management staff needs to pursue our strategic focus as an environmentally-friendly mode of transport. The UIS has more than proven its worth in improving our environmental protection programs.

Waste Management Concepts for Railroad Stations

DB Station & Service AG, the Group subsidiary responsible for passenger stations, placed an order with the Rail Environment Center to examine waste disposal at its stations and develop waste management concepts for 44 of them. The implementation of these concepts will bring potential savings of € 1 million annually. We will develop waste management concepts for another 50 stations in the year 2001 and continue to implement the necessary remodeling activities.

Continued Success in Noise Protection

To make rail operations as quiet as possible, we developed a special track grinding technology in 1998 that eliminates the minor rail blemishes that cause extra noise. We inspect the rails and classify their condition within the framework of our **Specially Monitored Track** procedure. The procedure uses a special measuring car that is equipped with sensitive microphones and a computer that immediately processes and analyzes the noise level. If the noise level exceeds the defined threshold, we grind the tracks. We inspected a total of 314 track-kilometers with this procedure during the year 2000. We also implemented a wide range of additional noise protection measures: accompanying the construction and/or expansion of existing tracks, we invested a total of € 38 million for active noise protection (such as noise protection walls and dams) and passive noise protection (such as sound-absorbing windows).

Our **government-funded program for improving noise protection** along the tracks made further gains during the year 2000. Approved in 1999 by the Federal Ministry of Transport, Building and Housing (BMVBW) and funded by the federal government, the program is intended to improve noise protection along the railroad lines in hardship cases. The BMVBW has approved a priority list of "extreme hardship cases" covering 109 projects throughout Germany – primarily involving urban throughways in cities and communities – whose noise protection will ultimately require spending several hundred million marks. This priority list will continue to be updated in the future.

The **initial focus** of the project lies on the **central Rhine Valley,** with 71 projects and an estimated volume of € 150 million. During the year 2000, we awarded € 9 million for passive noise protection measures, conducted feasibility studies for planning active noise protection measures over 64 track sections, and spent some € 2 million on rail grinding. The Rail Environment Center also conducted a special preliminary study for the Rhine Valley from Bonn to Mainz/Wiesbaden – a region whose countryside and historical significance make it especially sensitive – that was paid for by the state governments of Rhineland-Palatinate and Hesse. Other projects that we launched during the year 2000 included noise protection measures along the Hanover freight bypass line and along track sections in the states of Berlin, Brandenburg, Bavaria, Saxony, Saxony-Anhalt, North Rhine-Westphalia, Baden-Württemberg, and Hesse.

Further Reduction in Energy Consumption and CO_2 Emissions

Our **Energy Savings Program 2005** confirms our goal of continually reducing energy consumption and harmful airborne emissions. We met this goal once again in the year 2000. Primary energy consumption for electrical and diesel traction in 2000 was reduced by over 1 % compared with 1999 – from 40,340 gigawatt hours (GWh) to 39,896 GWh. The primary energy consumption is the key factor in determining specific energy consumption, as it also takes electricity generation efficiency and transmission losses into account. At the same time, we were able to increase our transport performance measured in passenger kilometers and ton kilometers from 144 billion ptkm to 151 billion ptkm (excluding Railion Benelux), with an over-proportional increase in tkm in freight transport. Compared to the reference year 1990, the specific primary energy consumption of freight transport sank by 19 %, and that of regional transport by 15 %. We were also able to reduce the specific primary energy consumption in long-distance passenger transport, despite the introduction of high-speed trains starting in 1991. The specific energy consumption level achieved by the DB Group for traction for the year 2000 was the best since 1990.

Committed Landscape Maintenance

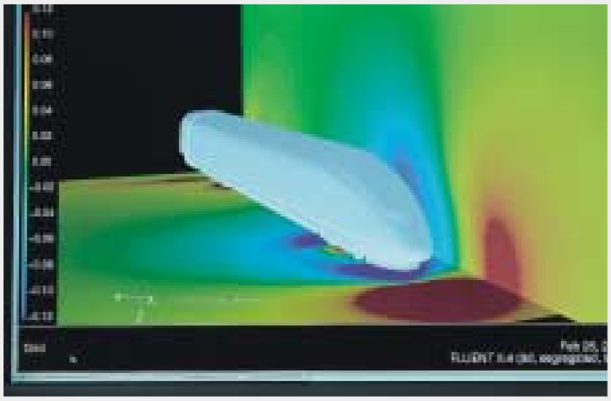
Transportation lines not only connect different points, they also bisect residential and natural areas. We invested over € 44 million in compensation for intervention caused by the new construction and expansion of tracks and traction current lines, and a further € 31 million for maintenance measures alongside the tracks.

Water Management Project

The aim of our long-term “Water Management” project, which began in November 2000, is to significantly reduce the cost of water supply and wastewater disposal throughout the DB Group. Specific goals include protecting drinking water resources, reducing wastewater discharges into the public sewage system, and introducing the regulation and use of rainwater. We **considerably reduced our water consumption** – to 12.8 million cubic meters – during the year 2000, a reduction of around a third compared to 1998.

Die Bahn DB

Research & Technology



In the integrated railway system, rail and wheel are increasingly merging into a single unit. To better deal with the increasing complexity of our means of production, we consolidated our complete development activities in our Technology Center during the year 2000.

Technical Competence from a Single Source

The success prospects of Deutsche Bahn are closely linked with our mastery of integrated technical systems. Innovations encompassing the entire system are the key to the DB Group's further development as a competitive service provider in the European transport markets. We **reorganized our corporate Technology Board Division** in order to meet increasing demands on system technology: Starting October 1, 2000, we concentrate all our technological competency in the Research and Technology Center, which now as the Technology Center (TC) supports all group divisions. The TC provides essential technical services required to maintain and further develop the railway system. It is the central instance that assumes all the technical functions that were previously performed separately by the different group divisions. Bundling this expertise has created a powerful unit, one that works to optimize the safety, availability, and quality of the technical systems throughout the DB Group.

Responsibility for the Complete Process Chain

A staff of 1,350 now bears responsibility for the entire process chain. Over 500 of them have transferred to the TC from the technical areas of the group divisions. The TC operates at several locations, including Munich, Minden, Brandenburg-Kirchmöser, Berlin, Frankfurt/Main, and others – especially in the DB AG works and depots. The employees provide service activities for the entire DB Group in three major business areas:

They take over the **support of the entire rail technology.** The spectrum covers commissioning the rolling stock, facilities, and machinery, through continual optimization and further development based on operational and maintenance experience, up to timely withdrawal from service. The TC experts are also entrusted with promoting the standardization of rail technology and optimizing the rules and regulations for maintaining the technical systems.

The TC staff is responsible for procuring new means of production, in the context of accompanying its development and realization. They write up the technical specifications and accompany the development and manufacturing by our suppliers.

TC experts are also responsible for performing conformity checks and issuing safety certificates – for example, conducting line approval runs necessary for safety reasons and repeating them regularly. As a recognized expert organization, they provide expert's opinions and conduct trials within the framework of their inspection activities.

The Research and Technology Center as the Driving Force behind Innovation

The Technology Center's new activities are more responsible, more comprehensive, and more tightly integrated in the operational activities of the group divisions. At the same time, the TC still remains the driving innovative force at Deutsche Bahn. TC staff pay careful attention to technological advances around the world and analyze their potential application for enhancing the railway system. An important focus of the Research and Technology Center during the year 2000 was the **ISE** (Integrated System Execution) **project.** In the context of our Group's massive investments in new command and control systems, the ISE steers and optimizes the development and installation of these systems throughout the network. After all, the replacement of a command and control technology system takes several years, affects the entire vehicle fleet, and influences operations across the whole rail network for decades to come. That's why it is especially important for the TC experts to make sure that all systematic aspects are taken into account and that all available synergy effects are put to effective use during the projects.

Another example of the **TC's innovative strength** is the on-board early-warning system for ICE trains. The Research and Technology Center is leading the way in developing state-of-the-art early-detection systems for damage to mechanical running gear components – not only improving passenger safety, but also increasing the availability of the ICE trains and reducing their maintenance costs.

Integrated Wheel/Rail System

In the future, increased performance and technical vehicle innovation will only be possible when combined with the infrastructure. The clearest example of this are trains with tilting technology, which place special demands on the permanent way and the command and control technology. Another example of the increasing complexity in the coordination between vehicles and infrastructure is the introduction of the eddy current brake on the ICE 3. This involves both the electromagnetic compatibility with the track switching equipment and the issue of rail temperature limits, since the eddy current brake transforms the vehicle's kinetic energy into rail heating. The disadvantages posed by the greater complexity of the command and control technology are more than compensated for by the benefits of brakes that are non-wearing and independent of friction coefficients. Moreover, the new technology permits more freedom in the route layout because it can handle much steeper grades.

A European Outlook

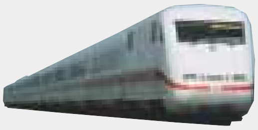
During their day-to-day tasks, our team of Technical Center experts always has Europe in mind as well. **Harmonization** and **interoperability** are the keywords for a future of border-free international rail traffic. After all, a Europe without frontiers means larger markets for the rail sector and its operators, but also demands standardization. The rail infrastructure in today's Europe encompasses five different power systems, differences in contact wire heights, different permanent ways and track profiles, and 14 different command and control systems. We aim to overcome these technical barriers as quickly as possible and – for the benefit of our customers – set all signals on the way to a unified Europe to green.

Die Bahn DB

Rolling Stock

Increased performance, a better cost position and, ultimately, higher customer benefit: These are the objectives we are pursuing in lowering the average age of our rolling stock fleet. Since the beginning of the rail reform, our fleet has already improved greatly. On the following pages, we show you some typical models.

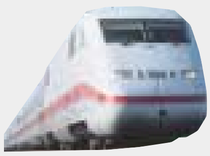
ICE 1
(EMU[1])



Manufacturer	Consortium: ABB, AEG, Siemens, Henschel, Krupp, Krauss-Maffei
Commissioning	1991
Output	9,600 kW
Max. speed	280 km/h
Seats	649 (with 12 intermediate cars)
Stock as of Dec 31, 2000	59

The ICE 1 – progenitor of the ICE family – ran in service on June 2, 1991, for the first time. The ICE 1 set standards not only in respect of the technical components, e.g. drive, braking, control and diagnostics technology, but also for a particularly high quality of comfort travel. This high-speed train consists of two power cars and up to 14 intermediate cars. Between Hamburg and Zürich, ICE 1 trains with pantographs suitable also for SBB/CFF lines are in service.

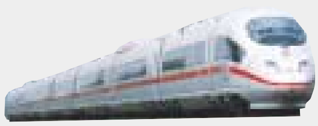
ICE 2
(EMU[1])



Manufacturer	Consortium leaders: Siemens, Adtranz
Commissioning	1996
Output	4,800 kW
Max. speed	280 km/h
Seats	361
Stock as of Dec 31, 2000	44

The ICE 2 is an eight-segment high-speed multiple unit consisting of 6 intermediate cars, a power car and a driving trailer (half-set). Within minutes, two half-sets can be coupled together or split up by means of an automatic coupler. Seat demand can be adapted to passenger volumes thanks to the possibility of forming the multiple units into short-length trainsets. Air-sprung bogies provide for extremely smooth running.

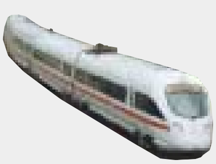
ICE 3
(EMU[1])



Manufacturer	Consortium leaders: Siemens, Adtranz
Commissioning	from 1999
Output	8,000 kW
Max. speed	330 km/h
Seats	391
Stock as of Dec 31, 2000	33

The ICE 3 is an eight-segment high-speed multiple unit. The under-floor, individual axle-drive powers 50 % of the wheelsets, thus enabling high acceleration. The 9 trains of the multi-current version have no problems adapting to the power systems in other countries and can therefore be employed in cross-border services to the Netherlands, Belgium and France. Twenty-four single-current trains have been earmarked for operations on the new Cologne – Rhine/Main line.

ICE T
(EMU[1])



Manufacturer	Consortium leaders: Bombardier, DUEWAG, FIAT, Siemens
Commissioning	1999 – 2000
Output	3,000/4,000 kW
Max. speed	230 km/h
Seats	250/357
Stock as of Dec 31, 2000	42 (10/32)

The ICE T is a five- or seven-segment electric multiple unit (EMU). The hydraulic tilting technology enables an up to 30 % higher curving speed and – depending on the profile of the line – a reduction in journey times of between 10 and 20 %. The “under-floor” configuration of the drive technology results in more usable space for the passengers, who – through glass partitions at the ends of the train – can enjoy an unobstructed view into the “cockpit” and onto the line.

BR 101
(electric locomotive)

Manufacturer	Adtranz
Commissioning	1996 – 1999
Output	6,400 kW
Max. speed	220 km/h
Stock as of Dec 31, 2000	145

The BR 101 (series 101) is a four-axled general-purpose locomotive for fast IC/IR traffic. Thanks to its push-pull capability, it is suitable for employment in passenger transport services with driving trailers. To increase its utilization, it is also used for DB Cargo during the night.

BR 112
(electric locomotive)

Manufacturer	AEG Hennigsdorf
Commissioning	1990 – 1994
Output	3,820 kW
Max. speed	160 km/h
Stock as of Dec 31, 2000	90

The BR 112 is a further development of the well-established BR 212 which was in use on the Deutsche Reichsbahn. As a four-axled locomotive with a maximum speed of 160 km/h, it is suitable for the light IR traffic services and can be operated with driving trailers thanks to its push-pull capability.

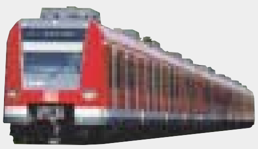
[1] EMU = electric multiple unit

IC driving trailer
(Bpmbdfz 297)

Manufacturer	PFA Weiden
Commissioning	1996 – 1999
Max. speed	200 km/h
Seats	51
Stock as of Dec 31, 2000	75

This four-axled, driveless driving trailer is designed primarily for IC push-pull traffic services. The driving trailer makes it possible to change the direction of running in approx. 4 minutes without having to change the locomotive. In addition to the driver's cab, the IC driving trailer also has a multi-purpose compartment for transporting bicycles and facilities suitable for the disabled – including a disabled toilet.

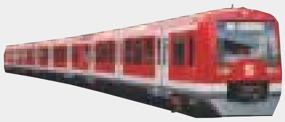
BR 423
(EMU[1])



Manufacturer	Consortium leaders: Adtranz, LHB
Commissioning	2000 – 2004
Output	2,350 kW
Max. speed	140 km/h
Seats	192/352
Stock as of Dec 31, 2000	131

This four-segment, air-conditioned EMU of the BR 423 is the follow-up vehicle for the BR 420 operating for the S-Bahn (metro) in Munich, Stuttgart and Frankfurt. The EMU has very low consumption owing to its lightweight construction, energy recuperation during braking and utilization of exhaust heat for heating purposes. The 190 EMUs of the first construction series will be employed in the Düsseldorf, Stuttgart and Munich areas. Cologne is one of the areas scheduled for employment of the second construction series (110 vehicles).

BR 474
(EMU[1])



Manufacturer	Consortium leaders: Alstom LHB, Adtranz
Commissioning	1997 – 2001
Output	920 kW
Max. speed	100 km/h
Seats	208/306
Stock as of Dec 31, 2000	90

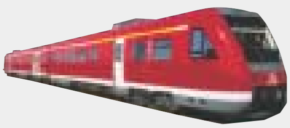
The three-segment BR 474 is the follow-up vehicle for the Hamburg S-Bahn (metro) system. There is same-level access to the passenger area and passengers are informed of stopping-points by means of displays/announcements controlled by automatic systems. In total, 103 vehicles have been ordered to replace the obsolete BR 471 and BR 470. The intermediate cars are unbraked, but the end rail cars have magnetic track brakes.

BR 481
(EMU[1])

Manufacturer	Consortium leaders: Bombardier (DWA), Adtranz
Commissioning	1996 – 2004
Output	600 kW (quarter-set)
Max. speed	100 km/h
Seats	94/200 (quarter-set)
Stock as of Dec 31, 2000	286 quarter-sets

The BR 481 is the most modern train of the Berlin S-Bahn (metro) and replaces the older series. By 2004, a total of 500 so-called quarter-sets (unit consisting of two cars) are to be procured for € 1.1 billion. Air-sprung bogies, good sound damping and a light, open interior offer more comfort. Modern three-phase current technology, lightweight construction and recovery of the braking energy provide for low energy consumption and low maintenance costs.

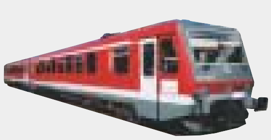
BR 612
(DMU[2])



Manufacturer	Adtranz
Commissioning	2000
Output	2 x 560 kW
Max. speed	160 km/h
Seats	146
Stock as of Dec 31, 2000	52

The two-segment, air-conditioned diesel multiple unit (DMU) of the BR 612 is an innovative further development of the BR 611 with regard to its fittings and design. The convenience of access and egress have been enhanced by relocating the entrance/exit doors towards the middle of the vehicle. These multiple units are in service on lines in the low mountains of Thuringia, Rhineland-Palatinate, Saxony, Saxony-Anhalt, Baden-Württemberg and Bavaria.

BR 628
(DMU[2])

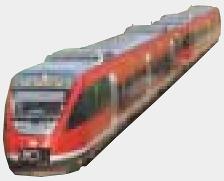


Manufacturer	Consortium leader: DUEWAG
Commissioning	1974 – 1996
Output	485 kW
Max. speed	120 km/h
Seats	146
Stock as of Dec 31, 2000	458

The two-segment BR 628.4 DMU is a further development of the 2nd construction series (628.2). The DMU offers the following standard facilities: a multi-purpose area at each end of the unit with spaces for wheelchairs, baby-buggies and bicycles; a toilet in the centre of the unit; passenger areas with forced ventilation; the on-board information system IBIS (integrated, on-board information system).

[1] EMU = electric multiple unit
[2] DMU = diesel multiple unit

BR 643 “Talent”
(DMU[2])



Manufacturer	Consortium leaders: Bombardier, Talbot
Commissioning	2000
Output	2 x 315 kW
Max. speed	120 km/h
Seats	137
Stock as of Dec 31, 2000	57

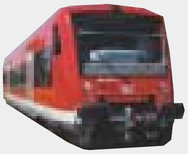
The three-segment, air-conditioned BR 643 DMU originates from the Talent family. Three wide doors provide convenient access and egress. The vehicle has two multi-purpose areas, a separate 1st class area and a disabled toilet. The BR 643 is in service predominantly on lines in Baden-Württemberg, Rhineland-Palatinate, North Rhine-Westphalia and in the Saarland.

BR 644 “Talent”
(DMU[2])

Manufacturer	Bombardier, Talbot
Commissioning	1998
Output	2 x 505 kW
Max. speed	120 km/h
Seats	161
Stock as of Dec 31, 2000	63

The three-segment, air-conditioned BR 644 DMU is a particularly fast-accelerating vehicle that can be “carried along” in S-Bahn (metro) traffic as a diesel vehicle. It offers convenient access both from S-Bahn platforms and also – by means of retractable steps – from lower platforms. These DMUs are in service on the S-Bahn network in the Cologne area and also on the line Bielefeld – Dissen-Bad Rothenfelde.

BR 650
(diesel rail car)



Manufacturer	Adtranz
Commissioning	1999 – 2000
Output	2 x 257 kW
Max. speed	120 km/h
Seats	71
Stock as of Dec 31, 2000	47

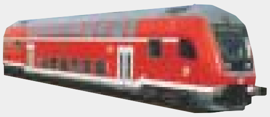
The one-segment, air-conditioned BR 650 diesel rail car is in service especially on the lines of DB Zug-Bus Alb-Bodensee and in association with vehicles of the State railways in Baden-Württemberg. The above-average acceleration provided by appropriate engine power and the drive configuration (all axles are powered) are a great advantage in the mountainous area in which the rail car is in service.

BR 143
(electric locomotive)

Manufacturer	LEW Hennigsdorf
Commissioning	1984 – 1990
Output	3,720 kW
Max. speed	120 km/h
Stock as of Dec 31, 2000	630

The BR 143 is an extremely versatile electric locomotive. Besides the BR 111 and the BR 146 (to be delivered from 2001), the BR 143 will remain the “prime mover” in local transport services for a long time to come. Fitted with various versions of push-pull train control and other equipment specific to local transport, these locomotives can be found hauling/propelling most of the local transport push-pull trains.

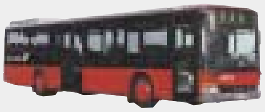
Double-deck driving trailer
(DBpbzf 763.5 and 763.6)



Manufacturer	Bombardier (DWA)
Commissioning	1997 – 1999
Max. speed	160 km/h
Seats	101 (763.5), 95 (763.6)
Stock as of Dec 31, 2000	(29 + 21) = 50

The DBpbzf 763.5 and 763.6 double-deck driving trailers are employed in RegionalExpress train services in the regional areas of Berlin/Brandenburg, Rhine-Main and on the Rhineland and Westphalia regional railways. They are air-conditioned, suitable for disabled persons and have a modern passenger information system. The lower deck offers a multi-purpose area with spaces for wheelchairs, bicycles or baby-buggies and also a disabled toilet.

Low-floor, single-decker bus S 315 NF



Manufacturer	EvoBus-Setra
Commissioning	since 1996
Output	184 kW/220 kW
Seats/ standing room	48/42 (depending on configuration)
Stock as of Dec 31, 2000	approx. 400

The low-floor, single-decker buses are in service at the majority of the regional bus companies. The low-floor technology offers passengers convenient access to the air-conditioned bus; the bus is also easily accessible for wheelchair users via the ramp. The bus has automatic transmission and is also suitable for scheduled urban and suburban transport services.

A total of about 4,100 buses belonging to DB and 8,550 buses belonging to subcontractors are in service for DB’s 20 regional bus companies. Bus services are provided on a network of routes covering some 150,000 km and some 4,000 routes.

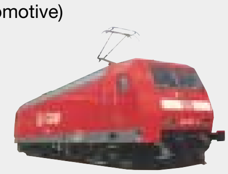
[2] DMU = diesel multiple unit

BR 140
(electric locomotive)

Manufacturer	AEG, BBC, Siemens, Krupp, Henschel, Krauss-Maffei
Commissioning	1957 – 1973
Output	3,620 kW
Max. speed	110 km/h
Starting tractive effort	280 kN
Stock as of Dec 31, 2000	756

The greatest number of electric locomotives procured came from this series from the family of the standard locomotives of the former Bundesbahn. This locomotive has proved its suitability in passenger and freight transport on main and secondary lines. Even today, the BR 140 is a major factor in traction for freight transport.

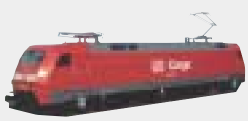
BR 145
(electric locomotive)



Manufacturer	Adtranz
Commissioning	1997 – 2000
Output	4,200 kW
Max. speed	140 km/h
Starting tractive effort	300 kN
Stock as of Dec 31, 2000	80

The BR 145 belongs to the new generation of three-phase current locomotives in the freight transport stock. It has a flexible range of employment and has proved its capacity in local passenger transport as well (EXPO: 22 locomotives equipped with local transport package). Thanks to its power output, it is able not only to replace the BR 140 but also to take over some of the performance areas of the heavy, six-axled electric locomotives. All 80 of these engines have been delivered.

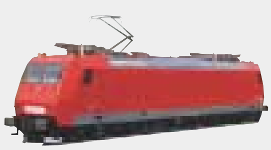
BR 152
(electric locomotive)



Manufacturer	Siemens Krauss-Maffei
Commissioning	1996 – 2001
Output	6,400 kW
Max. speed	140 km/h
Starting tractive effort	300 kN
Stock as of Dec 31, 2000	153

Procurement of the BR 152 three-phase current locomotive was launched to replace the heavy BR 150 electric locomotives and areas of employment of the BR 151/155. The engines can frequently be seen on long-haul runs. This series will display the extent of its capabilities in heavy freight transport with 170 vehicles in future.

BR 185
(electric locomotive)



Manufacturer	Adtranz
Commissioning	2000 – 2008
Output	4,200 kW
Max. speed	140 km/h
Starting tractive effort	300 kN
Stock as of Dec 31, 2000	3

As a further development of the BR 145 and to exercise an option it had with the industry, DB Cargo ordered 400 BR 185 vehicles. Owing to the design and configuration of the engine, it can be employed both in Germany and abroad – i. e. at 15 kV/16 ⅔ Hz and 25 kV/50 Hz – when fitted with the train protection and train radio systems used in the respective country. The initial-delivery locomotives will be used in the approval procedures at the foreign railways and for testing purposes.

BR 241
(diesel locomotive)

Manufacturer	Vorovshilovgrad
Commissioning	1999
Output	2,550 kW
Max. speed	100 km/h
Starting tractive effort	450 kN
Stock as of Dec 31, 2000	5

Modified from the present BR 232 that had already proved its suitability at the former Reichsbahn, the BR 241 is the most powerful diesel locomotive in the DB Cargo AG fleet. It is intended for employment in heavy freight transport services. The high power output means that double heading is not required in certain areas of employment. Modification of an additional 5 BR 232 vehicles to BR 241 engines has already started.

Hbbins

Volume	105 m^3
Loading width	2.90 m
Height	2.40 m
Area	41.3 m^2
Stock as of Dec 31, 2000	1,850

The high-capacity Hbbins wagon is equipped with sliding side-walls that can be moved by a single person. The entire loading deck can be accessed from both sides, thus enabling loading/unloading from a loading dock or from the ground. Some of these wagons (similar wagons: Hbbills) are fitted with so-called “latchable partitions” to ensure the careful transport of various types of sensitive goods. The loading area of the wagon can thus be divided into individual compartments.

Passenger transport		2000	1999
Vehicles	ICE 1 multiple units	59	59
	ICE 2 multiple units	44	44
	ICE 3 multiple units	33	–
	ICE T multiple units	42	17
	Locomotives	2,672	2,934
	Rail cars (incl. rail buses)	6,339	5,373
	Passenger cars	12,975	13,810
Seats (thousand)	DB Reise&Touristik	281	278
	DB Regio	1,182	1,169
	Total	1,463	1,447
Number of trains per day	DB Reise&Touristik	1,557	1,441
	DB Regio	28,995	29,036
	Total	30,552	30,477

Passenger Transport

Whether travelers decide to use the transport services offered by Deutsche Bahn or not depends substantially on the speed and comfort of our trains. Through the expansion of our capital expenditures, we will continue to progress the modernization of our vehicle fleet in the next 5 years and further increase the attractiveness of rail transport.

Freight Transport

The multifaceted and diversified needs of our transport customers are the focus of our freight transport capital expenditures program. Modern locomotives provide higher performance and a better cost position; special-purpose wagons make it possible to meet our customers' needs even better. With the aid of the satellite-based location system GPS, we are able to keep track of all wagon movements.

Freight transport		2000	1999
Rolling stock	Locomotives	4,371	4,348
	Freight wagons	127,908	130,723
Transport capacity of freight wagons	thousand t	5,762	5,249
Number of trains per day	approximately	6,220	6,500

Die Bahn DB

Consolidated Financial Statements

Contents

Consolidated Balance Sheet

on December 31, 2000

Assets

in € million	Note	Dec 31, 2000	Dec 31, 1999
A. Fixed assets			
Intangible assets	(5)	193	267
Properties	(5)	33,878	32,548
Financial assets	(5)	600	680
		34,671	**33,495**
B. Current assets			
Inventories	(6)	973	866
Accounts receivable and other assets	(7)	2,990	2,293
Securities	(8)	33	53
Cash and cash equivalents		394	280
		4,390	**3,492**
C. Prepayments and accrued income	(9)	**406**	**211**
		39,467	**37,198**

Equity and liabilities

in € million	Note	Dec 31, 2000	Dec 31, 1999
A. Equity			
Subscribed capital	(10)	2,147	2,147
Capital reserves	(11)	5,313	5,313
Retained earnings	(12)	1,269	1,354
Balance sheet loss	(13)	– 5	– 152
Minority interests	(14)	64	39
		8,788	**8,701**
B. Special items for investment grants	(15)	**2**	**1**
C. Special reserve items with equity portion	(16)	**17**	**22**
D. Provisions	(17)	**14,167**	**12,955**
E. Liabilities	(18)	**15,514**	**14,145**
F. Accruals and deferred income	(19)	**979**	**1,374**
		39,467	**37,198**

Consolidated Statement of Income

January 1 through December 31, 2000

in € million	Note	2000	1999
Revenues	(23)	15,465	15,630
Inventory changes		83	– 73
Other internally produced and capitalized assets		1,719	1,964
Overall performance		**17,267**	**17,521**
Other operating income	(24)	3,653	2,511
Cost of materials	(25)	– 6,625	– 6,688
Personnel expenses	(26)	– 8,475	– 8,285
Depreciation		– 2,052	– 1,965
Other operating expenses	(27)	– 3,436	– 2,790
		332	**304**
Investment income	(28)	– 44	– 55
Net interest	(29)	– 251	– 158
Income before taxes		**37**	**91**
Income taxes	(30)	48	– 4
Income after taxes		**85**	**87**
Minority interests in profits		21	10
Minority interests in losses		0	0

Consolidated Statement of Cash Flows

January 1 through December 31, 2000

in € million	Note	2000	1999
Income before taxes		**37**	**91**
Depreciation of properties*		2,052	1,965
Changes to pension provisions		24	51
Cash flow before taxes		**2,113**	**2,107**
Depreciation/write-back on financial assets		50	– 84
Changes to other provisions		1,311	441
Changes in special items		– 3	– 15
Gains/losses from disposal of properties*		– 96	92
Gains/losses from disposal of financial assets and (partial) divestiture of consolidated companies		– 405	– 215
Changes to current assets (excl. cash and cash equivalents)		– 1,183	– 552
Changes to other operating liabilities		– 520	322
Income taxes		48	– 4
Cash flow from business activities		**1,315**	**2,092**
Proceeds from disposal of properties*		726	223
Payments for purchase of properties*		– 7,014	– 8,259
Proceeds from investment grants		3,024	3,491
Proceeds from additions to interest-free loans from the federal government		622	847
Repayments of interest-free loans to the federal government		– 248	– 423
Proceeds from disposal of financial assets and (partial) divestiture of consolidated companies		482	392
Payments for the purchase of financial assets and (partial) acquisition of consolidated companies		– 62	– 90
Investing activities		**– 2,470**	**– 3,819**
Income payments to minority shareholders		– 16	– 7
Proceeds from long-term Group financing		288	393
Proceeds/payments from short-term Group financing		– 2	4
Proceeds from issuing bonds and new loans		1,001	1,352
Repayments of bonds and loans		– 2	– 86
Financing activities		**1,269**	**1,656**
Net increase (decrease) in cash		**114**	**– 71**
Cash and cash equivalents, beginning of year	(32)	280	351
Cash and cash equivalents, end of year	(32)	**394**	**280**

* Including intangible assets

Deutsche Bahn Group: Consolidated Fixed Assets Schedule

	Acquisition and manufacturing costs				
in € million	Balance at Jan 1, 2000	Changes to companies consolidated	Additions	Transfers	Disposals
Intangible assets					
1. Licences, patents, trademarks, and similar rights	554	9	9	5	– 12
2. Goodwill	11	– 8	0	0	– 3
3. Advance payments	13	0	3	– 5	– 6
	578	**1**	**12**	**0**	**– 21**
Properties					
1. Land, leasehold rights, and buildings including buildings on land owned by others					
a) Land and leasehold rights	5,260	– 19	49	– 14	– 84
b) Commercial, office, and other buildings	2,054	– 50	182	100	– 25
c) Permanent way formation and structures	6,869	0	112	– 54	– 10
	14,183	**– 69**	**343**	**32**	**– 119**
2. Track infrastructure, signaling and control equipment	9,167	0	349	97	– 61
3. Rolling stock for passenger and freight transport	8,570	92	916	1,675	– 518
4. Technical equipment and machinery other than No. 2 or 3	695	– 7	77	37	– 22
5. Other equipment, operating and office equipment	1,755	– 37	174	89	– 164
6. Advance payments and construction in progress	5,451	4	1,379	– 1,930	609
	39,821	**– 17**	**3,238**	**0**	**– 275**
Financial assets					
1. Investments in affiliated companies	1	0	0	0	0
2. Loans to affiliated companies	3	6	0	0	– 3
3. Investments in associated companies	557	– 3	52	0	– 2
4. Investments in related companies	34	2	3	0	– 3
5. Loans to associated and related companies	0	1	0	0	0
6. Long-term securities	45	– 19	0	0	– 26
7. Other loans	7	0	0	0	0
	647	**– 13**	**55**	**0**	**– 34**
Total fixed assets	**41,046**	**– 29**	**3,305**	**0**	**– 330**

		Accumulated depreciation							Book value	
	Balance at Dec 31, 2000	Balance at Jan 1, 2000	Changes to companies-consolidated	Depreciation	Write-backs	Transfers	Disposals	**Balance at Dec 31, 2000**	**Balance at Dec 31, 2000**	Balance at Dec 31, 1999
	565	– 304	– 6	– 76	0	0	9	– 377	188	250
	0	– 7	6	0	0	0	1	0	0	4
	5	0	0	0	0	0	0	0	5	13
	570	**– 311**	**0**	**– 76**	**0**	**0**	**10**	**– 377**	**193**	**267**
	5,192	0	0	– 8	0	0	0	– 8	5,184	5,260
	2,261	– 379	34	– 90	0	2	4	– 429	1,832	1,675
	6,917	– 643	0	– 156	0	– 2	2	– 799	6,118	6,226
	14,370	**– 1,022**	**34**	**– 254**	**0**	**0**	**6**	**– 1,236**	**13,134**	**13,161**
	9,552	– 2,667	0	– 608	0	1	36	– 3,238	6,314	6,500
	10,735	– 2,515	– 77	– 751	0	– 2	162	– 3,183	7,552	6,055
	780	– 300	7	– 78	0	1	13	– 357	423	395
	1,817	– 769	29	– 285	0	0	150	– 875	942	986
	5,513	0	0	0	0	0	0	0	5,513	5,451
	42,767	**– 7,273**	**– 7**	**– 1,976**	**0**	**0**	**367**	**– 8,889**	**33,878**	**32,548**
	1	0	0	0	0	0	0	0	1	1
	6	0	– 6	0	0	0	0	– 6	0	3
	604	41	– 34	– 70	20	– 1	1	– 43	561	598
	36	– 6	0	0	0	0	0	– 6	30	28
	1	0	0	0	0	0	0	0	1	0
	0	– 1	0	0	0	1	0	0	0	44
	7	– 1	0	0	0	0	1	0	7	6
	655	**33**	**– 40**	**– 70**	**20**	**0**	**2**	**– 55**	**600**	**680**
	43,992	**– 7,551**	**– 47**	**– 2,122**	**20**	**0**	**379**	**– 9,321**	**34,671**	**33,495**

Notes
for the Financial Year 2000

The **consolidated financial statements of Deutsche Bahn AG** have been drawn up in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) as well as the Ordinance relating to the structure of annual financial statements of corporations engaged in the transport sector. In order to improve the clarity of the presentation, legally required items have been consolidated in the Balance Sheet and in the Income Statement. The Notes contain the required details and explanatory remarks.

The consolidated financial statements are based on accounting in German marks (DM). They were drawn up **in euros** at the official exchange rate of 1 euro = DM 1.95583. The Group currency will change over to euros as of January 1, 2002.

The **financial statements of Deutsche Bahn AG** were audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which issued an unqualified audit certificate. They will be published in the German Federal Gazette (Bundesanzeiger) and filed with the Commercial Register of the Local Court (Amtsgericht) of Berlin-Charlottenburg under No. HRB 50000.

1 Scope of Consolidation

Apart from Deutsche Bahn AG as the parent company, the consolidated financial statements extend to include 115 domestic and 10 international subsidiaries in which Deutsche Bahn AG has direct or indirect holdings amounting to more than 50 % of the voting capital, as well as two companies in which Deutsche Bahn AG or one of its subsidiaries is entitled as a shareholder to appoint the majority of members of the Management Board or the Supervisory Board.

73 associated companies are included with their pro-rata share of equity capital.

17 companies of minor significance have not been included in the consolidated financial statements in accordance with Section 296 (2) HGB.

The companies included in the consolidated financial statements and the associated companies underwent the following changes compared with the consolidated financial statements of the prior year:

a) Companies included in the consolidated financial statements:

	2000
Additions	
from newly founded companies and spin-offs	2
from shares acquired	2
	4
Disposals	
from sales	44
by termination	1
by non-inclusion in the consolidated annual financial statements	1
by mergers within the Group	3
	49
Balance	**– 45**

b) Associated companies:

	2000
Additions	
from newly founded companies	3
from inclusion for the first time	2
	5
Disposals	
from sales	6
	6
Balance	**– 1**

The differences arising from first-time consolidation were offset in retained earnings.

Any changes in the composition of the Group that had a major impact, such as the disposal of the DER Group and the first-time inclusion of Railion Benelux, are dealt with in the Management Report.

The list of shareholdings in accordance with Section 313 (2) or Section 285 No. 11 HGB has been filed with the Commercial Register of the Local Court of Berlin-Charlottenburg under No. HRB 50000.

2 Consolidation Methods

The financial statements of the companies included in the consolidated financial statements have been prepared as of December 31.

All material financial statements included have been reviewed and certified without qualification by independent auditors.

Capital has been consolidated using the book value method on the basis of the reference date of the Group's opening balance sheet (January 1, 1994) or of the time of acquisition at a later date, respectively.

Differences in assets and liabilities arising from capital consolidation on the basis of the Group's opening balance sheet have been offset against one another. The remaining difference in liabilities has been reported as retained earnings unless provisions had to be set up for expenditure after the reference date of the Group opening balance sheet.

In cases where capital is consolidated as of the time of acquisition, the acquisition costs of participations are offset against the pro-rata shares of equity capital they account for at the respective point in time. Differences arising in the process are apportioned as retained earnings without this affecting the operating result, as these differences are essentially in the nature of goodwill. This apportionment is retained on the disposal of companies.

The same principles apply to the accounting of equity in net earnings of associated companies. Although three associated companies work with a different financial year, no interim financial statements as of December 31 have been prepared for these companies. Where no financial statements as at December 2000 or for a financial year ending in the course of financial year 2000 were available, the financial statements of the previous year were used as a basis.

Revenues, income, and expenses as well as receivables, liabilities, and provisions between and among the companies included in consolidation have been eliminated, as have the effects arising from the transfer of assets within the Group.

3 Currency Translation

Financial statements of foreign subsidiaries are translated according to the reference date method as follows:

Balance sheet items, income for the year, and depreciation are translated into DM at the mean rates of exchange on the balance sheet date, while the other items of the income statement are translated at the average exchange rates for the respective financial year. Differences arising from this translation have been reported as "Other operating income" or "Other operating expenses."

In the individual financial statements, receivables and liabilities stated in foreign currency are translated at the buying or selling rate on the creation date. Adjustments are made if the exchange rates effective at the balance sheet date lead to lower receivables or higher liabilities.

Currency translations are of minor significance in respect of individual balance sheet items or income statement items of the DB Group. Direct translation effects of the movements in exchange rates are negligible. Accordingly, no separate presentation of currency ratios and currency effects has been provided.

4 Accounting and Valuation Methods

In general, there have been no changes in the accounting and valuation methods compared to the previous year. Acquired software that constitutes a low-value asset in each individual case is now fully written off during the first year.

Except for software of low value, **intangible assets** acquired for valuable consideration are carried at acquisition costs and written down on a straight-line basis.

Properties (property, plant and equipment) are carried at acquisition or manufacturing cost less scheduled depreciation, where applicable. Write-downs for asset impairment are recognized if recovery of the carrying amounts is no longer to be expected.

Manufacturing costs include direct costs, prorated material, and production overheads and scheduled depreciation. Prorated material and production overheads as well as depreciation are determined on the basis of actual capacity utilization. Neither interest on borrowed funds nor administrative overhead is included in manufacturing costs.

Scheduled depreciation is recognized using the straight-line method based on the normal useful lives as expected in rail transport and shipping and otherwise, where permissible by tax law, using the declining balance method. Depreciation is determined in accordance with the tax depreciation tables. The **useful lives** of the main groups are shown in the table below:

	Years
Software, other licenses	5
Permanent way structures, tunnels, bridges	75
Track infrastructure	20 – 25
Buildings and other constructions	10 – 50
Signaling equipment	20
Telecommunications equipment	5 – 20
Rolling stock	15 – 30
Ships	20 – 25
Other technical equipment, machinery, and vehicles	5 – 25
Factory and office equipment	2 – 10

Properties of minor value (at Deutsche Bahn AG and the companies spun off effective January 1, 1999, these are fixed assets up to an individual value of DM 4,000 [€ 2,045]; other than that, properties up to an individual value of DM 800 [€ 409]) are fully depreciated in the year of acquisition and carried as disposals.

Financial assets are carried at acquisition cost and are subject to write-downs for asset impairment where appropriate. Holdings in associated companies are accounted for using the equity method.

Inventories are valued at acquisition or manufacturing cost; raw materials and supplies are valued on the basis of average acquisition costs. Risks in inventories resulting from a decline in economic usefulness, long storage periods, price changes in the procurement markets, or any other decline in value are taken into account by adjusting such values accordingly.

Accounts receivable and other assets are stated at nominal or face value unless a lower carrying amount is required in individual cases. Discernible risks have been taken into account by individual or lump-sum valuation adjustments.

Special write-offs made pursuant to tax law are reported as **special reserve items with equity portion**.

Pension provisions are carried as liabilities at their going-concern value in accordance with Section 6a of the German Income Tax Act (EStG). As in previous years, the calculations are based on the 1998 mortality tables of Dr. Klaus Heubeck. The amounts of pension provisions are calculated according to actuarial principles and at a fixed 6 % interest rate for discounting purposes.

All other **provisions** are stated at the amount required, based on sound business judgement, and are not discounted. Provisions take all discernible risks into account. Furthermore, reserves for contingencies have been set up in accordance with Section 249 (2) HGB. The remaining provisions are determined at full cost. For temporary differences between earnings determined on the basis of commercial law and earnings as determined for income tax purposes for the companies included in the consolidated financial statements, provisions are set up for deferred taxes if most of these differences are deficits for a specific company. Deferred tax assets are not recorded. Deferred tax assets arising from the consolidation are offset against the deferred income tax items in the individual financial statements of the respective companies.

Liabilities are carried at the expected settlement amount.

Notes to the Consolidated Balance Sheet

5 Fixed Assets

Movements in fixed assets are shown on the pages 92 and 93. A separate presentation of the impacts of currency translation has been omitted as they are negligible [see Note (3) above, Currency Translation].

The **investment grants** received in financial year 2000 from the German government in accordance with Article 2 Section 22 (1) No. 2 of the German Railroad Restructuring Act (Eisenbahnneuordnungsgesetz) concerning infrastructure measures relating to the former Deutsche Reichsbahn amounted to € 701 million (previous year: € 890 million) and were offset against **additions to assets**.

The positive **disposal** figure shown under “Advance payments and construction in progress” resulted mainly from the fact that investment grants were recorded as income in 2000, that had been offset against acquisition and manufacturing costs in previous years.

In financial year 2000, **write-offs for impairment of properties** – primarily due to the decommissioning of rolling stock, track infrastructure, and plant and equipment – amounted to € 72 million (previous year: € 77 million).

Write-ups of **financial assets** in the amount of € 20 million (previous year: € 87 million) and write-downs of € 70 million (previous year: € 2 million) exclusively (previous year: almost exclusively) relate to an adjustment of investment income from associated companies using the equity method.

6 Inventories

in € million	2000	1999
Raw materials and manufacturing supplies	521	485
Unfinished products, work in process	421	323
Finished products and goods	26	13
Advance payments to suppliers	5	45
Total	**973**	**866**

Valuation adjustments in the amount of € 184 million (previous year: € 278 million) were made to take into account the strict lower of cost or market value principle as well as marketability discounts.

7 Accounts Receivable and Other Assets

in € million	2000	of which with a remaining term of more than one year	1999
Trade receivables	1,153	24	1,028
Receivables due from affiliated companies	1	0	2
Receivables due from companies in which a participating interest is held	229	0	112
Other assets	1,607	3	1,151
Total	**2,990**	**27**	**2,293**

Value adjustments for accounts receivable and other assets amounted to € 234 million (previous year: € 206 million).

The main elements of **other assets** are short-term cash investments through year's end totaling € 1,046 million (previous year: € 537 million) and tax receivables.

8 Securities

Being set aside as a general operating reserve, securities held as current assets consist exclusively of fungible securities.

9 Prepayments and Accrued Income

Prepayments and accrued income amounting to € 406 million (previous year: € 211 million) include a discount of € 48 million (previous year: € 42 million), € 358 million (previous year: € 169 million) mainly concern deferred charges for financing, insurance premiums, rents and leases as well as advance payments in connection with the implementation of the new digital cellular communications network GSM-R.

10 Subscribed Capital

The subscribed capital amounting to DM 4,200 million (€ 2,147 million) is subdivided into 84,000,000 bearer shares having a par value of DM 50 each. The shares are held entirely by the Federal Republic of Germany.

11 Capital Reserves

Capital reserves totaling DM 10,390 million (€ 5,313 million) are, as in earlier years, made up of the difference (DM 7,300 million/€ 3,732 million) between the equity capital shown on Deutsche Bahn AG's opening balance sheet and the amount in excess of the guaranty cover value of the real property holdings based on the conservative assessment of their fair market value in accordance with Article 2 Section 10 (4) of the German Railroad Restructuring Act (Eisenbahnneuordnungsgesetz) at DM 3,090 million/€ 1,581 million, with said assessment being as recent as 1997.

Capital reserves of subsidiaries included in the consolidated financial statements are to be netted against the book value of the respective shareholding in the consolidated financial statements or to be transferred to "Minority interests."

12 Retained Earnings

The subsidiaries' equity ratios remaining after netting against the book value of the respective shareholding or reclassification to "Minority interests" are shown under "Other retained earnings." Changes in the differences resulting from consolidation are mainly due to the group of associated companies.

in € million	2000	1999
Retained earnings carried forward to January 1	1,354	853
Balance sheet profit carried forward to January 1	– 152	179
Changes in equity and liabilities-side differences resulting from consolidation	– 2	49
Changes in assets-side differences resulting from consolidation	2	43
Transfers from minority interests	– 4	0
Changes resulting from foreign currency translation	2	2
Consolidated net income for the year	85	86
Earnings attributable to minority interests	– 21	– 10
Retained earnings and balance sheet profit as of December 31	1,264	1,202
Posted as balance sheet loss	5	152
Retained earnings as of December 31	**1,269**	**1,354**

13 Balance Sheet Loss

The balance sheet loss recorded in the consolidated financial statements is equivalent to the net loss for the year as shown in the annual financial statements of Deutsche Bahn AG.

14 Minority Interests

in € million	2000	1999
Adjustment items on the equity and liabilities side	64	47
Adjustment items on the assets side	0	– 8
Total	**64**	**39**

Adjustment items are calculated using the book value method without hidden reserves being written back. Adjustment items on the assets side concern non-capitalized goodwill attributable to minority interests held indirectly as well as accrued losses.

15 Special Items for Investment Grants

Special items for investment grants are written back in accordance with the method of depreciation applied to the respective fixed asset subsidized.

16 Special Reserve Items with Equity Portion

in € million	2000	1999
In accordance with Section 281 HGB:		
Reserves in accordance with Section 3 (2) ZonenRFG [1]	3	4
Reserves in accordance with Section 4 FördergebietsG [2]	14	18
Total	**17**	**22**

[1] Zonenrandförderungsgesetz – Act Concerning Economic Support of the Areas Along the Former Border to East Germany

[2] Fördergebietsgesetz – Assisted Areas Act

The special reserve items with equity portion have been taken over unchanged from the individual statements of the subsidiaries.

Gains of € 5 million (previous year: € 14 million) from writing back special reserve items with equity portion are included in “Other operating income.” Allocations to special reserve items with equity portion (year under review and previous year: € 0 million) are reported under “Other operating expenses.”

17 Provisions

in € million	2000	1999
Pension provisions	475	469
Tax provisions	359	332
Provisions for deferred taxes	0	23
Other provisions	13,333	12,131
Total	**14,167**	**12,955**

€ 31 million (previous year: € 59 million) were transferred to **provisions for pensions** in the financial year 2000.

Other provisions consisted of the following:

in € million	2000	1999
Personnel-related commitments	1,160	1,547
Restructuring charges	2,633	2,115
Inherited environmental liabilities	3,156	3,225
Reconveyance obligations	476	480
Other risks	5,908	4,764
Total	**13,333**	**12,131**

Personnel-related commitments mainly concern leave entitlements, accumulated flexitime, anniversary bonuses, profit-sharing bonuses, and early retirement benefits. Severance pay and similar expenses are reported under provisions for **restructuring charges**.

Provisions for **inherited environmental liabilities** relate primarily to the remediation of residual pollution caused before July 1, 1990, in the regions served by the former Deutsche Reichsbahn. A provision of € 2.9 billion was set aside for this purpose in the opening balance sheet of Deutsche Reichsbahn and taken over unchanged to Deutsche Bahn AG's opening balance sheet. Provisions for **reconveyance obligations** were set up for potential restitution claims on property in the area of the former Deutsche Reichsbahn.

All remaining contingent liabilities are allocated to **other risks**. These primarily include provisions for:

- Recultivation and renaturation (decommissioning of railroad tracks and related facilities),
- Deferred maintenance work (also includes future measures to be taken in connection with the preparation for sale of real estate),
- Risks from pending business, guaranties, as well as for contingent liabilities arising from deliveries and services not yet invoiced, and
- Possible reclamation of grants.

18 Liabilities

in € million	2000	of which with a residual maturity of up to 1 year	of which with a residual maturity of 1 to 5 years	of which with a residual maturity of over 5 years	1999
Interest-free loans	6,714	266	1,536	4,912	6,344
Bonds	4,181	0	553	3,628	3,181
Liabilities due to banks	76	12	12	52	92
Advance payments received for orders	280	165	115	0	260
Trade accounts payable	1,704	1,693	11	0	1,851
Liabilities due to affiliated companies	0	0	0	0	0
Liabilities due to companies in which a participating interest is held	1,508	160	218	1,130	1,338
Other liabilities	1,051	940	64	47	1,079
of which tax liabilities	(85)	(85)	(0)	(0)	(96)
of which social security liabilities	(102)	(102)	(0)	(0)	(115)
Total	**15,514**	**3,236**	**2,509**	**9,769**	**14,145**

The **interest-free loans** arise from German government funding for the extension and replacement of track infrastructure. These loans are based on the government's responsibility for meeting the transport needs of the general public as incorporated in Germany's constitution (Article 87e (4) GG) and put in concrete terms in the law governing the extension of the German rail network (BSchwAG). Such loans bear no interest. Amortization is set forth in the respective individual and collective financing agreements. In general, the loans are repaid by equal annual installments, the amounts of which are calculated on the basis of the corresponding annual write-downs.

Liabilities due to companies in which a participating interest is held include long-term, interest-bearing loans from EUROFIMA European Company for the Financing of Railway Rolling Stock (Basle/Switzerland) amounting to € 1,206 million (previous year: € 919 million).

In general, **liabilities** are not secured. Exceptions are:

- Liabilities due to EUROFIMA, which have to be secured pursuant to EUROFIMA's memorandum of association by assignment of railroad equipment (rolling stock);
- Liabilities due to banks, € 2 million (previous year: € 17 million) of which were secured by real-estate liens.

For a listing of **financial debt**, please see Note (22).

19 Accruals and Deferred Income

Accruals and deferred income of € 979 million (previous year: € 1,374 million) result primarily from the previous year's purchase of redemption commitments for the years 2025 through 2041 relating to interest-free loans [see Note (18)].

20 Contingent Liabilities

in € million	2000	1999
Liabilities from the drawing and endorsement of bills	0	0
Liabilities from guarantees	10	75
Liabilities from the provision of collateral for third-party liabilities	212	276
Total	**222**	**351**

Contingent liabilities from the **provision of collateral for third-party liabilities** concern liabilities of the Federal Railroad Fund (BEV) to EUROFIMA European Company for the Financing of Railway Rolling Stock (Basle/Switzerland). Loans extended by EUROFIMA to the Federal Railroad Fund (or its legal predecessors, Deutsche Bundesbahn and Deutsche Reichsbahn) are secured by assignment of rolling stock used in passenger and freight transport. While the loans remained with the Federal Railroad Fund, the assigned rolling stock was first transferred to Deutsche Bahn AG and then, as part of the spin-off under phase II of the German railroad reform, they were transferred to various companies within the Deutsche Bahn Group – primarily to DB Reise & Touristik AG, DB Regio AG, and DB Cargo AG.

21 Other Financial Commitments

in € million	2000	1999
Purchase order commitments for investments	7,295	9,407
Outstanding contributions	340	322
Commitments under rental, leasing, and other debt obligations with external parties	4,085	4,108
Total	**11,720**	**13,837**

The **outstanding contributions** concern EUROFIMA European Company for the Financing of Railway Rolling Stock, Basle/Switzerland.

Commitments under rental, leasing, and other debt obligations with external parties are carried posted at their nominal values. The two tables below list the corresponding **nominal values and the net present values** (as of December 31, 2000) by due date.

in € million	Nominal value	Net present value at 7.5 %
Lease payments		
due within 1 year	140	133
due within 1 to 5 years	542	434
due after 5 years	861	451
Total	**1,543**	**1,018**

Leasing plays only a minor part in the financing of necessary business assets. During the financial year 2000, lease rentals totaling € 84 million (previous year: € 78 million) were paid.

in € million	Nominal value	Net present value at 7.5 %
Rentals and other external-party liabilities		
due within 1 year	327	315
due within 1 to 5 years	877	722
due after 5 years	1,338	645
Total	**2,542**	**1,682**

22 Financial Instruments

Deutsche Bahn AG, as the central treasury for the DB Group, is responsible for all financing and hedging activities. In terms of functions and organizational structure, lending and trading workflows in the front office on the one hand and processing and control in the back office on the other hand are kept clearly separate. The Treasury department operates in the financial markets in compliance with the Minimum Requirements for the Trading Activities of Credit Institutions established by the German Banking Supervisory Authority and it is subject to periodic internal audits.

A. Financial Instruments

The main financial instruments and total **financial debt** as of December 31, 2000 are listed in the following table, with nominal amounts and book values being equivalent:

	Currency	Residual maturity in years	Nominal interest rate in %	2000 Book value in € million
DB Finance B.V. bonds:				
Bond 1995–2002	DM	1.6	6.875	511
Bond 1997–2007	DM	6.8	5.750	511
Bond 1998–2003 [1]	DM	max. 2.3	1.125	42
Bond 1998–2008	DM	7.4	5.000	767
Bond 1999–2009	€	8.5	4.875	1,350
Bond 2000–2010	€	9.5	6.000	1,000
Total				**4,181**
EUROFIMA loans:				
Loan 1994–2001 [2]	DM	0.1	4.080	1
Loan 1994–2001	CHF	0.1	4.080	5
Loan 1995–2002	CHF	1.3	5.250	36
Loan 1995–2005 [2]	DM	4.7	4.750	7
Loan 1995–2005	CHF	4.7	4.750	26
Loan 1996–2006	DM	6.0	6.000	256
Loan 1997–2009	DM	9.0	5.625	256
Loan 1999–2009	€	8.8	5.750	400
Loan 2000–2014	€	13.8	5.995	219
Total				**1,206**
Liabilities due to banks:				
Note loan 1998–2008	DM	7.3	5.310	51
Other liabilities				25
Total				**76**
Total financial debt				**5,463**

1) Bondholders have the option of conversion into Deutsche Lufthansa AG shares held by Deutsche Bahn AG.
2) The EUROFIMA loans to D.A.CH. Hotelzug (Zurich/Switzerland), now trading as CityNightLine CNL AG (Zurich/Switzerland), were taken over as part of a purchase of rolling stock by Deutsche Bahn AG as of December 31, 1996.

An amount of € 31 million of the total financial debt has a residual maturity of up to one year. € 25 million of this amount are liabilities due to banks.

In addition to the liabilities shown on the balance sheet, banks had opened guaranteed **credit facilities** to Deutsche Bahn AG totaling € 1.82 billion as of December 31, 2000, to cover short-term liquidity requirements. Deutsche Bahn AG had drawn on none of these credit lines as of December 31, 2000.

B. Financial Derivatives

Financial derivatives are used exclusively to hedge against interest rate or currency exposures in connection with the financial transactions of the Deutsche Bahn Group. Each individual deal corresponds to an on-balance sheet item or an anticipated exposure (bonds, loans, etc.). Speculative transactions are not permitted. The use, settlement, and control of derivative transactions are governed by corporate guidelines. Market valuations and risk assessments are conducted on an ongoing basis as part of the Deutsche Bahn Group's risk management system.

Interest rate swaps are used exclusively to cover possible **interest rate risks**. Resulting interest differentials are apportioned on an accrual basis. Future interest differentials are not carried on the balance sheet because they actually are pending transactions. Provisions for anticipated losses were not required.

Foreign exchange risks were of marginal significance to the Deutsche Bahn Group. To reduce exposure to exchange rate fluctuations in respect of payables denominated in foreign currencies, foreign currency forwards and options were used.

The total **notional value** of hedging transactions listed below represents the sum of all purchase and sales contracts being hedged. From the level of this notional volume, conclusions can be drawn as to the extent to which financial derivatives were used, but this level does not reflect the risk inherent in the use of such derivatives.

The **fair market value** of a derivative financial instrument is equivalent to its cost of liquidation or the amount at which the instrument could be exchanged. The fair values listed below were computed as per the balance sheet date using common financial models; offsetting changes in the values of the items being hedged were not taken into account. In turn, the related financial derivatives are not taken into account for stating the underlying transactions in the balance sheet (no hedge accounting). Because valuation units (derivative/underlying) were formed, the fair values of derivatives as well as changes in the fair values of the underlying transactions are shown in the following table.

The **credit risk** is the danger of loss due to nonperformance by counterparties (risk of default). It represents the replacement cost (at fair value) of transactions with a positive fair value giving Deutsche Bahn AG a claim against its counterparties. The risk of default of counterparties is actively controlled by our high demands on the financial standing of counterparties both when entering into a contract and for its entire term as well as by the setting of risk limits. The following information on the credit risk contains the cumulative result of all individual risks.

1.) Notional and Fair Market Values of Interest Rate Derivatives

in € million	2000	1999
Total notional value	2,851	2,790
Performance of valuation units:		
Fair market value of derivatives	– 60	– 75
Change in the fair market value of underlying transactions	31	95
Total	**– 29**	**20**

At December 31, 2000, the portfolio of interest rate derivatives consisted almost exclusively of interest rate swaps with a remaining term of more than one year.

2.) Notional and Fair Market Values of Currency Derivatives

in € million	2000	1999
Total notional amount	2	108
Performance of valuation units:		
Fair market values of derivatives	0	9
Change in the fair market value of underlying transactions	0	0
Total	**0**	**9**

Due to the sale of the DER Group, Frankfurt/Main, in the previous year, currency derivatives were considerably reduced. As of December 2000, existing contracts to offset foreign exchange risks consisted of currency futures contracts of DE-Consult Deutsche Eisenbahn Consulting GmbH with a remaining term of up to slightly more than one year.

3.) Credit Risk

in € million	2000	1999
Credit risk, interest rate and currency derivatives	27	27

The single biggest risk, i.e. a risk of default by a specific counterparty, amounts to € 14 million and relates to a counterparty having a Moody’s rating of Aa3.

As regards credit risks arising from contracts with a remaining term of more than one year, all counterparties have a Moody’s rating of no less than Aa3.

Notes to the Consolidated Income Statement

23 Revenues

The breakdown of revenues totaling € 15,465 million (previous year: € 15,630 million) by business segment is shown in the Segment Information [Notes (33) and (34)]. Revenues are shown there on a comparable basis, restated for changes in the scope of consolidation.

24 Other Operating Income

in € million	2000	1999
Services to external parties and sale of materials	621	403
Rents and leases	211	207
Other operating income	766	945
Gains on sales of properties and (partial) divestiture of consolidated companies	701	447
Income from the release of provisions	1,142	307
Gains on the reversal/recovery of write-downs/write-offs of receivables	200	71
Income from the release of special reserve items with equity portion	5	14
Other income unrelated to accounting period	7	117
Total	**3,653**	**2,511**

The increase in **income from the release of provisions** is largely attributable to the reduction of provisions for personnel-related commitments and for other risks [cf. Note (17)].

25 Cost of Materials

in € million	2000	1999
Cost of raw materials, supplies, and merchandise	1,738	1,573
Cost of services purchased	2,774	3,005
Maintenance expenses	2,578	2,718
Subtotal (gross cost of materials)	**7,090**	**7,296**
Federal government contributions	– 465	– 608
Total	**6,625**	**6,688**

The cost of services and merchandise purchased for **self-constructed assets** is recognized under cost of raw materials, supplies, and merchandise. Such cost is capitalized by inclusion in other self-construction – own expenses under properties.

Federal government contributions are provided in accordance with Article 2 Section 2 (1) No. 3 German Railroad Restructuring Act. They are intended to reduce Deutsche Bahn's increased cost of materials for harmonizing the levels of development, technical equipment, and productivity in the area of the former Deutsche Reichsbahn (East Germany) with those in the area of the former Deutsche Bundesbahn (West Germany). Federal government contributions are reduced from year to year in proportion to the forecast decrease in the additional cost of materials and will not be granted beyond 2002.

26 Personnel Expenses

in € million	2000	1999
Wages and salaries		
for employees	6,061	5,865
for civil servants assigned		
Payments to the Federal Railroad Fund IAW Article 2 Section 21 (1) (2) German Railroad Restructuring Act	1,545	1,689
ancillary remuneration paid directly	97	108
	7,703	**7,662**
Compulsory social security contributions, pensions and similar benefits, and support payments		
for employees	1,235	1,235
for civil servants assigned (payments to the Federal Railroad Fund IAW Article 2 Section 21 (1) (2) German Railroad Restructuring Act)	300	389
	1,535	**1,624**
of which for pensions and similar benefits	(559)	(761)
Subtotal (gross personnel expenses)	**9,238**	**9,286**
Contributions by the Federal Railroad Fund	– 763	– 1,001
Total	**8,475**	**8,285**

Expenses related to **pensions and similar benefits** also include social security contributions paid by employers as well as supplemental social security contributions paid by employers for civil servants assigned.

The **contributions by the Federal Railroad Fund (BEV)** are made in accordance with Article 2 Section 21 (5) No. 1 German Railroad Restructuring Act. They are a reimbursement of increased personnel expenses in the area of the former Deutsche Reichsbahn (East Germany) as compared to those in the area of the former Deutsche Bundesbahn (West Germany). These contributions are reduced from year to year in proportion to the forecast decrease in personnel expenses and will not be granted beyond 2002.

27 Other Operating Expenses

in € million	2000	1999
Rents and leases	575	549
Fees and dues	140	290
Miscellaneous operating expenses	2,374	1,289
Losses on the disposal of fixed assets	202	324
Expenses relating to set-up of allowances for and write-off of accounts receivable	102	121
Expenses relating to allocations to special reserve items with equity portion	0	0
Other expenses unrelated to accounting period	43	217
Total	**3,436**	**2,790**

€ 73 million (previous year: € 54 million) of **miscellaneous operating expenses** are attributable to “other taxes.” The increase in miscellaneous operating expenses over the previous year’s level is largely due to transfers to provisions for restructuring charges.

28 Investment Income

in € million	2000	1999
Income from participating interests	2	2
of which from affiliated companies	(0)	(1)
Income from associated companies	27	92
Transfer of losses	– 3	– 147
Write-down of investments	– 70	– 2
Total	**– 44**	**– 55**

29 Net Interest

in € million	2000	1999
Income from other securities and long-term loans	3	3
of which from affiliated companies	(0)	(0)
Other interest and similar income	94	75
of which from affiliated companies	(0)	(0)
Interest and similar expenses	– 348	– 236
of which from affiliated companies	(0)	(0)
Total	**– 251**	**– 158**

30 Income Taxes

Income taxes levied in Germany are corporate income tax, plus solidarity surcharge, and trade income tax. These taxes are reported together with comparable foreign income-linked taxes.

Income taxes reported in financial 2000 were a benefit, which resulted from tax refunds and tax credits on equity income from consolidated companies as well as from the utilization of tax loss carryforwards. Provided that tax provisions remain unchanged, the above circumstances should continue in the foreseeable future and lead to a continued low taxation ratio.

31 Earnings per Share

	2000	1999
Net income	€ 64 million	€ 77 million
Number of shares issued/outstanding	84,000,000	84,000,000
Earnings per share	€ 0.77	€ 0.92

The calculation of earnings per share is based on net income, which is equivalent to income after taxes less minority interests in profits/losses.

Notes to the Consolidated Cash Flow Statement

The cash flow statement shows a breakdown of cash flows by business activities, investment activities, and financing activities. Cash flow before taxes is reported under the cash flow from business activities.

Where a **change in the scope of consolidation** occurred due to the acquisition or sale of a company, the purchase price less the liquid assets acquired or sold is carried as cash flow from investing activities. All other effects of the acquisition or sale of companies are eliminated under the respective items of the three cash flow categories. The major change in the scope of consolidation in 2000 was caused by the divestiture of the DER Group.

32 Cash and cash equivalents

This item comprises cash and cash equivalents (cash on hand, Deutsche Bundesbank balance, cash in banks, and checks) as shown on the balance sheet.

For information on other **near-liquidity assets**, please see the comments on the balance sheet items “Other assets” and “Securities” [Notes (7) and (8)].

Segment Information

33 Delimitation of Segments

At the Deutsche Bahn Group, the delimitation of segments is based on the types of services rendered by the various business divisions. In this respect, the new management structure approved at the meeting of the Supervisory Board on March 1, 2000, has been taken into account. The operating activities of the Deutsche Bahn Group are now classified according to the Group's five Group divisions:

The Group **Passenger Transport** division includes two business lines under the lead management of DB Reise & Touristik AG and DB Regio AG, both of which are wholly owned subsidiaries of Deutsche Bahn AG. They are responsible for the Group's passenger transport services and its tourist business. DB Reise & Touristik offers long-distance passenger transport services, while its subsidiaries are involved in tourist travel and supporting services. The DB Regio business area includes comprehensive local and regional transport services (generally within a distance of up to 50 km or travel times up to one hour). While DB Regio AG is clearly focused on rail transport, its associated subsidiaries provide transport services by rail as well as by bus and other supporting services. The transport services provided by its Passenger Transport division make the Deutsche Bahn Group Europe's leading rail company in this field.

In the Group **Freight Transport** division, the Railion joint venture took effect on January 1, 2000. Under this joint venture, Deutsche Bahn AG has a 94 % stake in Railion GmbH, which, in turn, holds a 100 % interest in both DB Cargo AG and Railion Benelux N.V.; Nederlandse Spoorwegen (NS Groep N.V.), the Dutch railroad company, holds the remaining 6 % interest in Railion GmbH. This Group division provides domestic and international rail transport services as well as supporting logistical services and, in terms of transport performance, holds a leading position in European rail freight transport.

The Group **Track Infrastructure** division with its management company DB Netz AG, a wholly owned subsidiary of Deutsche Bahn AG, is responsible for the railroad infrastructure, i.e. in particular for tracks and transshipment terminals.

The Group **Passenger Stations** division is in charge of the operation of passenger stations as traffic stations and of optimized marketing of the locations to the benefit of all rail station users. Most of the services involved are provided by DB Station & Service AG as the lead management company, which is a wholly owned subsidiary of Deutsche Bahn AG.

All the tasks relating to the extensive real estate holdings of the Deutsche Bahn Group are now carried out by the newly established Group **Real Estate** division. Deutsche Bahn Immobiliengesellschaft mbH, a wholly owned subsidiary of Deutsche Bahn AG, is the competence center and performs the lead functions in the management, marketing and project development of real estate holdings not allocated to the operating segments of the Deutsche Bahn Group.

Segment information by geographical regions has been deemed unnecessary because the share of international business in total revenues is so small it may be safely neglected and **segmentation by region** within Germany makes little sense considering Deutsche Bahn AG's sweeping presence throughout the entire country.

Likewise, **information by segment** on **research and development (R & D) expenses** is irrelevant because almost all R & D activities of the Deutsche Bahn Group have been centralized.

34 Financial Data by Segment

	External Revenues		Intra-Group Revenues		Divisional Revenues		Depreciation	
in € million	2000	1999	2000	1999	2000	1999	2000	1999
Passenger Transport								
DB Reise&Touristik	3,463	3,257	256	240	3,719	3,497	272	245
DB Regio	7,517	7,328	560	468	8,077	7,796	404	348
Total	10,980	10,585	816	708	11,796	11,293	676	593
Freight Transport	3,831	3,541	816	632	4,647	4,173	190	169
Passenger Stations	200	184	600	582	800	766	80	73
Track Infrastructure	110	83	3,415	3,354	3,525	3,437	788	798
Real Estate	10	8	74	74	84	82	24	14
Other Operating Entities/ Consolidation Effects	334	324	3,443	3,825	3,777	4,149	294	305
DB Group – comparable –	**15,465**	**14,725**	**9,164**	**9,175**	**24,629**	**23,900**	**2,052**	**1,952**
DB Group – as reported –	**15,465**	**15,630**	**9,164**	**9,257**	**24,629**	**24,887**	**2,052**	**1,965**

* including civil servants, excluding apprentices

Notes to the Financial Data by Segment:

- The item **“Other Operating Entities/Consolidation Effects”** includes consolidation effects as well as operations of other operating entities not allocable to one of the five individual segments shown, i.e. operations allocated to the divisions “Other” or “Participating Interests” and operations of the Group holding company Deutsche Bahn AG.

- For a better comparison, the **previous year’s figures** of the Group divisions have been adjusted to reflect the new organizational structure of the DB Group after its management reorganization.

- **External revenues** reflect sales to external customers from outside the Group.

- **Intra-Group revenues** relate to sales with Group companies. Due to the business-specific vertical integration of the Deutsche Bahn Group, intra-Group revenues are generated for the most part by the segments Track Infrastructure, Passenger Stations, Passenger Transport and Freight Transport. Internal transfer prices of intra-Group revenues are invoiced at the same conditions that apply to external customers.

	Operating Income after Net Interest		Gross Cash Flow		Capital Employed		Total Assets		Gross Capital Expenditures		Employees* as of Dec 31	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
	100	49	383	326	3,139	3,167	4,809	4,106	499	615	30,293	31,510
	73	185	559	580	4,666	3,545	7,359	6,367	1,305	1,311	52,769	55,605
	173	234	942	906	7,805	6,712	12,168	10,473	1,804	1,926	83,062	87,115
	49	– 11	259	171	1,814	1,654	3,234	2,037	405	501	38,555	40,995
	4	0	111	93	1,911	1,538	2,731	2,430	552	554	5,015	5,593
	57	11	987	916	9,988	8,486	18,562	17,166	3,896	4,782	53,554	57,629
	108	– 385	163	– 320	4,064	4,466	4,328	4,636	51	53	1,293	1,286
	-192	23	64	271	1,861	2,055	– 1,556	– 135	184	546	41,177	45,835
	199	**– 128**	**2,526**	**2,037**	**27,443**	**24,911**	**39,467**	**36,607**	**6,892**	**8,362**	**222,656**	**238,453**
	199	**– 87**	**2,526**	**2,088**	**27,443**	**24,913**	**39,467**	**37,198**	**6,892**	**8,372**	**222,656**	**241,638**

- **Divisional revenues** represent the sum of external and intra-Group revenues and thus show the business performance of the segments; in the case of the Real Estate division, revenues represent only a small portion of the total divisional performance.

- **Depreciation** as well as **gross capital expenditures** relate to properties and intangible assets. Gross capital expenditures show the commercial value of total capital expenditures before netting for investment grants. Depreciation is based on capital expenditures net of investment grants as reflected in the balance sheet.

- **Operating income after net interest** is an adjusted operating result after net interest but before investment income and taxes that is used as an internal control tool of the operating business.

- **Gross cash flow** is defined as the operating income (before interest), plus depreciation of properties (including intangible assets) and changes in provisions for pensions.

- **Capital employed** includes properties and intangible assets less interest-free loans plus net working capital.

Supplemental Information

35 Employees

	2000 Annual average	2000 As of Dec 31	1999 Annual average	1999 As of Dec 31
Wage and salary earners	171,335	166,775	177,829	176,637
Civil servants assigned	59,280	55,881	67,022	65,001
Subtotal	**230,615**	**222,656**	**244,851**	**241,638**
Apprentices	11,315	11,851	13,023	14,438
Total	**241,930**	**234,507**	**257,874**	**256,076**

In general, civil servants previously working for the former Deutsche Bundesbahn and Deutsche Reichsbahn have been assigned to work for Deutsche Bahn AG as of its registration date by virtue of Article 2 Section 12 German Railroad Restructuring Act ("civil servants assigned"). Although they work for Deutsche Bahn AG, their official employer is the Federal Railroad Fund (BEV).

36 Exemption of Subsidiaries from the Disclosure Requirement Pursuant to the German Commercial Code

The following subsidiaries intend to make use of Section 264 (3) HGB providing for an exemption from the disclosure requirement:

Ameropa-Reisen GmbH, Bad Homburg v. d. H.
Bayern Express Omnibus Gesellschaft mbH, München
Bayern Express & P. Kühn Berlin GmbH, Berlin
Bodensee-Schiffsbetriebe GmbH, Konstanz
BRN Busverkehr Rhein-Neckar GmbH, Ludwigshafen
BSG Bahn Schutz & Service GmbH, Frankfurt am Main
BTT BahnTank Transport GmbH, Frankfurt am Main
BVO Busverkehr Ostwestfalen GmbH, Bielefeld
BVR Busverkehr Rheinland GmbH, Düsseldorf
DB Anlagen und Haus Service GmbH, Berlin
DB Arbeit GmbH, Berlin
DB AutoZug GmbH, Dortmund
DB Bahnbau GmbH, Berlin
DB BauProjekt GmbH, Frankfurt am Main
DB Cargo AG, Mainz
DB Dialog Telefonservice GmbH, Schwerin
DB Energie GmbH, Frankfurt am Main
DB FuhrparkService GmbH, Frankfurt am Main
DB Gastronomie GmbH, Frankfurt am Main
DB Informatik-Dienste GmbH, Erfurt
DB Netz AG, Frankfurt am Main
DB Projekt Finanzierungsgesellschaft mbH, Frankfurt am Main
DB Projekt Verkehrsbau GmbH, Berlin
DB Regio AG, Frankfurt am Main
DB Regionalbahn Rheinland GmbH, Köln
DB Regionalbahn Rhein Ruhr GmbH, Essen
DB Regionalbahn Westfalen GmbH, Münster (Westfalia)
DB Reise & Touristik AG, Frankfurt am Main
DB ServiceStore Systemführungsges. mbH, Frankfurt am Main
DB Station & Service AG, Frankfurt am Main
DB Tank Service GmbH, Erfurt
DB Verkehrsbau Logistik GmbH, Homburg
DB ZugBus Nordrhein Holding GmbH, Köln
DB ZugBus Regionalverkehr Alb-Bodensee GmbH (RAB), Ulm
DB ZugBus Westfalen Holding GmbH, Münster (Westfalia)
Deutsche Bahn Gleisbau GmbH, Duisburg
Deutsche Bahn Immobiliengesellschaft mbH, Frankfurt am Main
Deutsche Bahn Medien GmbH, Frankfurt am Main
Deutsche Eisenbahn-Reklame GmbH, Kassel
Deutsche Gleis- und Tiefbau GmbH, Berlin
Deutsches Reisebüro GmbH, Berlin
dvm Deutsche Verkehrsdienstleistungs- und Management GmbH, Berlin
Ibb Ingenieur-, Brücken- und Tiefbau GmbH, Dresden

Kombiwaggon Servicegesellschaft für den Kombinierten Verkehr mbH (KSG), Mainz
Magnetschnellbahn-Fahrweggesellschaft mbH (FWG), Berlin
Metropolitan Express-Train GmbH, Bad Homburg v.d.H.
MITROPA AG, Berlin
MITROPA Grundstücks- und Beteiligungsgesellschaft mbH, Berlin
Mitteldeutsche Bahnreinigung GmbH, Leipzig
MOS Mobile Oberbauschweißtechnik GmbH, Berlin
Omnibusverkehr Franken GmbH (OVF), Nürnberg
ORN Omnibusverkehr Rhein-Nahe GmbH, Mainz
Railion GmbH, Mainz
RBG Reisebetreuungs GmbH, Frankfurt am Main
RBO Regionalbus Ostbayern GmbH, Regensburg
Regionalbahn Schleswig-Holstein GmbH, Kiel
Regionalbus Braunschweig GmbH –RBB–, Braunschweig
Regional Bus Stuttgart GmbH RBS, Stuttgart
Regionalverkehr Kurhessen GmbH (RKH), Kassel
Regionalverkehr Oberbayern GmbH, München
RSW Regionalbus Saar-Westpfalz GmbH, Saarbrücken
RVS Regionalbusverkehr Südwest GmbH, Karlsruhe
S-Bahn Berlin GmbH, Berlin
S-Bahn Hamburg GmbH, Hamburg
Südbadenbus GmbH –SBG–, Freiburg
TLC Transport-, Informatik- und Logistik-Consulting GmbH, Berlin
Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH, Frankfurt am Main
UBB Usedomer Bäderbahn GmbH, Heringsdorf
Verkehrsgesellschaft mbH Untermain –VU–, Frankfurt am Main
WB Westfalen Bus GmbH, Münster (Westfalia)
Weser-Ems Busverkehr GmbH (WEB), Bremen
Zehlendorfer Eisenbahn- und Hafengesellschaft mbH, Berlin
ZugBus Schleswig-Holstein GmbH, Kiel

37 Total Emoluments of the Management Board and the Supervisory Board, Including Former Members

in € thousand	2000	1999
Total Management Board emoluments	3,880	3,679
Emoluments of former Management Board members	2,110	519
Pensions provisions for former Management Board members	9,484	7,272
Total Supervisory Board emoluments	237	210
Emoluments of former Supervisory Board members	0	0
Loans granted to Management Board members	0	0
Loans granted to Supervisory Board members	0	0

For the names and functions of the members of the Supervisory Board and the Management Board, please see the pages 126–129.

38 Events After the Balance Sheet Date

Events after the balance sheet date are stated in the Group Management Report.

Berlin, March 30, 2001

Deutsche Bahn AG
The Management Board

Independent Auditor's Report

The Consolidated Financial Statements were prepared in DM and audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, who added the following auditor's certificate:

"We have audited the consolidated financial statements and the group management report of Deutsche Bahn Aktiengesellschaft, Berlin, for the business year from January 1 to December 31, 2000. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. On the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development."

Frankfurt am Main, April 6, 2001

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Kämpfer)	(Jäcker)
Wirtschaftsprüfer	Wirtschaftsprüfer

Major Subsidiaries Deutsche Bahn Group

Name and domicile	Ownership in %	Equity in € million	Revenues 2000 in € million	Revenues relative change in %	Net income 2000 in € million	Employees as of Dec 31, 2000
Group division Passenger Transport						
Long-distance Passenger Transport (DB Reise&Touristik)						
DB Reise&Touristik AG, Frankfurt a. M.	100.0	2,045.2	3,131.2	6.5	– [1]	23,489
Ameropa-Reisen GmbH, Bad Homburg v. d. H.	100.0	2.6	101.2	3.0	– [1]	119
Bayern Express & P. Kühn Berlin GmbH, Berlin	100.0	4.1	21.3	5.4	– [1]	205
CityNightLine CNL AG, Zürich	100.0	18.1	36.5	14.2	3.8	11
Deutsche Touring Gesellschaft mbH, Frankfurt a. M.	82.8	7.7	51.5	10.5	2.7	162
Metropolitan Express-Train GmbH, Bad Homburg v. d. H.	100.0	4.3	16.0	184.2	– [1]	11
MITROPA Mitteleuropäische Schlafwagen und Speisewagen Aktiengesellschaft, Berlin	100.0	14.2	302.0	– 2.6	0.0	4,756
Local Passenger Transport (DB Regio)						
DB Regio AG, Frankfurt a. M.	100.0	1,764.0	4,950.8	3.0 [2]	– [1]	33,969
BRN Busverkehr Rhein-Neckar GmbH, Ludwigshafen	100.0	13.3	48.5	15.6	– [1]	397
Burgenlandbahn GmbH, Zeitz	70.0	0.3	14.6	2.5	0.2	0
DB Regionalbahn Rhein-Ruhr GmbH, Essen	100.0	126.1	496.7	– 0.3	– [1]	2,283
DB Regionalbahn Rheinland, Köln	100.0	68.6	278.3	6.0	– [1]	1,205
BVR Busverkehr Rheinland GmbH, Düsseldorf	100.0	4.2	56.9	4.0	– [1]	258
DB ZugBus Regionalverkehr Alb-Bodensee GmbH (RAB), Ulm	100.0	24.0	187.2	21.3	– [1]	565
DB Regionalbahn Westfalen GmbH, Münster	100.0	35.5	279.4	1.4	– [1]	1,277
WB Westfalen Bus GmbH, Münster	100.0	6.0	52.7	– 3.5	– [1]	339
BVO Busverkehr Ostwestfalen GmbH, Bielefeld	100.0	11.2	57.6	– 5.4	– [1]	419
Omnibusverkehr Franken GmbH (OFV), Nürnberg	100.0	13.3	81.5	1.0	– [1]	455
ORN Omnibusverkehr Rhein Nahe GmbH, Mainz	100.0	5.1	39.7	3.8	– [1]	307
RBO Regionalbus Ostbayern GmbH, Regensburg	100.0	9.8	52.6	– 2.1	– [1]	272
Regional Bus Stuttgart GmbH, Stuttgart	100.0	15.9	72.3	13.2	– [1]	502
Regionalbus Braunschweig GmbH –RBB–, Braunschweig	100.0	3.6	38.3	0.2	– [1]	282
Regionalverkehr Kurhessen GmbH, Kassel	100.0	10.7	55.7	6.2	– [1]	500
Regionalverkehr Oberbayern GmbH, München	100.0	10.8	51.0	– 2.5	– [1]	617
RMV Rhein-Mosel Verkehrsgesellschaft mbH, Koblenz	74.9	15.5	54.1	4.6	5.0	220
RSW Regionalbus Saar-Westpfalz GmbH, Saarbrücken	100.0	9.4	53.9	6.1	– [1]	324
RVS Regionalbusverkehr Südwest GmbH, Karlsruhe	100.0	7.2	52.9	20.6	– [1]	348
S-Bahn Berlin GmbH, Berlin	100.0	165.2	449.2	5.4	– [1]	4,213
S-Bahn Hamburg GmbH, Hamburg	100.0	62.3	159.8	4.4	– [1]	1,124
SBG SüdbadenBus GmbH, Freiburg	100.0	6.6	70.5	23.2	– [1]	424
Verkehrsgesellschaft mbH Untermain –VU–, Frankfurt a. M.	100.0	3.8	52.9	– 1.4	– [1]	311
Weser-Ems Busverkehr GmbH (WEB), Bremen	100.0	10.2	53.1	– 1.1	– [1]	328
Regionalbahn Schleswig-Holstein GmbH, Kiel	100.0	10.5	224.1	4.5	– [1]	932
Autokraft GmbH, Kiel	100.0	10.1	65.3	0.4	1.4	656

Name and domicile	Ownership in %	Equity in € million	Revenues 2000 in € million	Revenues relative change in %	Net income 2000 in € million	Employees as of Dec 31, 2000
Group division Freight Transport						
DB Cargo AG, Mainz	100.0	434.6	3,508.7	2.8	– [1]	35,996
Railion Benelux N.V., Utrecht [3]	100.0	64.6	144.2	–	– 3.5	1,409
ATG Autotransportlogistic GmbH, Eschborn/Taunus	75.0	3.5	266.1	0.4	2.4	41
BTT BahnTank Transport GmbH, Mainz	100.0	1.5	25.6	30.1	– [1]	30
DB Verkehrsbau Logistik GmbH, Mainz	95.0	2.6	215.6	724.0	0.0	124
NUCLEAR CARGO + SERVICE GmbH, Hanau	100.0	6.7	22.5	24.3	1.6	69
TRANSA Spedition GmbH, Offenbach a. M.	50.0	9.6	203.3	2.7	2.7	323
Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH, Frankfurt a. M.	100.0	0.5	206.4	11.4	– [1]	174
Group division Passenger Stations						
DB Station & Service AG, Frankfurt a. M.	100.0	1,201.5	800.3	4.4	– [1]	4,958
Group division Track Infrastructure						
DB Netz AG, Frankfurt a. M. [4]	100.0	4,422.7	3,473.0	2.2	– [1]	56,938
Group division Real Estate						
Deutsche Bahn Immobiliengesellschaft mbH, Frankfurt a. M.	100.0	0.5	73.7	– 0.6	– [1]	1,224
Other Subsidiaries						
DB Anlagen und Haus Service GmbH, Berlin	100.0	2.6	347.0	– 14.0	– [1]	4,992
DB Energie GmbH, Frankfurt a. M.	100.0	527.7	753.8	3.0	– [1]	616
DB FuhrparkService GmbH, Frankfurt a. M.	90.0	3.5	128.1	8.2	– [1]	124
DB Informatik-Dienste GmbH, Erfurt	100.0	212.5	401.8	15.3	– [1]	855
DB TankService GmbH, Erfurt	100.0	1.2	427.3	28.4	– [1]	191
DE-Consult, Deutsche Eisenbahn Consulting GmbH, Berlin	74.0	20.1	109.2	– 6.0	– 0.5	1,003
Deutsche Eisenbahn-Reklame GmbH, Kassel	100.0	5.5	145.6	1.6	– [1]	238
Deutsche Bahn Gleisbau GmbH, Duisburg	100.0	7.5	73.8	54.4	– [1]	326
Deutsche Gleis- und Tiefbau GmbH, Berlin	100.0	0.3	176.7	– 32.8	– [1]	1,438
Ibb Ingenieur-, Brücken- und Tiefbau GmbH, Dresden	100.0	2.0	52.8	– 33.0	– [1]	276
DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH, Bad Homburg v. d. H.	65.0	1.0	17.7	– 1.2	10.9	61
BRG Bahnreinigung Frankfurt a. M. GmbH, Frankfurt a. M.	100.0	0.9	25.1	2.4	0.7	693
BRG Bahnreinigung Hamburg GmbH, Hamburg	51.0	2.6	48.4	7.3	2.1	1,392
BRG Bahnreinigung München GmbH, München	51.0	1.1	48.7	1.5	0.6	1,171
BRG Bahnreinigung Köln GmbH, Köln	51.0	1.9	48.4	– 0.7	1.4	1,221
BRG Bahnreinigung Karlsruhe GmbH, Karlsruhe	51.0	2.0	34.6	– 2.3	1.7	707
BRG Bahnreinigung Berlin GmbH, Berlin	51.0	1.7	61.2	6.1	1.2	2,099
Mitteldeutsche Bahnreinigung GmbH, Leipzig	100.0	0.3	55.5	3.9	– [1]	2,103
BSG Bahn Schutz & Service GmbH, Frankfurt a. M.	100.0	0.2	99.2	– 3.3	– [1]	3,053
TLC Transport-, Informatik- und Logistik-Consulting GmbH, Berlin	100.0	1.9	247.5	6.6	– [1]	1,135

1) Profit and loss transfer agreement

2) Previous year on a comparable basis

3) First time consolidation in 2000

4) DB Netz AG as a legal entity (in segment information according to internal reporting without “Bahnbau”-activities)

Supervisory Board

Dr. Günther Saßmannshausen
Honorary Chairman of the Supervisory Board,
Hannover
a) Braunschweigische Maschinenbauanstalt AG
Heraeus Holding GmbH
Preussag AG
Preussag Energie GmbH
VAW Aluminium AG
Volkswagen AG

Dr. Michael Frenzel
Chairman of the Supervisory Board,
– since March 14, 2001 –
– Member of the Supervisory Board since July 5, 2000 –
Chairman of the Management Board of Preussag AG,
Burgdorf
a) AXA-Colonia Konzern AG
Continental AG
Deutsche Hypothekenbank AG
E.ON Energie AG
Hapag-Lloyd AG (Chairman)
TUI GROUP GmbH (Chairman)
b) Creditanstalt AG, Wien
EXPO 2000 Hannover GmbH
Kreditanstalt für Wiederaufbau (Administrative Board)
Norddeutsche Landesbank
Preussag North America, Inc., Greenwich/USA (Chairman of the Board of Directors)

Dr. Dieter H. Vogel
Chairman of the Supervisory Board,
– until March 7, 2001 –
Managing Partner Bessemer Vogel & Treichl GmbH,
Düsseldorf
a) ABB AG (Chairman)
Bertelsmann AG
Gerling Industrie-Service AG
MobilCom AG
b) EXPO 2000 Hannover GmbH

Norbert Hansen*
Deputy Chairman of the Supervisory Board,
Chairman of TRANSNET German Railway Workers' Union,
Frankfurt/Main
a) DB Reise & Touristik AG
DB Regio AG
DB Cargo AG
DB Station & Service AG
DB Netz AG
Mannesmann Arcor Verwaltungs-AG
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G.
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G.

Christian Bormann*
Chairman of the Works Council of DB Netz AG,
Leipzig branch, location Erfurt,
Erfurt
– until July 5, 2000 –

Niels Lund Chrestensen
General Manager of the N.L. Chrestensen, Erfurter Samen- und Pflanzenzucht GmbH,
Erfurt
a) Thüringer Aufbaubank

Peter Debuschewitz*
Management Representative for Berlin of Deutsche Bahn AG,
Taufkirchen
– since July 5, 2000 –

Elke Ferner
Former State Secretary Ministry of Transport, Building and Housing,
Saarbrücken
– until February 5, 2001 –
b) Berlin Brandenburg Flughafenholding GmbH
Projektplanungs-Gesellschaft mbH Schönefeld

Horst Fischer*
Member of the Works Council of DB Regio AG,
Regional division Northern Bavaria,
Fürth

Dr.-Ing. E.h. Dipl.-Ing. Hermann Franz
Former Chairman of the Supervisory Board of Siemens AG,
Erlangen
– until July 5, 2000 –
b) Bayern Innovativ Gesellschaft für Innovation und Wissenstransfer mbH
Menzerna GmbH (Chairman of the Advisory Board)
TÜV Süddeutschland Holding AG (Chairman of the Shareholder Committee)

Horst Hartkorn*
Chairman of the Works Council of S-Bahn Hamburg GmbH,
Hamburg
a) S-Bahn Hamburg GmbH
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G.
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G.

Marlies Helling*
Personnel Manager DB Netz AG,
Oberursel
– until July 5, 2000 –
a) DB Netz AG
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G.

Jörg Hensel*
Chairman of the Central Works Council of DB Cargo AG,
Hamm
– since July 5, 2000 –
a) DB Cargo AG

Günter Kirchheim*
Chairman of the Group Works Council of Deutsche Bahn AG,
Chairman of the Central Works Council of DB Netz AG,
Essen
a) DB Netz AG
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G.
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G.

Dr. rer. nat. Hermann Krämer
Former Member of the
Management Board of VEBA AG,
Seevetal
– until July 5, 2000 –
a) Babcock Borsig AG
Logika AG
Metro AG
PreussenElektra AG
b) Westdeutsche Landesbank
Girozentrale (Administrative Board)

Lothar Krauß*
Deputy Chairman of TRANSNET
German Railway Workers' Union,
Rodenbach
a) DB Anlagen und Haus Service
GmbH
Union Druckerei und Verlagsanstalt
GmbH
b) DBV Öffentlich Rechtliche Anstalt
für Beteiligungen (Chairman)

Dr. h.c. Helmut O. Maucher
Honorary President Nestlé S. A.,
Frankfurt/Main
– until July 5, 2000 –
a) Bayer AG
Ravensburger AG
b) Koç Holding A.S., Istanbul
(Supervisory Board)
Qualiclick AG, Zürich
(Administrative Board)
Union Bancaire Privée, Genf
(Administrative Board)

Heike Moll*
Member of the Central Works Council
of DB Station&Service AG,
Frankfurt/Main
– since July 5, 2000 –
a) DB Station&Service AG

Ralf Nagel
State Secretary Ministry of
Transport, Building and Housing,
Magdeburg
– since February 5, 2001 –
b) Berlin Brandenburg
Flughafenholding GmbH
Projektplanungs-Gesellschaft mbH
Schönefeld

Dr. Friedel Neuber
President and CEO of Westdeutsche
Landesbank Girozentrale,
Düsseldorf
a) Babcock Borsig AG (Chairman)
Douglas Holding AG
Preussag AG (Chairman)
RWE AG (Chairman)
Thyssen Krupp AG
TUI GROUP GmbH
b) AXA S. A., Paris
Bank Austria AG, Wien

Günter Ostermann*
Deputy Chairman of TRANSNET
German Railway Workers' Union,
Wunstorf
a) BHW AG
DEVK Rechtsschutz-Versiche-
rungs-AG
Sparda-Bank Hannover e. G.
(Chairman)

Dr. Manfred Overhaus
State Secretary Ministry of Finance,
St. Augustin
a) Deutsche Post AG
b) EXPO 2000 Hannover GmbH
GEBB Gesellschaft für Entwicklung,
Beschaffung und Betrieb mbH

Manfred Probst*
Deputy Chairman of the
Works Council of DB Netz AG,
Bad Überkingen
– until July 5, 2000 –

Albert Schmidt
Member of Parliament (Bundestag),
Ingolstadt

Rolf Schökel*
Chairman of the Works Council
of DB Reise & Touristik AG,
Hannover branch,
Hildesheim
– until July 5, 2000 –
a) DEVK Deutsche Eisenbahn
Versicherung
Lebensversicherungsverein a. G.
DEVK Deutsche Eisenbahn
Versicherung Sach- und HUK-
Versicherungsverein a. G.

Dr. Ulrich Schumacher
Chairman of the Management Board
of Infineon Technologies AG,
Starnberg
– since July 5, 2000 –
b) Infineon Technologies Asia Pacific
Pte. Ltd., Singapore
(Chairman Board of Directors)
Infineon Technologies Austria AG,
Villach (Chairman)
Infineon Technologies Japan K. K.,
Tokyo (Chairman Board of Directors)
Infineon Technologies North
America Corp., Wilmington,
Delaware, USA (Chairman Board
of Directors)

Dr. Alfred Tacke
State Secretary Ministry
of Economics and Technology,
Celle
a) Postbank AG

Heinrich Weiss
Chairman of the
Management Board of SMS AG,
Hilchenbach-Dahlbruch
– since July 5, 2000 –
a) Bertelsmann AG
Commerzbank AG
Ferrostaal AG
Heraeus Holding GmbH
HOCHTIEF AG
J. M. Voith AG
SMS Demag AG (Chairman)
b) Chen Hsong Holding Ltd.,
HongKong
Concast Holding AG, Zürich
(Chairman)
Thyssen-Bornemisza Group,
Monaco

Horst Zimmermann*
Chairman of the Central Works Council
of DB Reise & Touristik AG,
Nürnberg
– since July 5, 2000 –
a) DB Reise & Touristik AG

* Employee representative on the Supervisory Board
a) Membership in Supervisory Boards required by law
b) Membership in comparable Supervisory Boards of domestic and foreign companies
Information as of December 31, 2000, or the date of resignation.

Management Board

Hartmut Mehdorn
CEO and Chairman of the
Management Board,
Berlin
a) DB Reise & Touristik AG (Chairman)
DB Regio AG (Chairman)
DB Cargo AG (Chairman)
DB Station & Service AG (Chairman)
DB Netz AG (Chairman)
Deutsche Bahn
Immobiliengesellschaft mbH
DEVK Deutsche Eisenbahn
Versicherung
Lebensversicherungsverein a. G.
DEVK Deutsche Eisenbahn
Versicherung Sach- und
HUK-Versicherungsverein a. G.
Lufthansa Technik AG
SAP AG

Klaus Daubertshäuser [1]
Marketing,
Wettenberg
a) DB Reise & Touristik AG
DB Regio AG
DB Cargo AG
DB Station & Service AG
DB Netz AG
DE-Consult Deutsche Eisenbahn
Consulting GmbH
S-Bahn Berlin GmbH (Chairman)

Dr. Horst Föhr
Personnel,
Berlin
a) DB Reise & Touristik AG
DB Regio AG
DB Cargo AG
DB Station & Service AG
DB Netz AG
DB Anlagen und Haus Service GmbH
(Chairman)
DB Arbeit GmbH (Chairman)
DB Gastronomie GmbH (Chairman)
DEVK Deutsche Eisenbahn
Versicherung
Lebensversicherungsverein a. G.
DEVK Deutsche Eisenbahn
Versicherung Sach- und
HUK-Versicherungsverein a. G.
dvm Deutsche
Verkehrsdienstleistungs- und
Management GmbH (Chairman)
Sparda Bank Berlin e. G. (Chairman)
b) UBB Usedomer Bäderbahn GmbH
(Chairman)

Dr. Christoph Franz [1]
Passenger Transport,
CEO and Chairman of the Management
Board of DB Reise & Touristik AG,
CEO and Chairman of the Management
Board of DB Regio AG,
Darmstadt
a) Mitropa AG (Chairman)
DEVK Deutsche Eisenbahn
Versicherung Sach- und
HUK-Versicherungsverein a. G.
DF Deutsche Forfait AG

Wolfgang Gemeinhardt
Purchasing,
Usingen
– until December 31, 2000 –
a) DB Netz AG
DB Energie GmbH (Chairman)
DB Projekt Verkehrsbau GmbH
Deutsche Gleis- und Tiefbau GmbH
b) DBBau Projekt GmbH

Roland Heinisch [2]
Track Infrastructure / Integrated Systems,
CEO and Chairman of the Management
Board of DB Netz AG,
Idstein
a) DB Reise & Touristik AG
DB Regio AG
DB Cargo AG
DE-Consult Deutsche Eisenbahn-
Consulting GmbH (Chairman)
TLC Transport-, Informatik- und
Logistik-Consulting GmbH
b) DBBau Projekt GmbH
ETC Transport Consultants GmbH
Gemeinschaftskernkraftwerk
Neckar GmbH
Magnetschnellbahn-
Fahrweggesellschaft mbH (Chairman)
MVP Versuchs- und
Planungsgesellschaft mbH

Dr. Bernd Malmström
Freight Transport,
CEO and Chairman of the Management
Board of DB Cargo AG,
Mainz
– since May 1, 2000 –
a) BLG Bremer Lagerhausgesellschaft
AG
b) Deutsche Umschlaggesellschaft
Schiene-Straße (DUSS) mbH
(Chairman)
Hansarail GmbH
POLZUG GmbH

Peter Münchschwander
Track Infrastructure,
CEO and Chairman of the Management Board of DB Netz AG,
Bad Homburg
– until August 31, 2000 –
a) DB Energie GmbH
Deutsche Gleis- und Tiefbau GmbH
DB Projekt Verkehrsbau GmbH
Europäische Reisegepäckversicherung AG
Iduna Vereinigte Lebensversicherung a. G. für Handwerk, Handel und Gewerbe
b) DB Gleisbau Duisburg GmbH (Chairman)

Dr. Karl-Friedrich Rausch
Technology,
Weiterstadt
– since January 1, 2001 –
a) DB Energie GmbH
Lufthansa Service Holding AG

Diethelm Sack
Chief Financial Officer,
Frankfurt/Main
a) DB Reise & Touristik AG
DB Regio AG
DB Cargo AG
DB Station & Service AG
DB Netz AG
DB Anlagen und Haus Service GmbH
DB Informatik-Dienste GmbH (Chairman)
Deutsche VerkehrsBank AG
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a. G.
dvm Deutsche Verkehrsdienstleistungs- und Management GmbH
Mannesmann Arcor Verwaltungs-AG
TLC Transport-, Informatik- und Logistik-Consulting GmbH (Chairman)
b) DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH (Chairman)
EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial (Administrative Board)

Dr. Eberhard Sinnecker
Freight Transport,
CEO and Chairman of the Management Board of DB Cargo AG,
Darmstadt
– until June 30, 2000 –
a) Scandlines AG (Chairman)
Scandlines Deutschland GmbH
b) ABX Logistics GmbH
NDX Intermodal B.V.

Dieter Ullsperger
Passenger Stations/Real Estate,
CEO and Chairman of the Management Board of DB Station & Service AG,
Much
a) DB Reise & Touristik AG
DB Regio AG
DB Anlagen und Haus Service GmbH
DB Gastronomie GmbH
Deutsche Bahn Immobiliengesellschaft mbH (Chairman)
dvm Deutsche Verkehrsdienstleistungs- und Management GmbH
Mitropa AG
b) DBProjekt GmbH Stuttgart 21
Inter Auxilia GmbH (Advisory Board)
Verwertungsgesellschaft für Eisenbahnimmobilien GmbH & Co.KG

a) Membership in Supervisory Boards required by law
b) Membership in comparable Supervisory Boards of domestic and foreign companies

Information as of December 31, 2000/January 1, 2001, or the date of resignation.

[1] Mr. Daubertshäuser left the Management Board of DB Regio on March 31, 2000, and took a position on DB AG's Management Board with responsibility for the newly-formed Marketing Board Division as of April 1, 2000. Dr. Franz also took the chair of DB Regio AG's Management Board on April 1, 2000.

[2] Mr. Heinisch was responsible for Technology until August 31, 2000. He became responsible for Track Infrastructure/Integrated Systems and took the chair of DB Netz AG's Management Board on September 1, 2000.

Report of the Supervisory Board for the Financial Year 2000

Meetings of the Supervisory Board

In the past financial year, the Supervisory Board convened for four regular meetings and one constituent meeting. During its meetings, the Supervisory Board was briefed in detail by the Management Board on the business situation of Deutsche Bahn AG (DB AG) and its Group companies, important transactions, and planned policy. The Supervisory Board was extensively involved in the work of the Management Board and the company's position and development. In particular, it undertook in-depth consultations on business transactions that are subject to Supervisory Board approval according to the law or the Articles of Association.

The Executive Committee of the Supervisory Board maintained regular contact with the Management Board to discuss crucial business policy issues between these meetings. The Executive Committee of the Supervisory Board assembled for four regular meetings and one special meeting. During these meetings, the Executive Committee discussed in detail the major topics pending for the respective meetings of the full Supervisory Board, in addition to making the decisions referred to it on personnel-related issues involving the Management Board.

The Chairman of the Supervisory Board was in constant contact with the Management Board, and particularly with the CEO, and was continually briefed on all important business developments.

Work Focus

During the first six months of the year under review, the Supervisory Board was primarily involved in ongoing developments in the management structure of the DB Group. As a result of these consultations, the Supervisory Board passed a resolution to amend the Rules of Procedure of the Management Board of DB AG at its meeting of December 6, 2000.

During the year 2000, the Supervisory Board once again dealt with the DB Group's major construction projects – particularly the new Cologne–Rhine/Main line, the north-south link of the Berlin hub, and the construction and expansion of the Nuremberg–Ingolstadt–Munich line. The Supervisory Board paid special attention to the cost risks associated with these projects, drawing on the corresponding reports from the auditing firm PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

During its meeting on December 6, 2000, the Supervisory Board was presented with a preview of the year 2000 performance, the current status of budgetary and medium-term planning, and pending capital expenditures and other expense-related projects based on this status. Due to the large number of issues still unsolved after the 2000 situation assessment, the Management Board proposed to postpone submission of the final budget planning for DB AG for the financial year 2001, the mid-term five-year plan, and the long-term strategic goals of DB AG until the next Supervisory Board meeting in March 2001. The Supervisory Board accepted this proposal and defined terms for the transition period. In its meeting on March 14, 2001, the Supervisory Board approved the 2001 budget plan and acknowledged receipt of the five-year plan and the long-term strategic goals of DB AG, which were brought to its attention.

Financial Statements

The annual accounts prepared by the Management Board and the Management Report of DB AG were audited, together with the corresponding Group documents, and were issued an unqualified audit certificate by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the auditors selected by the Annual General Meeting. The auditors' report was discussed at length during the meeting on May 16, 2001, in the presence of the auditors, who attested the audit reports. The auditors presented the primary results of the audit and made themselves available for questions. The Supervisory Board accepted the results of the audit.

The Supervisory Board examined the annual accounts, the Management Report of DB AG, the consolidated financial statements, the Group Management Report for the financial year 2000, and the proposal for appropriation of retained earnings and raised no objections. The annual financial statements of DB AG for the financial year 2000 have been approved. They have thus been adopted.

The auditors also inspected the report prepared by the Management Board on relations with associated companies and issued it an unqualified audit certificate. The Supervisory Board also examined this report and raised no objections to the Management Board's declaration at the end of this report nor to the result of the audit by PwC.

Furthermore, as part of their audit of the financial statements, the auditors also examined the company's risk management system, as required pursuant to the German Act on Corporate Control and Transparency (corporate governance reform, KonTraG).

Changes in the Composition of the Supervisory Board and the Management Board

The term of office of the Supervisory Board members ended upon the conclusion of the Annual General Meeting on July 5, 2000.

At the Annual General Meeting on July 5, 2000, Dr.-Ing. Dieter H. Vogel, Niels Lund Chrestensen, Dr. (hon.) Friedel Neuber, and Mr. Albert Schmidt were reelected as shareholder representatives to the Supervisory Board. Dr.-Ing. (hon.) Dipl.-Ing. Hermann Franz, Dr. rer. nat. Hermann Krämer, and Dr. (hon.) Helmut Maucher left the Supervisory Board at that time. Dr. Michael Frenzel, Dr. Ulrich Schumacher, and Mr. Heinrich Weiss were welcomed as new members of the Supervisory Board. In his letter of June 8, 2000, the Federal Minister of Transport, Building and Housing reappointed Ms. Elke Ferner (State Secretary), Dr. Manfred Overhaus (State Secretary), and Dr. Alfred Tacke (State Secretary) to the Supervisory Board in accordance with Section 9 (2) of the Articles of Incorporation. Mr. Ralf Nagel (State Secretary) was appointed to the Supervisory Board effective February 5, 2001, as successor to Ms. Ferner (State Secretary – ret.).

The employee representatives were elected at the delegates' meeting in Berlin on June 29, 2000. Mr. Horst Fischer, Mr. Norbert Hansen, Mr. Horst Hartkorn, Mr. Günter Kirchheim, Mr. Lothar Krauß, and Mr. Günter Ostermann were reelected to office. Ms. Marlies Helling, Mr. Christian Bormann, Mr. Manfred Probst, and Mr. Rolf Schökel left the Supervisory Board at the end of the Annual General Meeting and were succeeded by Ms. Heike Moll, Mr. Peter Debuschewitz, Mr. Jörg Hensel, and Mr. Horst Zimmermann.

The Supervisory Board thanked the former representatives for their committed work.

In its constituent meeting of July 5, 2000, the Supervisory Board confirmed Dr. Vogel as its Chairman, Mr. Hansen as its Deputy Chairman, and reelected Ms. Ferner (State Secretary – ret.), Dr. Vogel, Mr. Hansen, and Mr. Kirchheim to the Executive Committee of the Supervisory Board. The committee pursuant to Article 27 (3) of the German Codetermination Act was formed with the same composition.

Dr. Vogel resigned from his offices as Chairman and member of the Supervisory Board by his letter of March 7, 2001. Over the past two years, Dr. Vogel led the Supervisory Board with expertise and great circumspection. The Supervisory Board thanked Dr. Vogel in the name of the entire Group for his outstanding contributions to and solidarity with the DB Group.

At the Supervisory Board meeting on March 14, 2001, Dr. Frenzel was elected Chairman of the Supervisory Board and member of its Executive Committee. At the same meeting, Mr. Ralf Nagel (State Secretary) was appointed to the Executive Committee and the committee pursuant to Article 7, Paragraph 3, Codetermination Act, as successor to Ms. Ferner (State Secretary – ret.).

As a consequence of the reorganization of management structures in the DB Group, Dr. Christoph Franz was appointed head of the newly created "Passenger Transport" Board Division as of April 1, 2000. Dr. Franz is now responsible both for long-distance and local passenger transport. Also, Mr. Klaus Daubertshäuser assumed responsibility for the newly created "Marketing" Board Division as of that date.

The appointment of Dr. Eberhard Sinnecker, Management Board member in charge of the "Freight Transport" Board Division, ended on June 30, 2000. Dr. Bernd Malmström was appointed his successor effective July 1, 2000.

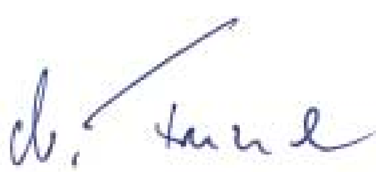
Mr. Peter Münchschwander resigned his office as the member of the DB AG Management Board responsible for “Track Infrastructure,” in agreement with the Supervisory Board, as of August 31, 2000. Mr. Roland Heinisch assumed responsibility for the “Track Infrastructure/Integrated Systems” Board Division effective September 1, 2000. Mr. Heinisch had been responsible for the “Technology” Board Division up to that point. Dr. Karl-Friedrich Rausch was appointed his successor to the “Technology” Board Division unit effective January 1, 2001.

Mr. Wolfgang Gemeinhardt, Management Board member responsible for the “Purchasing” Board Division, left the Board upon the conclusion of his contract on December 31, 2000. As a result of the restructuring of the management structure, this function was not filled by a Management Board member. Instead, it was vested with general power of representation and assigned to the CEO’s area of responsibility.

The Supervisory Board would once again like to thank the retired members of the Management Board, who led the DB Group through difficult times and laid the foundation for the company’s turnaround.

The Supervisory Board also thanks the Management Board, all employees, and employee representatives of DB AG and its associated companies for their dedication during the financial year 2000.

Berlin, May 2001
For the Supervisory Board



Dr. Michael Frenzel
Chairman

January

The Group Freight Transport division launches **Railion,** a European freight transport platform which is also open to other partners.

ChemCargo is a new DB Cargo transport service which caters specially for the requirements of clients in the chemicals industry. ChemCargo connects 69 forwarding and 72 reception points in Germany.

Since the start of the year, rail passengers can enjoy a "clear run" between Uelzen and Salzwedel: closing the gap between these two cities, which were formerly separated by the border between East and West Germany, completes **German Unification Traffic Project No. 3.**

February

Instead of building a track for the magnet Transrapid, it is decided to **upgrade the line between Hamburg and Berlin** for conventional high-speed traffic. The line is scheduled to go into service by the end of 2004.

The **Parcel Intercity,** a freight train which runs at 150 km/h, is put on rail as a joint project by DB Cargo and Deutsche Post and provides a direct link between Hamburg and Munich.

March

The new **Hanover Messe-Laatzen** station at the exhibition center opens on schedule as the main gateway to the EXPO. Following comprehensive conversion work, **Cologne Central Station** is revealed in a brilliant new look.

April

DB Cargo and SJ Cargo sign a cooperation agreement aimed at **improving freight traffic between Germany and Sweden.**

Under the slogan **Mr. Bahnhof,** the 81 new station managers now assume more responsibility for safety, service and station cleanliness.

Deutsche Bahn launches its **new advertising campaign.**

May

The project company **Rhealys** is founded by the respective national railways to enable implementation of the planned cross-border high-speed traffic network between France, Luxembourg, Switzerland and Germany. The services are scheduled to go into operation in 2006.

Inauguration of the new **Airport Station in Düsseldorf** integrates the airport in the high-speed long-distance rail traffic network.

The new **S-Bahn** (metro) **Hanover** goes into operation in time to serve EXPO, the World Exposition.

June

Between June and October 2000, the railway acts as **Official Carrier to the EXPO,** taking 2.2 million visitors to Hanover. An average of 60 special trains are added to the regular daily services. The new ICE 3 goes into service.

The Swiss federal railways SBB, the Austrian federal railways ÖBB, and Deutsche Bahn agree to intensify and expand cross-border traffic under the name **TEE Rail Alliance.**

01 02 03 04 05 06

July

Group management moves into its new headquarters in Berlin, the **“Bahn Tower”** in Potsdamer Platz. All the central Group management functions are now united under one roof.

After 55 years of insular existence, “Germany’s emerald isle” is again linked to the mainland by **Usedomer Bäderbahn** (UBB).

August

In the course of the **Safetrain research project,** crash tests are carried out on the Zmigrod test route in Poland. Never before have trains been exposed to such a high impact speed – equivalent to 100 kilometers per hour – during crash tests. The aim of the project is to test newly developed safety elements on vehicle bodies.

September

As a demonstration of its customer focus, Deutsche Bahn announces it will **waive fare increases** on long-distance routes, although these are necessary from the financial point of view. The 4.7 per cent price increase announced for freight transport is also postponed.

The **market-oriented services – passenger transport** (MORA P) concept is expected to substantially boost the economic viability of passenger transport by developing a demand-oriented range.

In future, Porsche will have all its **sports cars** destined for the American and Japanese markets **transported by rail** in special enclosed wagons to the shipping station in Emden.

October

Both Passenger and Freight Transport achieve the **best monthly performance figures since the start of the rail reform.**

Deutsche Bahn becomes **sponsor to the national German basketball league.** It will provide support not only for top-class players, but also for up and coming young talent.

November

The **ICE 3** goes into service between **Amsterdam and Cologne** as a multi-system version. On completion of the new Cologne – Rhine/Main line, the ICE 3 will continue on to Frankfurt.

The **market-oriented services – cargo** (MORA C) concept is presented for the reorganization of freight transport. This new concept will be implemented in stages up to the year 2004.

The railway station designed as a **work of art** primarily by Viennese artist and architect Friedensreich Hundertwasser is inaugurated in Uelzen.

December

“Kurhessenbahn” is the first regional railway network to go into operation as part of a new corporate structure with independent financial responsibility. This **program for promoting medium-sized companies** is aimed at revitalizing passenger transport in the region.

DB Station&Service AG signs an agreement with the federal land of North Rhine-Westphalia for a **station modernization campaign** in NRW. The regional government will provide financial support.

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The complete Annual Report and additional information are available on the Internet:

http://www.bahn.de

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Deutsche Bahn Group Seven-Year-Summary

in € million	2000	1999	1998	1997	1996	1995	1994
Balance sheet							
Properties [1]	34,071	32,815	31,155	29,866	24,034	21,815	17,982
Financial assets	600	680	584	665	710	367	305
Fixed assets	**34,671**	**33,495**	**31,739**	**30,531**	**24,744**	**22,182**	**18,287**
Inventories	973	866	654	604	490	597	709
Accounts receivable and other assets [2]	3,023	2,346	2,141	2,277	3,755	3,139	1,804
Cash and cash equivalents	394	280	351	447	603	654	640
Current assets	**4,390**	**3,492**	**3,146**	**3,328**	**4,848**	**4,390**	**3,153**
Prepayments and accrued income	406	211	76	33	30	48	53
Total assets	**39,467**	**37,198**	**34,961**	**33,892**	**29,622**	**26,620**	**21,493**
Equity	8,788	8,701	8,528	8,422	6,711	6,278	6,218
Special items	19	23	38	47	205	177	154
Pension and other long-term provisions	8,420	9,241	9,881	9,627	9,902	9,128	7,585
Tax and other short-term provisions	5,747	3,714	2,612	2,181	2,237	1,979	1,401
Provisions	**14,167**	**12,955**	**12,493**	**11,808**	**12,139**	**11,107**	**8,986**
Interest-free loans	6,714	6,344	8,284	7,363	6,308	4,781	2,340
Interest-bearing debt	5,463	4,192	2,532	1,713	858	606	513
Other liabilities	3,337	3,609	2,971	4,413	3,284	3,570	3,203
Liabilities	**15,514**	**14,145**	**13,787**	**13,489**	**10,450**	**8,957**	**6,056**
Accruals and deferred income	979	1,374	115	126	117	101	79
Total liabilities and shareholder's equity	**39,467**	**37,198**	**34,961**	**33,892**	**29,622**	**26,620**	**21,493**
Statement of income							
Revenues	15,465	15,630	15,348	15,577	15,452	15,249	14,793
Overall performance	17,267	17,521	17,104	17,422	17,227	17,244	16,191
Other operating income	3,653	2,511	2,596	2,141	2,169	1,702	1,799
Cost of materials	– 6,625	– 6,688	– 6,595	– 6,716	– 6,475	– 5,757	– 5,195
Personnel expenses	– 8,475	– 8,285	– 8,389	– 8,663	– 8,881	– 9,523	– 9,898
Depreciation	– 2,052	– 1,965	– 1,737	– 1,620	– 1,387	– 1,148	– 984
Other operating expenses	– 3,436	– 2,790	– 2,546	– 2,204	– 2,169	– 2,236	– 1,649
Investment income	– 44	– 55	– 143	– 151	– 127	5	19
Net interest	– 251	– 158	– 89	– 26	12	– 4	– 32
Income before taxes	37	91	201	183	369	283	251
Income after taxes	85	87	170	200	577	135	93
Other financial figures							
EBITDA [3]	2,502	2,036	1,997	1,920	1,706	1,401	1,248
EBIT [4]	450	71	260	300	319	253	264
Cash flow before taxes	2,113	2,107	1,985	1,833	1,777	1,445	1,477
Short-term liabilities	9,329	7,325	5,803	7,145	5,992	6,018	5,232
Long-term liabilities	21,331	21,149	20,592	18,278	16,714	14,147	9,889
Capital employed [5]	27,443	24,911	22,656	20,878	18,600	17,147	14,926
Gross capital expenditures	6,892	8,372	7,660	7,136	7,771	7,329	7,128
Net capital expenditures [6]	3,250	3,229	3,040	6,223	5,056	5,107	5,533

	2000	1999	1998	1997	1996	1995	1994
Key figures							
Fixed assets as % of total assets	87.8	90.0	90.8	90.1	83.5	83.3	85.1
Equity incl. special items in % of total assets	22.3	23.5	24.5	25.0	23.3	24.2	29.6
Fixed assets coverage (in %) [7]	86.9	89.2	91.9	87.6	95.5	92.9	88.9
Cash flow coverage of net capex (in %)	65.0	65.3	65.3	29.5	35.1	28.3	26.7
Return on capital employed (ROCE) (in %) [8]	1.6	0.3	1.1	1.4	1.7	1.5	1.8
Interest coverage [9]	1.1	1.4	2.3	2.4	5.2	4.3	4.6
Cash flow return on revenues (in %) [10]	13.7	13.5	12.9	11.8	11.5	9.5	10.0
Return on revenues before interest expenses and taxes (in %)	2.5	2.1	2.3	2.0	2.9	2.4	2.2
Rail transport performance							
Total passengers (million)	1,712.5	1,680.1	1,668.4	1,641.0	1,596.4	1,539.4	1,430.6
thereof long-distance	144.8	146.5	148.9	152.2	151.2	149.3	139.3
thereof local	1,567.7	1,533.6	1,519.5	1,488.8	1,445.2	1,390.1	1,291.3
Total passenger kilometers (million pkm)	74,388	72,846	71,853	71,630	71,028	70,334	64,539
thereof long-distance	36,226	34,897	34,562	35,155	35,620	36,277	34,845
thereof local	38,162	37,949	37,291	36,475	35,408	34,057	29,694
Freight carried (million t) [11]	301.3	279.3	288.7	294.9	287.9	300.4	306.9
Ton kilometers (million tkm) [11]	80,634	71,494	73,273	72,614	67,880	69,492	70,554
Total transport performance (million ptkm) [11]	155,022	144,340	145,126	144,244	138,908	139,826	135,093
Train kilometers (million train-path km)	984.2	976.7	946.5	–	–	–	–
Employees							
average	230,615	244,851	259,072	277,471	295,610	331,774	355,694
at year end	222,656	241,638	252,468	268,273	288,768	312,579	331,101

1) Including intangible assets
2) Including securities
3) Adjusted operating income before interest, taxes, and depreciation
4) Adjusted operating income before interest and taxes
5) (Properties and intangible Fixed assets) less Interest free loans plus Net working capital
6) Gross capital expenditures less investment grants from third parties
7) Long-term capital / Fixed assets
8) Return on capital employed, defined as EBIT / Capital employed
9) (Income before taxes plus interest expenses) / Interest expenses
10) Cash flow / Revenues
11) Until 1997 including less then carload-business; from 2000 on including Railion Benelux

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