Die Bahn DB

Annual Report 2001

Record High in Passenger Transport

At 74.5 billion pkm, passenger transport performance showed a slight increase over the previous year's record result – even though EXPO services were discontinued. We once again gained market share.

Positive Development in Revenues

Despite the difficult economic environment, we were able to increase revenues by 1.7 % to € 15.7 billion in 2001.

Restructuring, Performance, Growth

We have a clear strategy and an intensive capital expenditures program for modernizing Deutsche Bahn and getting it in shape for the future.

Key figures in € million		**2001**	**2000**	**Change in %**
Revenues		15,722	15,465	+ 1.7
Income before taxes		– 409	37	–
Income after taxes		– 406	85	–
EBITDA before special burdens compensation		1,433	1,264	+ 13.4
EBITDA		2,271	2,492	– 8.9
EBIT		109	450	– 75.8
Operating income after interest		– 204	199	–
Return on capital employed	in %	0.4	1.6	–
Fixed assets		35,790	34,671	+ 3.2
Total assets		41,962	39,467	+ 6.3
Equity		8,436	8,788	– 4.0
Cash flow before taxes		1,786	2,113	– 15.5
Gross capital expenditures		7,110	6,892	+ 3.2
Net capital expenditures [1]		3,307	3,250	+ 1.8
Employees (as of Dec 31)		214,371	222,656	– 3.7

Performance figures Passenger Transport			**2001**	**2000**	**Change in %**
Passengers	DB Reise & Touristik	million	136.3	144.8	– 5.9
	DB Regio	million	1,565.4	1,567.7	– 0.1
	Total	million	**1,701.7**	**1,712.5**	– 0.6
Passenger kilometers	DB Reise & Touristik	million pkm [2]	35,342	36,226	– 2.4
	DB Regio	million pkm [2]	39,117	38,162	+ 2.5
	Total	million pkm [2]	**74,459**	**74,388**	+ 0.1
Train kilometers	DB Reise & Touristik	million train-path km [3]	161.5	175.9	– 8.2
	DB Regio	million train-path km [3]	560.2	563.9	– 0.7
	Total	million train-path km [3]	**721.7**	**739.8**	– 2.4
Freight Transport [4]					
Freight carried		million t	291.3	301.3	– 3.3
Ton kilometers		million tkm [5]	80,348	80,634	– 0.4
Mean transport distance		km	275.8	267.6	+ 3.1
Train kilometers		million train-path km [3]	226.9	225.5	+ 0.6
Passenger Stations					
Number of passenger stations			5,760	5,794	– 0.6
Track Infrastructure					
Train kilometers on track infrastructure		million train-path km [3]	977.3	984.2	– 0.7
Length of line operated		km	35,986	36,588	– 1.6

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

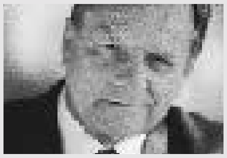
[2] Passenger kilometers (pkm): product of number of passengers and mean travel distance

[3] Train-path kilometers: driving performance in km of trains on rail

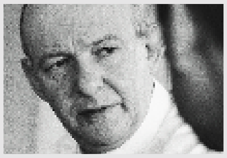
[4] Please note: all ton figures represent metric tons (1,000 kg = 2,200 lbs.

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

Management Board



Hartmut Mehdorn
Chairman and CEO
Personnel (provisional)



Diethelm Sack
Finances/Controlling

Dr. Karl-Friedrich Rausch
Technology

Klaus Daubertshäuser
Marketing

Dr. Christoph Franz
Passenger Transport

Dr. Bernd Malmström
Freight Transport

Roland Heinisch
Track Infrastructure/
Integrated Operations

Organizational Structure

Management Board of Deutsche Bahn AG

Chairman and CEO	Finances/ Controlling	Technology	Marketing
Personnel	Passenger Transport	Freight Transport	Track Infrastructure/ Integrated Operations

Core Business

Group functions

Service functions

Group Division Passenger Transport
DB Reise&Touristik AG [1]
DB Regio AG [1]
- Business Unit Regional Transport
- Business Unit Urban Transport
- Business Unit Long-Distance Transport

Group Division Freight Transport
Railion GmbH [1]
DB Cargo AG [1]
- Business Unit Wagonload Transport
- Business Unit Combined Rail/ Road Transport

Group Division Passenger Stations
DB Station& Service AG [1]
- Business Unit Traffic Station
- Business Unit Marketing

Group Division Track Infrastructure
DB Netz AG [1]
- Business Unit Long-Distance/ Conurbation Network
- Business Unit Regional Networks
- Business Unit Marshaling Yards/Trans-shipment Terminals

- DB Energie
- DB Services
- DB Systems
- DB ProjektBau [2]
- DB Telematik [3]

[1] And related subsidiaries

[2] Consolidation of project construction activities planned in 2002

[3] Takeover of rail specific communication activities in 2002

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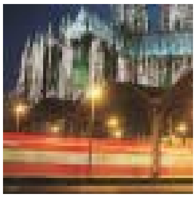
Eight-Year-Summary



Dear Ladies and Gentlemen,

The year 2001 was a good year for Deutsche Bahn, despite the overall unfavorable direction of the economy. The measures already introduced in 2000, the first year under my responsibility, bore fruit. Our results are not only in line with our plans: They are better than planned.

We were able to limit the expected decline in our operating income after interest, which was due to our intensive capital expenditures and modernization program. Our results were € 174 million better than assumed in our plans.

Despite the weak economy and the elimination of special factors due to EXPO 2000, revenues were 1.7 % higher than in the previous year.

We were able to further increase our transport performance in passenger transport, reaching the highest figure since the start of the rail reform program. Compared to the almost 1 % decline in motorized private traffic, this means rail is continuing to gain market share as a mode of transport.

In freight transport we were able to keep transport performance almost at last year's level. This represents the second-highest value since the start of the rail reform program and is a considerable achievement for several reasons. Firstly, because we were confronted with a major economic decline in the second half of the year, from which goods predisposed to rail transport were especially hard-hit. And secondly, because we began a comprehensive reorganization and restructuring of our production processes in the transport of single freight cars at the same time within the framework of our MORA C program.

Our 2001 annual figures show: The restructuring of Deutsche Bahn has continued to pick up speed – despite the massive capital expenditures and enormous modernization effort required. The comprehensive modernization of the rail system was one of our primary focuses in 2001: Capital expenditures were increased by € 0.2 billion compared to the previous year, to over € 7.1 billion. In particular, our Group Track Infrastructure division invested over € 500 million more than in the previous year.

Among other effects, this enabled us to halve the number of reduced-speed restrictions and vastly improve the condition of many parts of our rail network. This has had immediate positive effects on the reliability and punctuality of our trains, developments that our customers are already rewarding with increasing demand.

To make our stations cleaner and more attractive to our customers, we committed some € 40 million in additional funds to our cleanliness program in 2001. In addition, we started a security partnership with the Federal Ministry of the Interior that not only includes joint patrols in the stations, but also measures for security in the trains and along the tracks that are implemented together by the Federal Border Guard and Deutsche Bahn's own security forces.

Our modernization and procurement program for new vehicles also continued at full speed in 2001 – in both freight and passenger transport. In this area, as well, the effects on demand are clear: We were able to double sprinter capacity along the Frankfurt–Berlin route; local transport routes that run modern trains have seen ridership increases of up to 70 %.

The single most important measure in 2001, however, was the development and implementation of a uniform strategic goal for the Group as a whole, as well as corresponding individual strategies for the Group divisions and cross-division strategies for common issues such as personnel development, purchasing and procurement.

Every measure we implement within our "DB Campaign" framework is dedicated to one of three paramount goals: restructuring, performance, and growth – three goals that we are pursuing simultaneously. Accordingly, the dedicated improvement of our performance accompanies our concentration on our core business. At the same time, we are applying our expertise to expanding existing market share and capturing related markets.

An example of this is the clear definition as well as tailored expansion and operation of lines, for the needs of high-speed, long-distance passenger transport on the one hand and regional transport on the other hand. We are also forming decentralized units in selected regions as part of our program for promoting mid-sized companies, units that can serve their local markets flexibly and directly. The first such transformations are already underway. The MORA P program, which also began in 2001, also deserves mentioning in this context. I wish to emphasize, however, that these efforts do not mean that Deutsche Bahn is withdrawing from regional services. Our overreaching goal is to provide market-focused, customer-oriented service, while making Deutsche Bahn profitable at the same time.

The same applies to the Freight Transport division, where the MORA C program was a major focus in 2001. By shutting down poorly frequented freight transport points, we have already been able to make significant gains without causing undue further pressure on the roads. In some cases, we were able to increase or consolidate freight traffic. In more than 80 cases, another railroad took over transport to the next major hub, an altogether logical and rewarding system for all participants.

We were able to improve our position in international transports in the cargo area. The expansion of Railion GmbH through the cargo division of DSB, the Danish State Railways – as the new Railion Denmark A/S – is a resounding success. Another growth area that we will be pursuing aggressively in the coming years is public transport in metropolitan areas. We plan to improve services by integrating regional and urban traffic.

After a comprehensive situation assessment in the year 2000, consequent changes to our internal structures and a binding commitment by the federal government to continued funding for maintenance and expansion of the rail network, "DB Campaign" at Deutsche Bahn finally got on track and began picking up speed in the second half of 2001.

We will continue on this course in the year 2002 – with the opening of the new Cologne–Rhine/Main line, the introduction of our new, simple, customer-friendly pricing system, and the reintegration of the telematics that are essential to rail operations – through the purchase of the corresponding Arcor division.

Increased customer satisfaction and our highest image values recorded in years – surveyed and confirmed by several independent institutes – confirm that we are on the right track. They are clear signs that our customers hold our efforts in high esteem. I would like to thank them heartily for this and for their loyalty, which we promise to continue to repay with even harder work and even better service in the future.

I would also like to sincerely thank all our employees. Without their commitment, reliability, and personal performance, we would not have been able to achieve such excellent results. We cannot afford to get sidetracked now. The switches have been set and the time is right to drive Deutsche Bahn onward to a successful future.

Hartmut Mehdorn
CEO and Chairman of the Management Board
of Deutsche Bahn AG

Group Management Report

Die Bahn DB

Group Management Report

We are aligning our company with market requirements within the framework of our strategy on restructuring, performance and growth. Our successes to date in restructuring prove we are on the right track. At the same time we are establishing the prerequisites for further growth with our intensive capital expenditures program.

Rail Reform Continues Ahead

New Management Structure Pays Off During the Year Under Review

Our market success 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 integrated rail system. The reorganization of our management structure implemented halfway through last year, which involved consolidating related competencies to form group and service functions (such as Purchasing, Legal, and Environmental Protection), proved itself during the year under review. The operative activities of the DB Group had already been structured into Group divisions as of June 1, 2000. The business activities within the individual Group divisions have been broken down into strategic business units. The legal structures remain unaffected by the management reorganization. The activities of DB Reise&Touristik and DB Regio were virtually merged into the Group Passenger Transport division, which enabled better coordination of services offered. In addition to the Group divisions Freight Transport, Passenger Stations, and Track Infrastructure, we had initially also consolidated our real estate activities in a separate Group Real Estate division. Continuing our strategy of concentrating on our core business, an internal revision of our Group portfolio led us to the decision to sell off major parts of our real estate activities in the medium term; accordingly, this area is no longer managed as a separate Group division as of January 1, 2002.

Group Portfolio Without Major Changes

The portfolio structure of the DB Group has only undergone minor changes during the year under review. Our primary focus was on continuing our course of restructuring and developing our core businesses. Therefore, the largest changes consist of the **spin-off of S-Bahn München GmbH** (Munich) from DB Regio AG into a separate subsidiary, S-Bahn München GmbH, and the **expansion of Railion**, our international joint venture in rail freight transport. Retroactive to January 1, 2001, Railion GmbH, Mainz purchased 100 % of the interest held by the Danish State Railways (DSB) in Railion Denmark A/S, Copenhagen/Denmark. In return, DSB received 2 % of the interest held by DB AG in Railion GmbH. This reduced the share held by DB AG to 92 %; N.S. Groep N.V., formerly DB AG's sole partner in Railion GmbH, continues to hold 6 % of Railion GmbH. The successful integration of Railion Denmark during the year under review enabled us to further strengthen the position of Railion as a key platform for European transportation and logistics services. Railion GmbH continues to function purely as a holding company.

At the start of 2001, we transferred the **heavy maintenance facilities** (the so-called "C facilities") from DB Reise&Touristik AG, DB Regio AG, and DB Cargo AG to a **service function within the DB AG**. We devised a facility concept that will enable optimization in the long term. At the same time, we have concentrated the entire purchasing, sales, and staging of energy sources within the DB Group in DB Energie GmbH. For this reason, DB Netz AG transferred its 50 Hz electricity sales and energy consulting to DB Energie GmbH, effective January 1, 2001. In a second step, the rail power equipment (separate 16.7 Hz equipment and the direct current equipment of S-Bahn Hamburg), the 50 Hz distribution networks of DB Netz AG, and the electrical train pre-heating systems were transferred to DB Energie GmbH, effective July 1, 2001. We expect these measures to provide greater efficiency and help us capture significant synergy potential.

The other changes in our holdings had no major influence on the structure of the DB Group. DB Regio AG purchased interests in several small bus companies, for example, with the aim of improving integrated transportation services. The expansion of integrated urban transportation systems is one of our major objectives; our planned joint venture with üstra in Hanover is a prime example. In freight transport, we have expanded our logistics services through Railog GmbH, our joint venture with Stinnes AG and its subsidiary Schenker AG. As the result of a minor, internal optimization of our structure, DB Medien GmbH was merged with DB AG.

In addition, to further develop our portfolio, we conducted negotiations with Arcor regarding a tighter control of DB AG's telematics services. This – as well as the planned consolidation of our project construction activities and the consolidation of activities in the DB Systems and DB Service business units – is discussed in the later section Events After the Balance Sheet Date.

Clear Focus on a Successful Completion of Rail Reform

Our development over the year under review follows our multiyear strategy for a successful completion of the Rail Reform program started in 1994. Our efforts were aimed both at creating a **reliable framework** for our entrepreneurial activities and **incrementally developing and implementing sustainable strategies in our core businesses**. The **Trilateral Agreement** (March 2001) with the Federal Ministry of Finance and the Federal Ministry of Transport, Building and Housing has given us an improved basis on which to plan, and also enables higher capital expenditures. In September 2001, the task force appointed by the Federal Ministry of Transport, "Zukunft Schiene" ("Future Rail"), confirmed that our vertically integrated corporate structure is target-oriented and compatible with the legal requirements of the European Union. We have also concluded necessary agreements with labor. Based on this reinforced framework, we were able to develop and introduce **our "DB Campaign" strategy**: With its approaches of restructuring, performance and growth, it puts us well on track towards readiness for an initial public offering. The necessary course of capital expenditures and modernization taken by the Group – including the associated **temporary drag on profits** – meets the full approval of our sole stockholder, the federal government. Following our market success and the progress made by the "Fokus" restructuring program during the year under review, we have set a firm goal for the near future: the consequent implementation of our programs for a **sustained strengthening of the rail as a mode of transport in the growth markets of personal mobility and transportation**.

Overall Economic Situation

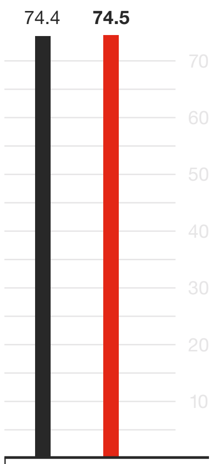
Overall, the economic development in real terms fell significantly short of forecasts and expectations in the year 2001. The decline in **global economic development** that had already begun in mid-2000 progressed rapidly during the first six months of 2001, mainly the result of increased oil prices, the crash in the IT sector, and the downturn of the stock markets resulting from a readjustment of investors' expectations. Fleeting hopes for economic stabilization towards the end of 2001 were shattered by the terrorist attacks on the United States; the subsequent deterioration of the economic environment increased the downward trend. In total, global growth for the year 2001 declined to some 2 % (previous year: 4.7 %). As a result, the growth in global trade in 2001 was less than 0.5 % (previous year: 12.4 %).

On the **European continent**, the main operating environment for our Group, overall growth in gross domestic product (GDP) slowed nearly to a halt in mid-2001. The growth rate for the euro zone and the European Union (EU) is now merely around 1.5 %. The European economies were hit especially hard by the decline in the global economy, which resulted in a slowdown in corporate investments in the euro zone. Development in Central and Eastern European countries was positive in comparison, as they only suffered a minor economic slowdown.

GDP in **Germany** increased by a real 0.6 % over the previous year in 2001, representing the second-weakest economic growth in Germany since its reunification (1993: –1.1 %). Exports made a stronger contribution to economic growth in 2001 than in the previous year, at some 1.5 percentage points. Declines resulted from a drop in equipment investments of 5.0 % (previous year: +8.7 %) and the increasing decline in construction investments of 5.8 % (previous year: –2.5 %). Real growth in consumer spending slowed to 1.1 % (previous year: 1.4 %).

Development and Performance of Transport Sectors

The deterioration of the overall economic situation during the year under review is reflected directly in the weaker development of the passenger and freight transport markets. In light of these difficult conditions, we are satisfied with the transport performance we achieved. Passenger transport performance slightly surpassed the previous year's value – in an overall declining market and despite the special influence of EXPO traffic in 2000 – which exceeded our expectations. In the freight transport market, the worsening economic conditions throughout the year led to a significant cooling of the multiyear growth trend; goods predisposed to rail transport were hit especially hard by this development. As a result, we experienced losses slightly in excess of those already anticipated through our streamlined supply. While the Group Passenger Transport division was able to slightly increase the record value of the previous year, the Group Freight Transport division fell slightly short of the previous year's record high despite the successful integration of Railion Denmark A/S.



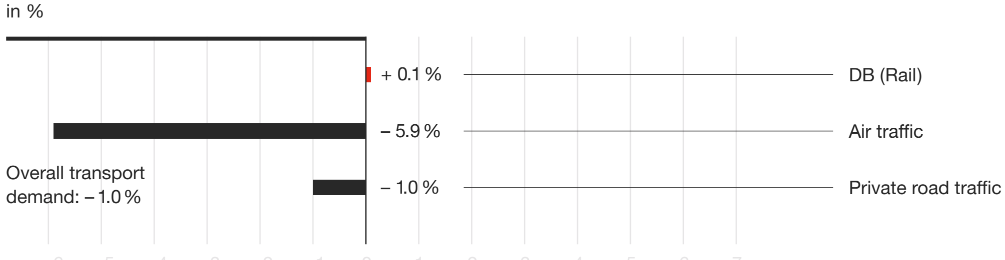
Total rail passenger transport performance
in billion pkm

Relative change: + 0.1 %
DB R&T: – 2.4 %
DB Regio: + 2.5 %

Passenger Transport

According to preliminary figures, transport performance in the passenger transport market (motorized private traffic, DB rail, domestic air traffic) declined by around 1 % in financial 2001 (previous year: –2.3 %), which represents the second consecutive year of decline. Overall market development reflected development in motorized private traffic, whose dominating market position determines the performance of the entire sector. According to preliminary figures, transport performance of motorized individual traffic declined by some 1 % in 2001 (previous year: –2.8 %). The reduction in transport performance is largely a result from the first few months of the year under review, when fuel prices were initially much higher than in the previous year. Transport performance in automobile traffic then increased as fuel prices dropped during the course of the year.

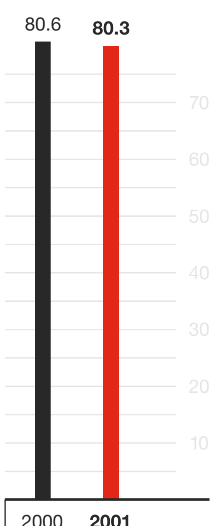
Growth rates in the passenger transport sector 2001
in %



We were able to stabilize our own transport performance in 2001 at 74.5 billion passenger kilometers (pkm), or 0.1 % above the previous year's level, thus **further expanding our market share**. Transport performance by the DB Reise&Touristik Group fell by 2.4 % compared to the previous year, to 35.3 billion pkm, due primarily to the elimination of traffic to the World Exposition EXPO 2000 and the effects of streamlining resulting from our market focus program (MORA P). In contrast, transport performance of the DB Regio Group increased by 2.5 % to 39.1 billion pkm, which is partially due to the substitution of long-distance transport through local transport services within the framework of MORA P.

Transport performance in domestic air traffic declined by some 6 % during the year under review, caused primarily by the pilots' strike at Lufthansa and general consumer insecurity following the terrorist attacks in the U.S. in September.

Freight Transport



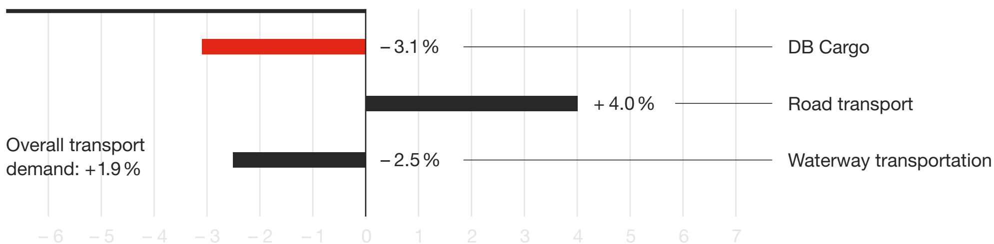
Total rail freight transport performance
in billion tkm

Relative change: – 0.4 %
Effect Railion Denmark: + 2.6 %

Faced with a weakening economic environment, the overall market (DB Cargo AG, road freight transport – both regional and long-distance, including foreign-flagged vehicles –, inland waterway transport) diminished over the course of 2001. Based on preliminary data, the overall market grew by a mere 1.9 % (previous year: + 3.7 %). This growth was driven entirely by road transport with a performance increase of some 4 %. Due to poor development in steel and mining products, transport performance in inland waterway transport and at DB Cargo AG dropped after the boom year 2000 (– 3.1 %; previous year: + 7.4 %). Despite the fact that DB Cargo AG was able to match the figures from the previous year during the first half of 2001, performance dropped continuously in the second half of the year. The strong influence of the steel and mining sector transports became apparent towards the end of the year; in particular, the drop in raw steel production resulted in a significant reduction in transport demand. In the coal shipping area, the intensifying competition with increasing coal imports through the ports of Amsterdam, Rotterdam and Antwerp (ARA ports) and the use of cheap imported electricity had an unfavorable effect on rail transport demand, as did the fact that imports of hard coal from Poland – a material especially predisposed to rail transport – only slowly increased over the second half of the year. Moreover, shipments of agricultural products declined due to reduced exports of German grain, and shipments of forestry products also dropped due to increased demand in 2000 because of unusually high wind damage to stocks. Shipments of petroleum products and construction materials enjoyed positive development.

As in the previous year, more than half of transport performance by DB Cargo AG was rendered in cross-border and international transports. The Group Freight Transport division achieved a total transport performance of 80.3 billion ton-kilometers[1)] (tkm), thanks to the first-time inclusion of Railion Denmark A/S, limiting the drop from the previous year's level to 0.4 % (previous year, including first-time inclusion of Railion Benelux N.V.: +12.8 %).

Growth rates in the freight transport sector 2001
in %



In addition to the **sustained strong competition between the various modes of transport**, intramodal competition also increased. Competition on the rails is increasing in importance, particularly in the areas of construction materials, petroleum products, chemicals, lumber, and containerized shipping.

Based on preliminary data, inland waterway transportation declined by some 2.5 %, a development due primarily to weather-related interruptions in service and the weak mining sector. Transit traffic was the only area that enjoyed a slight increase, whereas cross-border traffic declined slightly and domestic transportation dropped significantly.

Road transport continued to benefit from above-average growth in foreign trade in the year 2001, and increased its performance by some 4 % according to preliminary data. International transports once again increased overproportionally. Accordingly, the increase in performance by foreign-flagged vehicles, which dominate the market for cross-border transports, once again surpassed that of vehicles registered in Germany. **Pressure on freight rates continued unabated** in light of the existing cost advantages of foreign carriers.

1) Please note: All tkm figures represent metric tons (1,000 kg = 2,200 lbs.)


Abfahrt
Departure
Zeit
Über
Nach
ROSTOCK HBF
RE5 STRALSUND
BUDAPEST-K.PU.
COTTBUS
RE3 DESSAU HBF
RE4 WITTENBERG
RE1 COTTBUS
KÖLN HBF
Berliner Bürgerbräu

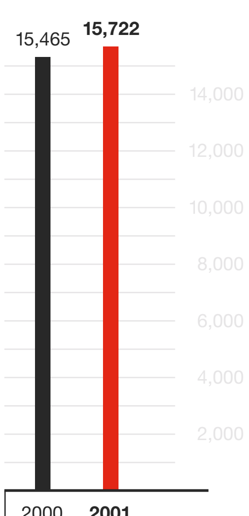
Business Performance

Revenue Trends: Repeated Increase

We were able to increase revenues by 1.7 % to € 15.7 billion in 2001. The special factors from the year under review and those from the previous year largely cancel each other out. On a comparable basis – e.g. adjusting the previous year's figures for the one-time effect of EXPO traffic and the figures for the year under review for Railion Denmark, which was included for the first time – revenues from internal growth increased by 1.9 %.

External Group revenues by Group division in € million	2001	Share in %	2000	Change in %
Group Passenger Transport division	11,064	70	10,980	+ 0.8
Group Freight Transport division	3,896	25	3,831	+ 1.7
Group Passenger Stations division	219	1	200	+ 9.5
Group Track Infrastructure division	138	1	110	+ 25.5
Others	405	3	344	+ 17.7
Group	**15,722**	100	**15,465**	+ 1.7

As in the previous year, all Group divisions contributed to our increase in revenues. The Group divisions Passenger Transport and Freight Transport made the highest absolute contribution to the revenue increase, while the Passenger Stations and Track Infrastructure divisions once again enjoyed strong growth rates. The overall revenue structure remained stable: The Group Passenger Transport division remained the area with the highest revenues, contributing 70 % (previous year: 71 %) of the total. The share of the Group Freight Transport division remained stable at 25 %. 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 within the Group.



Revenues
in € million

Relative change: +1.7 %

The Group **Passenger Transport** division, with external revenues of € 11.1 billion, topped the previous year's record value by 0.8 %. This increase in revenues is due to the **positive development of local transport**, while revenues in long-distance transport largely stagnated. Revenues of the long-distance transport business unit (DB Reise&Touristik Group) were € 3.5 billion, matching the previous year's level. Further increases in the share of higher-value ICE traffic compensated for the discontinuation of EXPO traffic in this unit. In local passenger transport, i.e. the regional and urban transport business units (of the DB Regio Group), the 1.2 % increase in revenues to € 7.6 billion was due to positive developments in farebox revenues (+ 3.5 % to € 3,297 million). Payments from ordered-service contracts with the federal states and the respective ordering organizations for local rail passenger transport declined slightly to € 4,310 million (previous year: € 4,331 million).

The slight increase of 1.7 % in the Group **Freight Transport** division to € 3.9 billion is mainly due to the first-time inclusion of Railion Denmark (revenues: € 76 million), with slightly lower revenues from existing business (–0.3 %).

The Group **Passenger Stations** division increased its external revenues in the year under review by 9.5 % to € 219 million; these revenues are primarily the result of marketing railway station spaces to third parties. As in the previous year, these figures positively reflect the completion of several station renovation projects.

External revenues of the Group **Track Infrastructure** division continue to grow dynamically. Increasing competition on the rails, combined with the repeated increases in market share achieved by competitors of our Group transport companies, resulted in an increase in external revenues in the Group Track Infrastructure division of 25.5 % to € 138 million. The train-path revenues contained in these figures resulted from use of the DB rail network by non-Group railroads, whose numbers have now increased to around 250.

In contrast to the previous year, real estate activities are no longer managed as a separate Group division.

Results Affected by Modernization Initiative

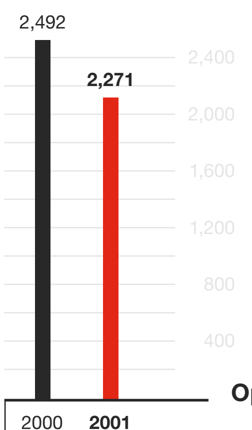
At € 17.5 billion, **overall performance** of the Group was some 1.6 % higher than the previous year's figure. This development was the result of an increase in revenues (+1.7 % to € 15.7 billion) and the slight increase in own work capitalized (+1.7 % to € 1.75 billion), with, once again, only minor inventory changes of € 0.1 billion. **Other operating income**, at € 2.4 billion, was significantly less than the previous year's figure (€ 3.7 billion), which had been inflated by the release of provisions for restructuring charges. Overall operating income amounted to € 19.9 billion, a 4.7 % decrease from the previous year. Total operating expenditures also decreased slightly to € 20.0 billion (–2.7 %). **Cost of materials** increased by 7.3 % to € 7.1 billion; its share of total performance increased from 38.4 % to 40.5 %. **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 personnel expenses in the area of the former Deutsche Reichsbahn. Compared to the previous year, the major factor in this development was a significant reduction due to the drawing of provisions for certain wage and salary components, which had been set up in the financial year 2000. On balance, personnel expenses dropped significantly by 11.7 % to € 7.5 billion. Measured by overall performance, personnel expenses in the year under review amounted to 42.7 % (previous year: 49.1 %).

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 after 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 modernization of the overall rail system is a major component of the rail reform program, a fact that is reflected in our high capital expenditures ratio. This results in increased charges due to **depreciation** as well as interest expenses. In the year under review, depreciation amounted to € 2.2 billion, 5.4 % over the previous year's figure. An expansion of capital market financing resulted in a decline in **net interest income** to € –313 million (previous year: € –251 million). Nonetheless, the ratio of interest expense to total expenditures remains low at 1.5 %. The total effect on expenses of the higher depreciation charge and the poorer interest balance was € 172 million compared to the previous year.

Net income from investments of € 2 million (previous year: € – 44 million) mainly comprises net income from equity interests in associated companies or expenditure related to the transfer of losses and write-downs on equity interests. The previous year's figure reflected the prorated transfer of startup losses from our equity investment in Mannesmann Arcor AG & Co. that was not fully compensated for by other investment income. This equity interest is no longer consolidated at equity in the year under review, due to the agreed-upon comprehensive restructuring.

On balance, the Group recorded **income before taxes** of € – 409 million in the financial year 2001 (previous year: € 37 million) and a **net loss** of € 406 million (previous year: net income of € 85 million).



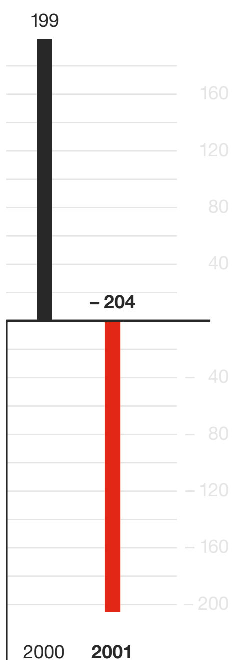
EBITDA
in € million

Relative change: – 8.9 %

Operating Income After Interest Better than Expected

The key figures for assessing our operating result are the adjusted measures EBITDA and EBIT, as well as operating income after interest. During the year under review, **EBITDA** (adjusted operating income before interest, taxes, depreciation) from operations decreased to € 2,271 million (previous year: € 2,492 million). In addition to a repeated increase in depreciation, this development is due to a significant decline in **EBIT** (adjusted operating income before interest and taxes) from € 450 million to € 109 million. **Operating income after interest** declined from € 199 million in the previous year to € –204 million as the result of our modernization program. Thanks largely to our "Fokus" restructuring program and positive revenue development, this result was better than expected in our medium-term planning.

Restated for the federal compensation for special burdens related to the former Deutsche Reichsbahn, such as surplus personnel expenses and increased costs of material, which is included in the EBITDA calculation – this compensation amounted to € 838 million in the year under review, € 390 million less than the previous year – EBITDA excluding special burden compensation reflects an **operating improvement of € 169 million** compared to the previous year. **Since 1994**, we have had to compensate for a total decrease in government compensation for burdens inherited from the Deutsche Reichsbahn amounting to € 2,424 million, while productivity increases have resulted in an **improvement in EBITDA, adjusted for the special burden compensation, of € 3,447 million**.



Operating income after interest
in € million

Operating income after interest in € million	**2001**	**2000**	**Change in %**
Group Passenger Transport division	240	173	+ 38.7
Group Freight Transport division	17	49	– 65.3
Group Passenger Stations division	6	4	+ 50.0
Group Track Infrastructure division	– 207	57	–
Other/Holdings/Consolidation	– 260	– 84	– 210.0
Group	**– 204**	**199**	–

Please note that the key figures Operating income after interest, EBIT, and EBITDA are adjusted operating results that do not include extraordinary components such as e.g. book profits from the sale of major holdings, provisions for risks from infrastructure projects and investment risks, reserves associated with facility closings, and reserves related to staff restructuring measures (socially acceptable measures, compensation for grandfathered benefits). Excluding these extraordinary components facilitates the analysis of the underlying business development.

Value Creation and Contributions Made

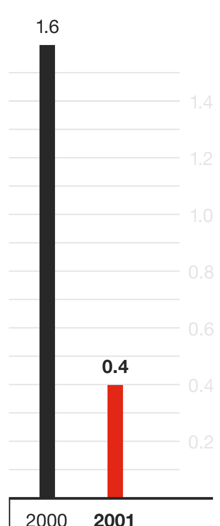
Value Creation Declines

The DB Group created total value of € 7.4 billion through its business activities during the year 2001. This represents a decrease of € 1.4 billion or 16.1 % compared to the previous year. The added value was created almost exclusively in the domestic market.

Generation of added value in € million	2001	2000
Overall performance	17,535	17,267
+ Other operating income	2,406	3,653
Overall operating income	**19,941**	**20,920**
– Cost of materials [1]	– 7,108	– 6,625
– Other operating expenses	– 3,282	– 3,436
– Depreciation (properties and intangible assets)	– 2,162	– 2,052
Added value	**7,389**	**8,807**

Distribution of added value in € million	2001	2000
Employees [1]	7,487	8,475
Public authorities (taxes)	– 3	– 48
Creditors	313	251
Shareholders (incl. minority interests) and non-operating income (income from investments)	– 408	129
Added value	**7,389**	**8,807**

[1] Restated for reimbursement of burdens inherited from the former Deutsche Reichsbahn



Return on capital employed

Relative change in %

Taking the special burden compensation into account, more than 100 % of the value added was distributed to staff (previous year: 96.2 %). The share going to creditors remained small. No distribution to shareholders or public authorities took place, due to the annual net loss.

Contributions to Added Value: ROCE Declines as Expected

The DB Group employs a return-on-investment concept in order to steer and channel our resources on a value basis. Our key measure of the performance of our business portfolio and for allocating capital expenditures is the return on capital employed (ROCE), which is calculated as the ratio of EBIT (operating income before interest and taxes) to capital employed. We have defined long-term target values 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. Our long-term goal for the DB Group's ROCE is around 10 %. Due to our exhaustive capital expenditures activities, capital employed continued to increase in 2001. The inevitable temporary operating loss, which we had to accept as a consequence of our modernization and capital expenditures program, and the associated reduced EBIT compared to the previous year resulted in a decline in ROCE from 1.6 % to 0.4 % during the year under review.

Balance Sheet Structure

The balance sheet total increased by 6.3 % (previous year: +6.1 %) to € 42.0 billion in the financial year 2001. The continuing growth in the balance sheet total is the result of high levels of capital expenditures on fixed assets (€ 35.8 billion; +3.2 %) and an increase in current assets of 27.4 % to € 5.6 billion. The share of fixed assets in total assets decreased to 85.3 % (previous year: 87.8 %).

Equity capital decreased by 4.0 % to € 8.4 billion as the result of the net loss. Combined with a further increase in the balance sheet total, the equity capital ratio fell from 22.3 % to 20.1 %. Long-term provisions and liabilities accounted for 58.2 % of total capital (previous year: 54.1 %), while short-term provisions and liabilities made up 21.6 % (previous year: 23.6 %). Equity and long-term debt therefore covered 91.8 % of fixed assets (previous year: 86.9 %).

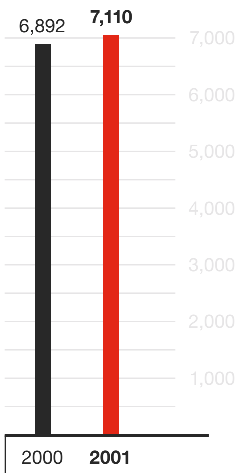
The analysis of the capital structure needs to take into account the fact that at € 7.3 billion (previous year: € 6.7 billion), a significant portion of our liabilities consists of interest-free federal government loans provided for infrastructure capital expenditures. Financial debt (interest-bearing liabilities) increased from € 5.5 billion to € 7.0 billion, but at 16.7 % of total capital as of December 31, 2001, its share remains low.

Balance sheet structure (in %)	2001	2000		2001	2000
			Equity	20.1	22.3
Fixed assets	85.3	87.8	Provisions	34.1	35.9
Current assets	13.3	11.2	Liabilities	43.6	39.3
Prepayments and accrued income	1.4	1.0	Accruals and deferred income	2.2	2.5
Balance sheet total	**100.0**	**100.0**	**Balance sheet total**	**100.0**	**100.0**

Capital Expenditures

Intensive Capital Expenditures Program for Aggressive Modernization

Since the start of the rail reform program, we have invested in the modernization of the rail system at a level that is unusually high in industry comparison. During the year under review, we approved augmentations to our capital expenditures program to accelerate this process. The measures implemented are aimed at improving the capacity of our infrastructure and rejuvenating our rolling stock. During the year under review, **gross capital expenditures** amounted to € 7.1 billion.



Gross capital expenditures in € million

Relative change: + 3.2 %

Capital expenditures in € million	2001	Share in %	2000	Change in %
Gross capital expenditures by Group division				
Group Passenger Transport division	1,584	22	1,804	– 12.2
Group Freight Transport division	321	5	405	– 20.7
Group Passenger Stations division	459	6	552	– 16.8
Group Track Infrastructure division	4,435	62	3,896	+ 13.8
Others	311	< 5	235	+ 32.2
Group	**7,110**	100	**6,892**	+ 3.2
Net capital expenditures	**3,307**	47	**3,250**	+ 1.8

The **Group Track Infrastructure division** is the **key factor in the structure of capital expenditures**, as well as in the changes in the year-on-year comparison. The declining capital expenditures of the transport divisions and the Group Passenger Stations division were more than compensated for by the increase in capital expenditures in the Group Track Infrastructure division. Its share of gross capital expenditures increased further to 62 % (previous year: 57 %). Thanks to the secure base for future planning provided by the Trilateral Agreement signed during the year under review, necessary capital expenditures in the Group Track Infrastructure division could be carried out at a higher overall level and with greater planning stability. The **major focus of our capital expenditures was on investments in the existing network**; other important projects included the new Cologne–Rhine/Main and Nuremberg–Ingolstadt–Munich lines, as well as the construction projects in Berlin. Capital expenditures **in the Group Passenger Transport and Freight Transport divisions primarily** involve the **acquisition of new rolling stock** as part of extensive, multiyear modernization programs. Capital expenditures in the Group Passenger Stations division consist of **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 a capital expenditures volume of € 0.6 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 in the accounts, and to a lesser extend 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: € 3.3 billion). As in financial 2000, the vast majority was invested in properties. **Investments in financial assets** were once again of little significance for the DB Group.

Financial Situation

Central Treasury Consolidates Resources

The DB AG's treasury 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, 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.

Rating Agencies Once Again Confirm Outstanding Creditworthiness

In the year 2000, the two leading credit rating agencies – Moody's and Standard & Poor's – awarded us excellent long-term ratings, with Aa1 (Moody's) and AA (Standard & Poor's). These ratings were confirmed during the year under review. 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). We thus retained our excellent position in comparison to other industrial companies, as well as to other rail companies (those without an explicit state guaranty). The presentation of our strategic focus, the "DB Campaign" strategy, during our international financial presentations enabled us to further improve our standing in the financial markets.

Sound Financing of Capital Expenditures Program

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 € 2.1 billion. In contrast, cash flow before taxes – a measure of our internal financing capability – was € 1.8 billion. Cash flow before taxes failed to meet the previous year's level (€ 2.1 billion) as the result of our weaker profitability. The ratio of cash flow before taxes to revenues fell from 13.7 % to 11.4 %.

We once again turned to the capital markets to finance some of our capital expenditures in financial 2001. We established a Debt Issuance Program in May 2001 in the amount of € 5 billion to respond flexibly and consistently to the needs of our investors. Both Deutsche Bahn AG and DB Finance B.V., Amsterdam/Netherlands, the Group's financing company, may issue bonds under this program. In addition to a 12-year bond issue in the amount of € 750 million, with a coupon of 5.125 %, we also issued securities in foreign currencies for the first time, with the cash inflow swapped to euros. We also issued a commemorative bond with illustrations of historical and modern trains and stations, which was Germany's last securities issue denominated in DM and printed for physical delivery. It was especially well-received by enthusiasts and collectors. In total, we issued some € 1.3 billion in securities during the financial year. We also obtained a loan in the amount of some € 300 million from the European Company for the Financing of Railway Rolling Stock (EUROFIMA), Basle/Switzerland.

Financial debt rose to a total of € 7.0 billion (previous year: € 5.5 billion). Cash and cash equivalents remained steady at some € 0.4 billion. In addition, our other assets included short-term cash investments through year's end in view of expected payments in the context of the Arcor DB Telematik GmbH transaction. As in the previous year, the DB Group had guaranteed credit facilities of approximately € 1.6 billion as well as the Multi-Currency Multi-Issuer Commercial Paper program of € 1 billion in the short-term sector. These financing instruments were not utilized as of the balance sheet date.

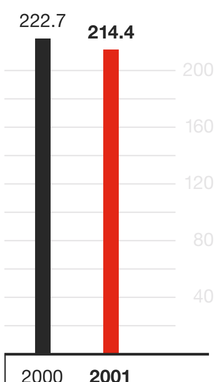
During the financial year 2001, DB AG concluded a sale-and-lease-back transaction involving passenger locomotives with a total volume of € 178 million. The sales price corresponded to the net book value on the balance sheet. The terms of the four contract tranches range from 13.5 to 15 years.

Employees

Group headcount was reduced from 222,656 as of December 31, 2000, to 214,371 as of December 31, 2001 (–3.7%). The average headcount during the year 2001 was 219,146, some 5.0% less than the previous year's figure.

The decline in Group headcount is the result of continued improvements to our processes and structures. A major component of the decline in the Group Passenger Transport and Freight Transport divisions was the transfer of the heavy maintenance facilities from these Group divisions to DB AG; the figure listed under Other increased accordingly.

We continued our policy of intensive training; accordingly, the adjusted trainee share with the Group remained high at 4.4% (previous year: 5.7%). As such, Deutsche Bahn has one of the largest numbers of trainees and apprentices among German companies.



Employees (at year end)
in thousand

Relative change: – 3.7%

Headcount by Group division as of December 31	**2001**	Share in %	**2000**	Change in %
Employees				
Group Passenger Transport division	72,814	34	83,062	– 12.3
Group Freight Transport division	32,442	15	38,555	– 15.9
Group Passenger Stations division	5,193	2	5,015	+ 3.5
Group Track Infrastructure division	52,089	24	53,554	– 2.7
Other	51,833	24	42,470	+ 22.0
Group	**214,371**	100	**222,656**	– 3.7
Apprentices/Trainees	9,091		11,851	
Trainee share (adjusted)	4.4%		5.7%	

Technology

The quality of our services is highly dependent on the quality and reliability of our technical means of production. In light of the alternative modes of transport available to our customers, both today and in future, we see our main challenges in retaining our established **high safety standards** and **promoting additional innovation** that will result in reliable, cost-efficient operations.

Safety Is Our Top Priority

Rail transport has a major safety advantage compared to competing modes of transport, an advantage stemming from the intrinsic high safety of the rail/wheel system combined with our own high safety standards, and reflected in both the safety standards of the established production systems and components and our active, day-to-day safety measures. We invest a great deal in comprehensive safety training. We work continually at maintaining and further improving our high safety standards through continual critical-point analyses and improvements to our systems and processes.

Reliability and Innovative Strength

Deutsche Bahn and other European railroads have to compete with road traffic and aviation, and are thus faced with major challenges regarding the design of our technical systems. Forecast growth and intensifying competition in the transport market require technology that is effective and reliable, while easy to maintain and affordable at the same time. High availability of the employed systems is a decisive factor in day-to-day operations. Especially in complex, networked production structures, high availability is required at all levels to provide attractive services to our customers.

The future of rail transport also depends on comprehensive modernization. The necessary innovations have to take interoperability among European railroads into account to make international transport possible. While actual research work is a function to be performed by industry, universities, and institutes, the main task of our Technology department is to rate these innovations and test them under operational conditions. To fulfill this role as innovation manager, we have to perform many different functions: We develop processes, define quality criteria, describe the interfaces between the subsystems supplied by the vendors – such as vehicles and track infrastructure –, write the specifications for procurement, and verify the required process and quality standards for the products. During operation, we have to ensure high availability of the technical products at reasonable cost, while at the same time developing additional optimization measures for procurement and system development. Standardization and modularization play a major role here: One of our primary goals is to reduce the currently huge variety of means of production with capital expenditures policies based on uniform standards.

Consolidation of Technical Competency

The future of rail transport is closely linked with the control of integrated technical systems. As managers of innovation, we give industry the information it needs to develop systematic solutions for integrated rail systems, and support their practical implementation. We have divided the activities of the DB Systemtechnik division, the former Research and Technology Center, into four areas: Innovation Management, System Implementation/Procurement Management, Systems Support, and Conformity and Certification. In the Innovation Management area, we focus on the future design of the interfaces between the various subsystems supplied by the vendors – such as vehicles and track infrastructure. We have to steer innovations from an early stage and make sure they enhance the development of our integrated system. Our System Implementation/Procurement Management area prepares specifications for ordering technical systems and verifies their implementation and commissioning in a quality assurance process. The Systems Support area is responsible for the continual monitoring of reliability, availability, safety, and costs of the employed systems. We use these analyses and our experience to develop approaches for further improvement. The Conformity and Certification area ensures the conformity and certification of our employed systems – supporting the development, commissioning and optimization measures – and issues reports for the supervisory authorities.

Purchasing

During the financial year 2001, the DB Group placed orders worth some € 11.6 billion (previous year: € 9.7 billion), once again 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	2001	2000
Construction and engineering services	4.1	3.5
Industrial products	4.1	2.7
Other services	2.1	2.1
Utilities and fuel	1.3	1.4
Total	**11.6**	**9.7**

A major element of our procurement program during the year 2001 was an order for new vehicles placed with the S-Bahn München bidding group, worth € 300 million. We also awarded two bidding groups contracts for the first two planning lots for the modernization of the Hamburg–Berlin line, with a total contract volume of some € 50 million.

Our total order volume was spread among almost 50,000 different suppliers. As in the previous year, a large share of total orders – some 48 % – was placed with small and medium-sized companies, especially in the construction services sector. Contracts awarded directly to foreign companies amounted to € 0.3 billion, slightly above the previous year's figure (€ 0.2 billion).

The Purchasing service function has set ambitious goals within the "Fokus" framework, which will be implemented incrementally. Purchasing has initiated a variety of activities together with the various DB Group divisions. In the vehicle sector, cooperation with the DB Group Technology function ensures that aspects of quality assurance, standardization, modularization, and life cycle cost are increasingly taken into account as early as in the product construction phase. The "eProcurement" project was established to make procurement processes even faster and more effective. The corresponding bidding platform went live in the Internet in September 2001, and makes bid tenders and auctions much faster and more cost-efficient. The Internet platform also enables us to give access to documents (especially engineering plans for vehicle parts) to selected vendors. We introduced this new Internet presence at a suppliers' conference in Berlin, which was attended by representatives of some 250 suppliers. Overall, the process simplifications were extremely well received by the attendees.

Other Information

Heavy Maintenance Facilities Consolidated

Effective January 1, 2001, the heavy 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. The continuous modernization and standardization of our fleet requires adjustments to the structure and capacity of the maintenance facilities. Based on comprehensive preliminary studies, we introduced a facility concept during the year under review that we will be implementing incrementally. It combines the necessity of reducing internal capacity with the effort to preserve jobs; the options here include selling maintenance facilities to external investors, which is already being practiced.

Comprehensive Collective Wage Agreements Signed

A comprehensive collective wage agreement between labor and management of Deutsche Bahn AG was signed in early March 2001. The objective of the overall package was 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. To replace existing benefits, funds are to provide appropriate compensation for any disadvantages that may arise from the transition from the DB collective wage agreement to a new 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, the 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 funds will be provided primarily in the form of construction 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. Based on the Trilateral Agreement, we began a sustained increase in our planning capacity, which enabled us to commit the additional funds largely – but not completely – during the year under review; unused funds shall be called upon in subsequent years.

New Train-path Pricing System Lowers Prices for Infrequent Users

Effective April 1, 2001, we converted our 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 German Federal Cartel Office; preliminary investigations by this office were abandoned shortly after the new price system was announced in March 2001. In light of the intensifying competition on the rails, we expect to double our revenues with non-Group railroads by 2005, despite the declining specific revenues from smaller non-Group users resulting from the new train-path pricing system. We already offer our customers simple access for train-path pricing through CD-ROM and Internet-based services. Moreover, in March of this year, we introduced the supplements for regional factors that will take effect on January 1, 2003. These supplements are intended to ensure the future of the regional networks in the long term.

Task Force Confirms Integration of DB Netz AG Within the DB Group

The question of the right organizational structure of the rail infrastructure and the respective transport operations on it is a recurring subject of debate, especially at the European transport policy level. With our clear organizational and budgetary separation of DB Netz AG, Germany is at the forefront of implementing EU Directive 91/440. A task force, “Zukunft Schiene” (“Future Rail”) was organized by the Federal Minister of Transport, Building and Housing in March 2001 to investigate the need for additional action in this area in Germany, and published its recommendations in September 2001. These recommendations confirm that the DB Group’s vertically integrated organizational structure is fully compatible with EU and German legal requirements. The existing division of supervisory responsibilities between the Federal Rail Authority and the antitrust enforcement authorities will be retained, and a new Track Infrastructure Agency within the Federal Rail Authority is to ensure that the train-path pricing system and slot allocation are non-discriminatory.

We support the task force’s position. Due to the complexities of the wheel/rail system, vertical integration is a key element for ensuring the future of rail transport. Principal modernization programs can only be implemented in close coordination of infrastructure and transport divisions. This applies to commercially sound plans for new construction and expansion and, especially, to the necessary synchronization of capital expenditures for control and safety technology. The projects we pursue bring benefits to all our customers, through the open access to our rail network.

We appointed a Competition Officer within DB AG – and thus outside DB Netz AG – in February 2002, who will serve as contact person for our customers and for competition issues involving the Track Infrastructure Agency (to be founded).

Dedicated Opposition to Corruption

We are taking active steps to deal with the difficult issue of corruption, and further intensified our anti-corruption measures during the year under review. The cornerstone of our approach is appointing ombudsmen, who serve as direct, neutral contact persons for employees and business partners. Our successes in fighting corruption during the year under review showed that we are on the right track. While we are pursuing our fight against corruption throughout the entire Group, the Purchasing area was the subject of particular scrutiny during financial 2001. We initiated additional measures in this area to increase awareness among staff and business partners and to protect individuals against unfair conduct. For example, we agreed upon extensions to existing measures with the construction industry to develop guidelines for controlling, verification, and codes of conduct. Together with the jointly approved quality codes, they represent comprehensive guidelines for our business relationships with our suppliers. We will continue to pursue our anti-corruption measures aggressively and uncompromisingly in the current financial year.

Amendment to Regional Restructuring Act Still Pending

Under the terms of the Regional Restructuring Act (RegG), the German federal states currently receive funding of some € 6.7 billion for the purchase of local transport services. The pending amendment to this act, which will define the future state funding for local rail passenger transport and other public local transport (sec. 5 RegG), was not passed in the year 2001 as planned. In particular, the absolute federal funding amounts and the increase in regional restructuring funds requested by the states for the next few years are still being disputed. As a result, funding for the year 2002 is not yet final, which complicates the negotiation of long-term transport contracts. Nonetheless, we expect that the federal and state governments will soon agree on an amendment to the Regional Restructuring Act, which will give us a more secure base for future planning.

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. The DB Group operates an integrated risk management system in line with the requirements of the German Act on Corporate Control and Transparency (KonTraG). This system, which is continually enhanced, allows us to quickly introduce offsetting measures.

Active Risk Management in the DB Group

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, demographics – have been largely stable. The most important factor in freight transport is the transportation demand for consumer products, steel and mining products, petroleum products, chemical products, and building materials – some of which is 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. In the financial year 2001, we began implementing our service optimization program in passenger (MORA P) and freight (MORA C) transport. The major project for the current year is the introduction of the new pricing system for passenger transport. The risks of the introductory phase, which will be controlled by intensive project monitoring, stand in contrast to the projected improvements in economic efficiency after implementation. We are responding to risks resulting from changing customer demands – including the ordering organizations – and from shifts in traffic patterns with intensified market monitoring and a change in our service spectrum. To deal with market risks due to changes to the legal framework conditions – such as the pending amendment of the Regional Restructuring Act with its influence on the future orderer fees – we actively represent our position in the ongoing consultations and debates.

- **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.
- **Project risks:** The modernization of the overall rail system involves immense capital expenditures as well as a number of highly complex projects. Changes in the legal framework, 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. During the year under review, risk controlling was significantly enhanced by the newly established central Controlling function for large-scale projects (projects with a volume of more than € 256 million). Activities continue to focus on major projects like the new Cologne–Rhine/Main line, the Berlin hub (including Lehrter Stadtbahnhof), the new Nuremberg–Ingolstadt–Munich line, and the introduction of GSM-R. Our experiences made in the ongoing commissioning of the Cologne–Rhine/Main line are being applied to similar projects in a targeted manner. An incremental commissioning concept has been developed for the Berlin/Lehrter Stadtbahnhof hub. We conducted comprehensive analyses during the year under review to identify potential risks for the new Nuremberg–Ingolstadt–Munich line and for the introduction of GSM-R. In general, all new projects (such as the Stuttgart 21 project) must pass a full plan approval procedure before implementation can begin. We are also improving the quality of our planning and processes through a targeted expansion of capacity among our in-house planning engineers. Once identified, risks are compensated for by introducing offsetting measures and by additional provisions.
- **Financial risks:** We use financial instruments and derivatives to hedge our exposure to interest rate changes, currency risks, 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 consistently anchored risk management in our standard processes during the year 2001. In addition, the Group-wide “Fokus” restructuring program, which was started in the year 2000, achieved the predicted success during the year under review. Furthermore, 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.

Effective Risk Management System

The principles underlying the risk management policy are formulated by Group management and implemented at DB AG and its subsidiaries. Our system for the early recognition of risks entails quarterly reporting to the DB AG Management Board and Supervisory 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).

Risk Portfolio Free of Existence-Threatening Risks

Our risk management system provides an overview of 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 its 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 interest of the federal government or of any company associated with it."

Events After the Balance Sheet Date

Seamless Euro Changeover

The DB Group, under the management of the central Treasury department, had been preparing for the introduction of the euro since late 1995. After our customers had been able to receive invoices denominated in euros and passengers had been able to make non-cash payments in euros since January 1, 1999, all of our cash register and sales systems were converted to the new currency on January 1, 2002. Thanks to our intensive preparations, we were able to master this major logistical challenge on schedule. The Group currency was also changed over from DM to euro effective January 1, 2002. The retroactive changeover to the new Group currency in accounting was performed after completion of work on these 2001 Annual Financial Statements.

Arcor DB Telematik GmbH Founded

With economic effect as of January 1, 2002, Arcor reorganized the entire rail telecommunications business in Arcor DB Telematik GmbH. At the same time, DB Netz AG acquired an equity holding of 49.9 %, with an option to purchase the company completely on July 1, 2002. The charter purpose of Arcor DB Telematik GmbH is the operation of rail-specific telecommunications. The new company will also help capture synergies in implementing the GSM-R (Global System for Mobile Communications-Rail) digital mobile communication network.

Project Construction Activities Consolidated in New Company

In November of the year under review, we decided to consolidate the DB Group's builder functions for planning, project management, and construction monitoring processes in a new company, DB ProjektBau GmbH, during the course of the year 2002. We expect this consolidation to greatly simplify and standardize the respective process steps, and significantly reduce the necessary Group resources in the medium term. This step also introduces a clear interface between the building owner and the builder functions in important infrastructure projects. The processes relating to the builder function will be consolidated within DB ProjektBau GmbH, while our infrastructure companies DB Netz AG and DB Station&Service AG will redefine their building owner functions to be compatible with the interface.

Consolidation of Activities: DB Services GmbH and DB Systems GmbH

DB Services GmbH, a core Group business unit, will consolidate all business activities involving the facility management of fixed or mobile facilities, including staging and transportation services as well as facilities management of Group real estate. To this effect, we merged the corresponding Group service companies under the roof of DB Services GmbH (formerly dvm Deutsche Verkehrsdienstleistungs- und Management GmbH) as of January 1, 2002.

To further optimize our IT services, we merged our subsidiaries TLC Transport-, Informatik- und Logistik-Consulting GmbH (TLC) and DB Informatik-Dienste GmbH (IDG) as of January 1, 2002, to form **DB Systems GmbH**, creating an efficient, full-service IT company within the Group. The new company's responsibilities involve consulting on IT strategy and processes, the development, integration and maintenance of IT systems, the operation of our computer centers, as well as the operation and maintenance of our IT infrastructure. We expect this reorganization to lead to further standardization of the Group IT processes, with the resulting synergy effects improving efficiency and reducing costs.

Strategy

Our strategy is designed to meet the challenges posed both by the rail reform process, which was started in 1994, and the changing markets. The dynamics in transport markets has increased on several levels since the start of the rail reform process. Competition on the rails and especially with other modes of transport has intensified. The demands of our customers are also changing.

Our strategy is focused on two clear goals: First of all, we want our top, competitive products to make us the best railroad for our customers. Secondly, we have declared our goal of getting the DB Group into shape for a future initial public offering. Restructuring the original government-run railroads to form a powerful company is tied to clear expectations of our economic efficiency. At the conclusion of the reform program, we now have to prepare the DB Group for an IPO. 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. As early as 1999, we defined our medium-term goal of a 10 % return on capital employed.

During the year under review, we responded to these challenges with our **“DB Campaign” strategy**. The “DB Campaign” involves the simultaneous pursuit of three goals: **restructuring, performance, and growth**. To ensure the sustained success of the rail reform process, we have to deal with all three challenges at once. In our strategy, the analyses of the long-term sustainability of the individual operations, their profitability, and their growth perspectives set the course and define the framework for the individual steps to be taken in the short term. At the same time, we continually reexamine tasks that we cannot master alone: where we might need partners or should outsource individual activities.

Restructuring Program: More Efficient Structures and Processes

The challenges we are facing are considerable, despite the great success the DB Group has achieved since the start of the rail reform process, with productivity increases of 156 % to date in the core rail transport area: Imperfectly optimized processes, limited options for price adjustment in passenger transport, and declining freight rates in freight transport – combined with a temporary burden on profits from our ambitious capital expenditures and modernization program – all cause considerable pressure on the cost side. We have to oppose these challenges with additional productivity increases and cost optimization. The cornerstone of our restructuring program is our “Fokus” program: Started in 2000, this Group-wide program currently encompasses 25 subprojects. These projects are implemented primarily by the Group divisions, but are subject to tight, centralized monitoring.

DB Regio, for example, is implementing "Fokus" projects involving the comprehensive decentralization and streamlining of its structures, a reduction in personnel expenses, and the renegotiation of transport contracts with the federal states. The program is intended to maintain our position in the increasingly competitive regional transport markets. The main restructuring issues in the DB Reise&Touristik area are a line and stop concept to increase the load factor and the new pricing and distribution systems. In freight transport, where our division is faced with strong competition both on the rails and on the roads, the implementation of our "MORA C" (market-oriented services – cargo) restructuring program is the focus of our activities. Its objective is to reorganize the transport of single freight cars. An additional challenge is reorganizing the combined rail/road transport. Our Group Track Infrastructure division has established restructuring projects in the areas of operations and maintenance, among others. Another project supports the on-time implementation of the GSM-R (Global System for Mobile Communications-Rail) digital cellular communication network. Other "Fokus" projects concentrate on Group-wide issues, including the fields of purchasing, information technology, administrative expenses, and facilities. Having achieved clear initial success with the "Fokus" restructuring program during the year under review, we expect further significant improvements in the following years.

As a result of its inherent efficiency improvements and cost reductions, the reorganization program is tightly linked with our growth program. Only by concentrating on promising activities, largely standardizing and modularizing our services, and streamlining our core processes will we be able to serve a future growth market.

Performance Program: Focus on Customer Needs

Our customers' needs and expectations are the prime focus of our performance program. All of our products and services have to be designed to satisfy our customers. To achieve this, we are increasingly tailoring our offerings to the specific demands of our customers, always considering the price they are willing to pay. In passenger transport, for example, our performance program entails significant capital expenditures to reduce the average age of our rolling stock. After the delivery of an additional 37 modern, high-speed trains during the year under review, a fleet of 216 train units is now available to serve travelers on the increasingly popular ICE lines. One major emphasis is the modernization of our rolling stock for regional and urban transport. This involves both DB Regio AG and its subsidiaries – especially in the S-Bahn (metro) area. Procurement programs during the year under review involved electric rail cars, diesel rail cars with tilting technology, and lightweight-construction diesel rail cars. Increasing flexibility in distribution is another focus of our performance program in passenger transport. Above all, this involves a dedicated expansion of electronic, self-service distribution channels such as the

Internet. The Passenger Stations division is improving its appearance through professional operations management for its more than 5,700 stations, and another ongoing program, the "3-S Program", ensures cleanliness, safety, and service in the stations. In the freight transport area, we offer supplementary logistics services that go beyond rail-bound traffic, such as our Railog joint venture with Schenker AG, a shipping company.

Growth Program: Focus on Market Segments with Sustained Profitability

All current forecasts point to stable growth in the mobility, transportation, and logistics markets for the foreseeable future. To capture this growth potential, we have started focusing our business portfolio on the segments in which railroads – alone or in combination with other modes of transport – can play out their strengths. In freight transport, for example, we have to expand our competitive advantages over long distances, which will require further internationalization through holdings, joint ventures, and strategic partnerships. International transports already make up over 50 % of our transport performance in freight transport. Our Railion joint venture with the Dutch and Danish National Railways is a success; bilateral cooperation and/or manufacturing agreements were signed in parallel. The joint production optimization agreement we signed with SNCF, the French National Railways, will improve the position of rail freight transport in Franco-German traffic. An important growth segment in passenger transport is that of attractive, fast connections between conurbations at medium distances. This segment demands significant capital expenditures in our ICE fleet and the start of the development for the next generation of trains, but especially a further optimization of our network made possible by federal infrastructure funding. The aims of our "Netz 21" strategy are to significantly increase capacity and performance of the rail infrastructure in the medium to long-term, in order to cope with increasing traffic volumes.
By disentangling faster-moving from slower services, we will be able to utilize the potential of today's rail network better than ever before and continue increasing our transport performance. We also see clear growth opportunities in urban transport concepts that optimize supply in all modes of transport – a market segment that is currently undergoing significant structural change. In this area, we can utilize our wide range of expertise for the customers' benefit and improve services, while optimizing costs through logical consolidation at the same time.

Important Projects in the Current Year

Of the numerous programs and measures during the current year, the introduction of our new pricing system and the commissioning of the new Cologne–Rhine/Main line are especially important. Our new pricing system is designed to gain more customers than ever for rail transport. The new pricing system is clear, transparent, and easy to handle in ticket selling. It is based on three components: basic prices, reduced special prices, and the new BahnCard as the “skeleton key” to price discounts. Universally applicable discounts for traveling companions and generous family plans – children under age 14 will travel free when accompanied by a paying adult – round out the new pricing system.

The commissioning of the new Cologne–Rhine/Main line represents the completion of the largest single capital expenditures project since the start of the rail reform program. Improved connections between the two largest German conurbations will become reality. As the trial runs have been successful to date, nothing stands in the way of our plans for introducing the first trains in August and comprehensive integration in December 2002 – together with the introduction of the new timetable. The journey between Cologne and Frankfurt will take almost an hour less, which means we can offer our customers unmatched speed from city center to city center. The new line will also result in significant improvements in domestic and international passenger transport services, beyond the connection of these two cities.

Intensive Capital Expenditures Program Approved to 2006

In the plans introduced in March 2001, we approved an intensive capital expenditures program to accelerate the rail reform process for the planning period to 2005; after the extension approved by the Supervisory Board in December – to 2006 – we have increased the capital expenditures volume for the coming years yet again, if only slightly. Total capital expenditures of € 45 billion have now been planned up to the end of 2006. With around 86 % of its total volume, most of this program is focused on the Passenger Transport, Freight Transport, and Track Infrastructure divisions. We will improve the availability of the rail network and significantly reduce the average age of our rolling stock. The program will benefit both customers of our own Group transport companies and non-Group companies, as users of the DB Netz AG infrastructure. Our capital expenditures will thus help improve the attractiveness of the rails as a mode of transport in general, even outside the DB Group. Combined with other productivity improvements, we are helping to lay the foundation for gaining a strong share of the forecast market growth.

Success Depends on Political Framework

Our success is increasingly dependent on the transport policy framework defined by the European Union. We have been a forerunner in implementing this policy framework in countless areas. 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 250 service providers currently compete on the German rail network. The task force organized by the Federal Ministry of Transport, Building and Housing confirmed in September 2001 that our structures are compatible with European legal requirements. For our own prospects, but also for the future of all rail operators in Europe, it is extremely important that the politicians in every European country achieve a harmonization of their transportation framework – both for rail transport and for other modes of transport.

The new mileage-based toll for heavy trucks starting in 2003, which was passed by the upper and lower houses of the German Parliament, is an important step towards improving the framework for more traffic on the rails.

Outlook and Expectations for the Financial Year 2002

Economic Outlook: Upswing Later in the Year

Based on current estimates by economic research institutes, we expect the **global economy** to grow by some 2.5 % in financial 2002, achieving somewhat stronger growth than in the year under review. This forecast is based on the assumption that the U.S. economy will continue to improve throughout 2002. The economies of the **euro zone** should pick up speed towards the middle of the year as well, thanks to the impulses of monetary policy. We expect domestic demand in the euro zone to recover by the summer. Real consumer spending will benefit from the decline in inflation. Faced with more optimistic sales volume and earnings forecasts, companies are expected to ramp up their capital expenditures. We therefore expect GDP growth of over 1 % in the euro zone.

However, analysts' forecasts for **Germany** see only a slow economic recovery starting in the second half of the year. Accordingly, we only expect a 0.5 % increase in average GDP for the current year. While declining inflation will have a positive effect on consumer spending by increasing purchasing power, this will be tempered by increasing taxes and fees and unfavorable labor market trends. Cheaper financing and a stabilization of exports in the second half of the year are expected to boost corporate capital spending. Export growth, at around 2 %, will be much weaker than in the previous year, largely due to its low level at the start of the year.

Transport Sectors: Tainted Growth Prospects

Only weak growth impetus is expected in the **passenger transport market** for the current financial year. Reasons for this include slowing growth in private consumption and a predicted slight decline in the number of gainfully employed persons. Declines in petroleum prices should largely compensate for the increase in the eco-tax of January 1, 2002. In particular, performance in motorized private traffic will likely remain flat at last year's level. Forecasts for air travel continue to be extremely uncertain. Trends here will depend primarily on the duration of the change in individual propensity to travel that was triggered by the terrorist attacks in the U.S.

Our Passenger Transport divisions are expected to once again outperform the overall market in the current financial year. Growth expectations in long-distance traffic are subdued because of the supply adjustments implemented within the MORA P framework; but they will also increase transport performance in regional transport. We assume that competition will continue to intensify in rail-bound regional and long-distance transport as well as in road-bound local public transport. The main reasons for this are the increasing importance of bid tenders and the further internationalization of the competitive environment.

We predict growth of almost 2 % in the **freight transport market** in the financial year 2002 – assuming the economy recovers, as forecast, in the second half of the year. The increase in freight transport performance on the road is hindered by weakened exports and slight declines in the manufacturing sector. With gains of some 3 %, however, trucks remain the fastest growing mode of freight transport, expanding their leading position. Foreign-flagged vehicles, whose share of cross-border traffic is already over 80 %, will continue to be the prime beneficiary of this trend. Therefore, massive price pressure will be sustained and will be reflected in the rates for the entire freight market. These forces will conspire to drive more freight traffic to the roads.

We expect inland waterway transport to boost its performance slightly by around 1.5 %. A number of positive factors are involved: the slowing contraction in raw steel production, moderate growth in containerized transport, the increasing share of imported coal via the large ARA ports (Amsterdam, Rotterdam, Antwerp), and slight increases in the agricultural, food/animal feed, and chemicals/fertilizers sectors.

We expect a mildly positive impetus in rail freight transport due to slowing contractions in raw steel production, the construction industry, and hard coal consumption, as well as a recovery in the chemicals industry. In the overall development of DB Cargo AG, however, these external factors are overshadowed by the expected drops in demand resulting from the MORA C restructuring program. Overall transport performance of our Group Freight Transport division will therefore decline slightly, as Railion Benelux N.V. and Railion Denmark A/S will likely only achieve minor growth. Competitive pressure – both intermodal and intramodal – will continue to increase.

Increased trading within the euro zone will lead to a further internationalization of freight transport in the current year, which makes it essential to further improve the competitive position of the rails in international transports. The expansion of our Railion joint venture, with the entry of Railion Denmark A/S, gives us an excellent starting position compared to other European railroads. Nonetheless, we still have a long journey ahead of us, which is why the Group Freight Transport division is working to improve production further through international cooperation. In the long term, the politically supported opening of European rail networks to international freight transport will present additional potential. The necessary leveling of the framework conditions among the individual modes of transport remains a key challenge in transport policy. Among other measures, this includes the scheduled introduction of a mileage-based truck toll in Germany, which is planned at the start of 2003.

Expectations for the DB Group: Negative Result in the Current Financial Year

Key events in the current financial year will develop similarly to the year under review. Therefore, we expect only minor changes to our revenue and profitability structure. Our revenue performance is largely dependent on the performance of our Group Passenger Transport and Freight Transport divisions. The implementation of MORA P/C, our market focus programs, will affect both these divisions in the current year. Our streamlined supply resulting from the reorganization of the transport of single freight cars – along with the weak economic environment – means that transport performance and revenues in freight transport will remain flat or even decline slightly. In passenger transport, we expect a positive development in transport performance and revenues in both long-distance and local transport. Our "Fokus" restructuring program will once again result in additional efficiency improvements and cost reductions in the current financial year. As in the year under review, our capital expenditures and modernization program will result in higher expenses in the form of increased depreciation and interest expenses. We will also continue to maintain the high level of maintenance expenses in the Group Track Infrastructure division that we first reached in the latter half of the year 2000. The scheduled reduction in federal grants for special burdens from the former Deutsche Reichsbahn (surplus personnel expenses and increased cost of materials) will once again amount to some € 0.4 billion in the year 2002. In the current financial year, we will likely achieve productivity improvements in the amount of the reduction in federal funds, but will not be able to compensate for the temporary charges of our modernization program. The significant structural improvement of the integrated rail system will, therefore, have to be contrasted with a repeated operating loss after interest. We expect the Group Passenger Transport division to deliver a positive result, though slightly below that of the year under review, primarily due to a reduction in income of DB Reise&Touristik – which in turn is partially due to the costs of implementing our new pricing system and the commissioning of the new Cologne–Rhine/Main line. The Group Freight Transport and Passenger Stations divisions are counting on improved positive results. Clearly negative – and thus strongly affecting Group income – is the expected result in the Group Track Infrastructure division.

Expectations for the year 2002 in € million	**2001**	**2002 expected**
Revenues	15,722	↗
Gross capital expenditures	7,110	↑
Operating income after interest	– 204	↘
Group Passenger Transport division	240	↘
Group Freight Transport division	17	↗
Group Passenger Stations division	6	↗
Group Track Infrastructure division	– 207	↓

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.

Die Bahn DB

Environmental Protection

Seen from an ecological standpoint, there is no alternative to rail travel. We reduce our energy consumption as well as harmful emissions and noise pollution each year, further increasing our competitive ecological advantages.

Environmental Protection – Designing Environmentally Friendly Mobility

At Deutsche Bahn, protecting the environment is not just a legal requirement, it is part of our basic philosophy. Rail transport is the most environmentally friendly answer to society's ever increasing yearning for mobility. Many of our customers share this opinion: Surveys conducted during the year under review showed that almost a fifth of rail passengers highly prize the positive environmental properties of rail travel. At the same time, our environmentally friendly customers have proven to be our best and most faithful customers.

An Active Contribution to Climate Protection

Experts forecast significant increases in traffic volume and a corresponding rise in CO_2 emissions: By the year 2015, the transportation sector's share of total emissions in Germany will increase to some 20 %, with no end to this trend in sight. The greenhouse effect will result in drastic changes to the global climate unless effective countermeasures are implemented promptly.

Rail transport emits much less carbon dioxide (CO_2) than other modes of transport, such as cars or trucks: Deutsche Bahn only discharges 4.6 % of the CO_2 emitted by the passenger transport segment, although our share of the passenger transport market is 9 %. In freight transport, we only discharge some 3.8 % of emissions, at a market share of some 16 %. The sustained reduction in our carbon dioxide emissions is primarily due to our reduced primary energy consumption, which declined from 39,902 gigawatt hours (GWh) to 37,691 GWh (–5.5 %) during the year under review. We foster this positive development through rationalized energy generation and distribution, the increased use of more efficient multiple units, and improved capacity utilization. These measures enabled us to reduce absolute CO_2 emissions by 6.4 % compared to 2000, with a 7.8 % reduction in specific CO_2 emissions in passenger transport in the year-on-year comparison. Despite the well-publicized launch of so called "3- or 1-liter cars", rail travel will continue to lead the way to a healthy environment. A look at existing automobile traffic shows that average fuel consumption in Germany still lies at around 8.5 liters, and has attained only miniscule progress: Average mileage has improved by less than a tenth since 1990. In the Group Passenger Transport division, we equipped 200 locomotives and ICE power cars with automated meter reading systems during the year under review. Measurements showed that when our locomotive engineers rely on these meters and drive in an energy-saving manner, they can achieve energy savings of up to 10 % while still meeting timetable targets. These results were achieved during energy-saving competition and specific test training courses. We have implemented the "SaveEnergy" project in the Group Passenger Transport division to capture this potential saving.

At the same time, we are reducing diesel traction in favor of electrical traction. In freight transport, we are equipping the heavy diesel-electric locomotives of the 232 series with new, improved engines, which will reduce emissions and noise pollution even further. We plan to install new engines in a total of 140 locomotives at our Cottbus facility by the end of 2003.

Reorganization of Environment Management

Our “Group Environmental Protection Guideline” forms the backbone of our Group environmental policies. To better implement its objectives and goals, we have restructured the Rail Environment Center [Bahn-Umwelt-Zentrum (BUZ)]. The Environment Management area now takes the lead in developing and implementing our environmental strategy, environment-related communication, and operational and technical environmental protection at the DB Group. As a service function, Environment Management performs on-demand inspection and laboratory services for the entire DB Group at fair market competition and quality conditions.

We have also restructured environment management in the Group Passenger Transport division. 30 % of all the division’s regional maintenance facility locations have already been certified under ISO norm 14001, independent proof that they have created the foundation for a continuous improvement process in environmental protection.

Public awareness of our advances in environmental protection still leaves something to be desired, however. Although three-quarters of travelers surveyed attest to our environmental friendliness, they are unaware of our true performance in environmental matters: For example, the survey participants estimated that our average energy consumption was much higher than it actually is.

Environment Information System Bears Fruit

Our Environment Information System [Umweltinformationssystem (UIS)] stores information and data involving environmental issues. It aids strategic decision-making, helps guide our material procurement, defines our areas of activity, and provides valuable information for future planning. The heavy demand for this planning tool is a clear indicator of the success and acceptance of the UIS. Waste management concepts in the Group Passenger Stations division based on UIS analyses have reduced our annual costs by € 1 million.

Further Reduction in Rail Noise

To minimize the potential health-damaging effects of noise pollution, DBBauProjekt spent € 61 million on precautionary measures during the year under review. Along the new Cologne – Rhine/Main line and Karlsruhe – Basle extension, DBBauProjekt erected some 140,000 square meters of noise protection walls, installed sound-absorbing windows for some 700 residential units, and commissioned vibration protection along some 2,400 meters of track. We also began work on all 109 sections of our existing network that were identified in the priority list defined by the federal government in 1999. The **Specially Monitored Track** program, which eliminates track blemishes that cause undue noise, supplements our acoustic protection measures. We have placed planning orders for a further 55 of 125 additionally identified sections since October 2001.

Following the approval of composite brake shoes ("C shoes") for new braking equipment by the International Union of Railways (UIC) in the fall of 2000, the Group Freight Transport division responded to this development during the year under review and resolved to exclusively order new freight wagons that are equipped with these C shoes for use in domestic and international freight transport. The new material reduces rolling noise by some 8 dB compared to wagons with conventional gray cast-iron brakes.

Active in Environmental Protection

In April 2001, Deutsche Bahn started the **Destination Nature** initiative together with the major environment organizations BUND, NABU, VCD and WWF. An extensive media campaign introduced six large nature reserves in northern Germany, and at the same time promoted environmentally friendly mobility in these ecologically sensitive areas. A distinct Web site (www.fahrtziel-natur.de) offers excursions, ticketing information, and interesting facts about the various regions. In parallel, we began our preparations for the "International Year of Ecotourism", which the UN has designated for 2002.

The environmental compatibility of our rail construction projects is a high priority. Accordingly, DBBauProjekt implemented compensatory and replacement measures on some 1,111 acres (450 hectares) of land at a total cost of around € 11 million.

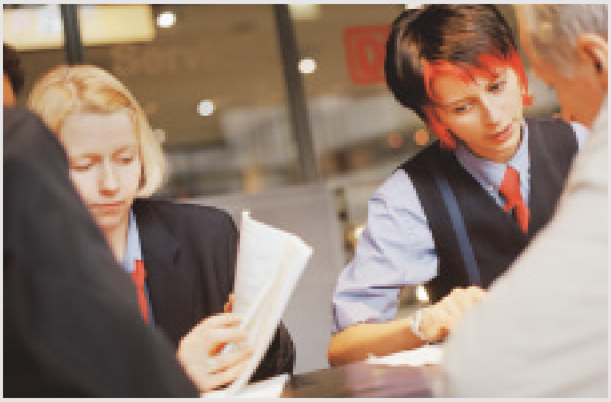
Species and biotope protection is another major environmental priority. We draw up maps of flora and fauna dispersal and develop accompanying landscaping plans. DB Energie invested almost € 1 million on compensatory and replacement measures in accordance with the Federal Nature Preservation Act.

Waste Optimization Program Started

We have conducted customer surveys and waste analyses in passenger transport to prepare for the ramifications of the pending deposit on one-way beverage packaging. The forecast drop in waste volumes and the revision of waste separation standards on trains will result in a higher recycling quota and annual savings in the amount of € 1 million. At the same time, new pictograms will make it even easier for travelers to separate their waste.

Die Bahn DB

Employees

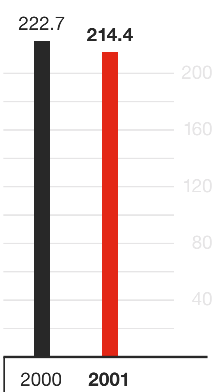


The Deutsche Bahn Group employs a staff of roughly 215,000, working in more than 300 professions, occupations and trades. Their skills, experience, and motivation are crucial to our success – especially in the increasingly competitive passenger and freight transport markets.

Employees: Further Increases in Productivity

At the end of the financial year 2001, the Deutsche Bahn Group employed a staff of 214,371, which represents a headcount reduction by 8,285 compared to the previous year. This 3.7 % decline was largely the result of natural turnover (70 %), while the remainder left under socially acceptable measures. In the same period, productivity – measured in terms of transport performance per employee – increased by 5.2 %. Although per capita value creation fell short of personnel expenses per employee once again in the year 2001, our restructuring process made further progress in reducing personnel expenses during the year under review.

Even though we aligned primary career training more closely to our actual requirements in 2001, Deutsche Bahn remained one of Germany's leading career trainers in terms of both quantity and quality. With 9,091 trainees and apprentices, the adjusted trainee ratio was approximately 4.4 %, a considerable amount compared to the rest of the German economy.



Employees (at year end)
in thousand

Relative change: – 3.7 %

Rail Employment Alliance Continues to Progress

We continued to make progress with the Rail Employment Alliance in the year 2001. In particular, a series of collective wage agreements redefined the individual effects of the ongoing rationalization processes. The primary issue here was to differentiate – by age and seniority – the transfer options of staff whose positions have been made redundant.

The employment alliance continued to pursue the goal of defining conditions of employment that are based more on industry norms and – where necessary and sensible – regional differences. At the same time, we want to make our remuneration systems more incentive-oriented in order to promote staff commitment: a goal we have already achieved in some areas – such as at DB Anlagen und Haus Service. We also commenced negotiations to this effect in the Group Passenger Transport division, specifically at DB Regio, and at the newly founded DB Systems in 2001.

Year 2000 / 2001 Pay Negotiations: Secure Base for Future Planning

With a term of 30 months, the agreements reached in the year 2000 / 2001 pay negotiations give Deutsche Bahn a secure base upon which to plan for the future. Employee remuneration in the former East Germany was aligned more closely with western levels in two phases: to 89 % as of January 1, 2001, and to 90 % as of January 1, 2002. Employee and trainee remuneration for staff covered by the Group Collective Wage Agreement was increased by 2.4 % on March 1, 2002.

Group-Wide Labor Market Opens New Perspectives

The modification of the Rail Employment Alliance and the associated differentiation between employees who enjoy termination protection and those who do not led to a fundamental redefinition of the Group-wide labor market during the year under review. Within the framework of the "Fokus" restructuring program, the DB Group has created a uniform transfer management system for employees whose positions are made redundant, and has also established a Group-wide controlling and early warning system for personnel capacity management.

DB Arbeit GmbH ceased operations on July 31, 2001, and transferred its responsibilities for training and placement of termination-protected staff to DB Vermittlung GmbH as of August 1, 2001. DB Zeitarbeit GmbH and an external transfer company assumed responsibility for staff not subject to termination protection.

During the year under review, DB Arbeit and its successor companies – DB Vermittlung and DB Zeitarbeit – as well as the external transfer company attended to some 8,700 employees. DB Vermittlung succeeded in placing 970 employees in secure positions within the Group, while 3,360 employees left the Group through socially acceptable measures. The newly founded DB Zeitarbeit employed a staff of 37 at the end of 2001.

Dealing with staff whose positions were eliminated as part of the restructuring process in a socially acceptable manner incurred expenses of € 190 million for DB Vermittlung-Group in 2001.

Facilities Reorganized in a Socially Acceptable Manner

The restructuring of the heavy maintenance facilities (so-called "C facilities") involves closing eight sites. In close contact with the respective state governments, and in coordination with our social partners, we are attempting to develop and implement job-saving alternatives at the affected sites. In particular, the sale of individual facilities to investors looks to be a promising way of saving jobs – if only in reduced numbers.

In parallel to our activities aiming at protecting jobs at our heavy maintenance facilities, we are also exploring options for placing staff from these sites in comparable positions outside the Group. Moreover, we are establishing a marketing structure for the facilities in order to improve the competitiveness of heavy vehicle maintenance.

Further Improvement in Management Performance

The selection and development of senior executives for all levels of management was a key task during the year under review. Thanks to reliable estimates of staff potential, we were able to fill more upper management positions from within our own ranks. A uniform system for estimating employee potential can also be applied to our workforce covered by the collective agreement system since 2001, as a result of an agreement with the Group works council that took effect in January of that year.

At the same time we have improved our management by objectives. The “appraisal review with objective agreements”, based on an area-specific balanced scorecard, was already used extensively in 2001. Over 1,600 senior executives were trained in the use of this tool, in 156 one-day seminars on the “Quality of Appraisal Reviews”.

We continued to intensify career training for senior executives during the year under review. Focal points include specialist qualifications and degree programs, as well as the reinforcement and improvement of management competencies. In the course of the current financial year, we plan to establish a Management Academy in Potsdam, near Berlin. This is our response to an employee survey that showed great demand for career training among our senior executives and management trainees.

High Demand for Management Trainees

To ensure that enough management candidates and specialists are available in the medium term, we have increased our efforts at recruiting university and senior technical college graduates. In total, we need to recruit some 300 university and senior technical college graduates to the Group each year – especially in the areas of civil engineering, electronic engineering, mechanical engineering, business administration, and computer science.

Key elements of our university recruiting include an active DB presence at relevant university chairs, improved potential for e-recruiting, and increased recruiting through our internship program. Our advantage: Deutsche Bahn offers young people challenges and career perspectives that few other German companies can match.

On their own initiative, (ex-)trainees and self-starters founded the Trainee Club (TC), of which each new trainee at Deutsche Bahn automatically becomes a member for at least three years. Its objective: opening new channels for information and communication, thus enabling increased networking throughout the DB Group.

Value-Based Remuneration System for Upper Management

To make financial incentives for upper management more attractive, we introduced a new value-based management and remuneration system during the year under review. The incentive component of overall remuneration for upper management at Deutsche Bahn is higher than that of nearly any other comparable German company.

Equal Opportunities at the DB Group

As a modern service provider, we are actively committed to providing equal opportunities for our male and female employees. This includes offering both identical entry and career development opportunities and equal chances for balancing career and family life. Our goals include continuing to increase the share of women employed at the company and enabling more fathers to play an active role in child rearing. During the year under review, we further intensified our efforts to call Human Resources staff's, apprentices' and trainees', works council members' and senior executives' attention to equal opportunity awareness. This training was focused on the topics "Acting in partnership", "Flex-time and home working", and "Job re-entry". Deutsche Bahn was awarded the Total E-Quality Certificate for its equal opportunity-focused personnel policies for the second time in May 2001.

Career Training: An Investment in the Future

Deutsche Bahn needs highly qualified, motivated staff in order to achieve lasting success. During the year under review, we invested € 440 million in education and career training programs for our staff. With some 9,100 apprentices and trainees in some 33 career paths, we are one of the leading vocational training organizations in Germany, both quantitatively and qualitatively. Although now aligned more closely to our actual requirements, Deutsche Bahn also trains future staff for competitors and partner companies.

The career paths offered by Deutsche Bahn range from travel consultant to IT specialist. Correspondingly, the training programs are very diverse: They include forms of virtual multimedia learning, as well as cross-border training programs and junior IT VARs. Our training partnership with over 100 partner companies gives apprentices and trainees an insight into other companies and makes them parts of networks, such as with other transport providers. The training partnership has enabled us to create an additional 300 apprentice and trainee positions since 1997.

Latest Standards for Education and Career Training

Education and career training for locomotive engineers is highly focused on safety in rail operations. The 14 driving simulators at 10 DB Group sites (an additional 4 are planned) have proven to be important training tools. This innovative training method promotes engineer competence both during regular operations and in the case of any irregularities. With these simulator centers, Deutsche Bahn is on the leading edge of training infrastructure for locomotive engineers in Europe.

To give established training practice for locomotive engineers an even more official status, Deutsche Bahn AG and the Association of German Transport Undertakings [Verband Deutscher Verkehrsunternehmen (VDV)] are jointly launching a driver's license for locomotive engineers. In particular, by ensuring uniformly high standards in engineer training, this "train driver's license" will guarantee a level playing-field on the non-discriminatory accessable German rail network for all of the nearly 180 railroad companies.

The internationalization of our services is a decisive success factor for the DB Group. Within the framework of an EU project, a consortium of six European rail companies – under the lead of Deutsche Bahn AG – is developing for the first time a clearly defined vocational profile in transportation services in Europe.

Joint Venture in Occupational Health Management

We contributed our service function for occupational medicine, psychology, and counseling to a joint venture with the IAS Foundation – a leading German provider of occupational health and safety services, as of October 1, 2001. This joint venture – Deutsche Bahn AG holds a 51 % share – provides focused care for DB staff at 64 DB centers and 26 IAS centers. We now have a service provider that is aware of the specific needs of the Group companies and that can provide professional support to occupational health management staff.

Industrial Health and Safety: Emphasis on Prevention

TOP 2005, our industrial health and safety program, helped us further reduce industrial accidents in the year 2001. Time lost due to accidents declined by 11.5 % compared to the year 2000, and now corresponds to a total of 1,060 employee years. Because reduced numbers of industrial accidents also reduce treatment costs and disability pensions, our required contributions to the Rail Accident Fund were less than expected. Comprehensive use of our Group-wide accident management system, which was introduced in January 2002, allows the analysis of causes and focal points of accidents and gives further impetus to accident prevention.

Active Measures against Bigotry and Xenophobia

Paying attention instead of looking away, getting involved instead of staying ignorant: Deutsche Bahn employees continued their commitment to the peaceful coexistence of people of different origins, religions, and cultures in the year 2001 – both within the Group and beyond. Our trainees in particular, who entered some 80 projects in our second annual Group-wide “Rail Trainees against Hate and Violence” competition in 2001, set an example, which received considerable public attention. The winner of the 2001 competition was a team of trainees from Hamburg, with their cover design “Peace” for the “Your Timetable” leaflet.

Employee Survey 2001 – The Railroaders’ Perspective

Our second Group-wide employee survey in October 2001 revealed mixed trends. Participation, at 38 %, fell short of the value from 1998. The employees expressed their overall satisfaction with their immediate working environment: Only 15 % of those surveyed expressed a critical opinion on working equipment, responsibilities and activities. Satisfaction with immediate superiors has also improved since the survey in 1998: 68 % of our employees feel that their immediate superiors treat them fairly and respectfully. Employees have a more critical view of internal cooperation, although 74 % welcomed the return of our “one railroad”-approach. Worth mentioning is the fact that 87 % of those surveyed claimed to have specific ideas for increasing performance, and intend to submit them. Capitalizing on these potential improvements and improving cooperation at the various DB Group locations represent the major challenges for the near future.

Group Divisions

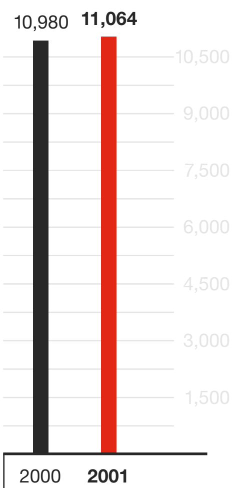
Die Bahn DB

Passenger Transport

in € million	2001	2000	Change in %
External revenues			
DB Reise&Touristik	3,457	3,463	– 0.2
DB Regio	7,607	7,517	+ 1.2
Total	**11,064**	**10,980**	**+ 0.8**
Intra-Group revenues	885	816	+ 8.5
Divisional revenues	**11,949**	**11,796**	**+ 1.3**
Operating income after interest			
DB Reise&Touristik	124	100	+ 24.0
DB Regio	116	73	+ 58.9
Total	**240**	**173**	**+ 38.7**
Gross cash flow			
DB Reise&Touristik	483	383	+ 26.1
DB Regio	714	559	+ 27.7
Total	**1,197**	**942**	**+ 27.1**
Gross capital expenditures			
DB Reise&Touristik	424	499	– 15.0
DB Regio	1,160	1,305	– 11.1
Total	**1,584**	**1,804**	**– 12.2**
Employees as of Dec 31			
DB Reise&Touristik	27,360	30,293	– 9.7
DB Regio	45,454	52,769	– 13.9
Total	**72,814**	**83,062**	**– 12.3**

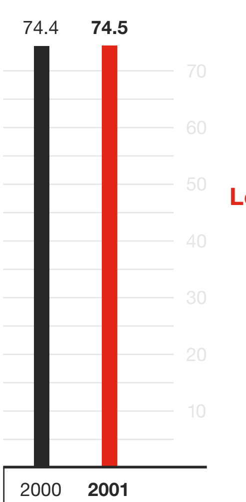
Deutsche Bahn brings you to your destination quickly, safely, and cheaply. Positive developments in transport performance and income are clear signs that our restructuring program is making progress, and that our customer-focused products offer our passengers good value for their money.

Passenger Transport – Focus on the Customer



External revenues Passenger Transport
in € million

Relative change: + 0.8 %



Total rail passenger transport performance
in billion pkm

Relative change: + 0.1 %
DB R&T: – 2.4 %
DB Regio: + 2.5 %

The Group Passenger Transport division completed the **year 2001 with a positive result**. Despite a reduction in services, transport performance on the rails of 74.5 billion pkm hardly changed from last year's level – at a nearly constant level of 1.7 billion passengers. The corresponding increase in capacity utilization had a positive effect on our **operating income after interest**, which increased by 38.7 % to € 240 million during the year under review.

Our transport services consist of a far-reaching network of local and long-distance transport links, primarily on the rails and supplemented by integrated bus routes in many areas. Customer demand is the most important criterion in organizing our transport services. By continuing to focus our passenger transport services on market demand (MORA P project) during the year under review, we proceeded apace with the program started in 2000 and designed to ensure the profitability of our transport offerings in the long term. Another critical business objective is to optimize utilization of the rail system by creating an **attractive pricing system** tailored to specific customer segments. The introduction of our new price and revenue management system will be a major step in this direction. The basic concept was introduced during the year under review and was well received; the new system will result in lower ticket prices for a large number of our customers.

Now as before, **capital expenditures for new rolling stock** continue to be a high priority in the restructuring of passenger transport. We invested over € 1.34 billion in vehicles for local and long-distance transport during the year under review.

The overall positive development during the year under review is proof of the **lasting success of our strict restructuring process** that we started in the year 2000 and that will continue over the next several years.

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

Faced with increased energy prices, stagnating employment, and cautious consumer behavior, the overall passenger transport market once again declined during the year under review by around 1 %. In this environment, the long-distance transport business unit was able to maintain transport performance on the rails at the high level of 35.3 billion pkm, despite our performance optimization in scheduled daytime transport services and the discontinuation of EXPO traffic. Accordingly, transport performance in long-distance rail passenger transport was only 2.4 % less than the previous year's level. The implementation of our strategic MORA P project, which aims at achieving a better market focus for our services, caused a significant decline in the number of long-distance train kilometers traveled in 2001. By discontinuing low-demand, submargin traffic, we were able to improve our capacity utilization significantly by reducing our train kilometers disproportionate to our passenger kilometers.

In the core business of DB Reise&Touristik AG – scheduled daytime services (our products ICE, EC/IC, IR/D trains) – we were able to repeat the entirely **positive development of the ICE product family** from the previous year, with a gain of 11.4 % to 15.5 billion pkm. This trend impressively reflects the shift in our product portfolio to efficient and comfortable high-speed trains. Transport performance in the EC/IC and IR/D train segments experienced a decline of some 13 % to 9.8 billion pkm and 6.7 billion pkm, respectively, which was due largely to adjustments in service. Total reduction in train kilometers amounted to some 18 %.

After ongoing restructuring in the DB NachtZug and special-purpose transport segments, the "Other product segments" (DB AutoZug, DB NachtZug, special-purpose transports) also experienced slight declines due to adjustments in service. The transport performance of these segments was 2.6 billion pkm during the year under review (previous year: 2.7 billion pkm). In contrast, we achieved gratifying gains in our DB AutoZug segment, of 2.2 % to 482 million pkm.

With the aim of further increasing our market and customer focus by consolidating competencies and resources, we approved the merger of DB Reise&Touristik AG's night train and railcar carrier activities in our DBAutoZug GmbH subsidiary during the year under review, effective January 1, 2002. DBAutoZug GmbH had already been the management company responsible for these activities since 1997. This move will also expose additional optimization potential in light of diverging developments in our production processes – between the primarily frequency-synchronized daytime transport services offered by DB Reise&Touristik AG on one hand and the seasonal, tourist-oriented railcar carrier and night passenger travel on the other hand.

Satisfying Development in the Year 2001

External revenues of the long-distance passenger transport business unit in the financial year 2001 at 3,457 million, nearly reached the previous year's level (€ – 6 million or – 0.2 %), despite market-focused supply adjustments and discontinuation of special EXPO traffic. This reflects the overall development of DB Reise&Touristik AG, which, with external revenues of € 2,967 million, also fell just short of the previous year's level. In line with its higher share of transport performance, the revenue share of ICE traffic also generated an increased revenue contribution, accounting for € 1,348 million (+ 12.3 %) or 45.4 % of overall external revenues. External revenues of the EC/IC and IR/D train product segments, too, reflected the development of their transport performance, declining by 11.0 % and 10.4 % to € 833 million and € 499 million, respectively. Their shares of external revenues amounted to 28.1 % and 16.8 %, respectively. The external revenues of the "Other product segments" (DB NachtZug, DB AutoZug, special-purpose traffic, other) also fell short of the previous year's level, at € 287 million, due to adjustments in supply. They accounted for 9.7 % of external revenues.

The external revenues of € 490 million we achieved in the equity investment area represented a slight increase over the previous year's level. The only decline in revenues – by 2 % to € 245 million – was recorded for the MITROPA Group as a consequence of our rigorous restructuring process. The positive development at CityNightLine CNL AG from the previous year continued – due to significant increases in demand – with a repeated increase in external revenues of over 10 % to € 43 million. In addition, Deutsche Touring GmbH recorded significant growth with external revenues of € 57 million in its core business “international scheduled services”. Intensified by the introduction of the new “Traveler” ticket offerings for price-sensitive recreational travelers, Metropolitan Express Train GmbH also achieved significant increases in external revenues and transport performance on the Cologne – Hamburg line.

The long-distance transport business unit earned **operating income after interest** in the amount of € 124 million, topping last year’s figure of € 100 million by far (+24 %) despite an again by € 26 million declining special burden compensation from the federal government. Both DB Reise&Touristik AG and the vast majority of our subsidiaries and affiliates contributed to this excellent result. In the equity investment area, in particular the MITROPA Group was able to significantly increase income thanks to the introduced restructuring measures. Only the relatively young Metropolitan Express Train GmbH returned an operating loss – as expected – despite a major increase in income during the year under review. At € 483 million, gross cash flow of the long-distance transport business unit was far above the previous year’s value (+26.1 %).

As of December 31, the long-distance transport business unit employed a **staff** of 27,360 (–2,933; –9.7 %). In addition to further productivity increases and reduced train kilometers, this decline is due primarily to the transfer of the heavy maintenance facilities to DB AG as of January 1, 2001.

Fleet Rejuvenation Still Focus of Capital Expenditures

At € 424 million, **gross capital expenditures** in the long-distance transport business unit remained at a high level in the past financial year. Capital expenditures in our vehicle fleet continued to be a major focus during the year under review. Apart from the procurement of additional ICE high-speed trains and the modernization of our vehicle fleets for the DB AutoZug and DB NachtZug segments, we started a comprehensive modernization program for locomotive-hauled passenger trains.

With the delivery of an additional 37 modern high-speed trains (16 ICE 3, 20 ICE TD, 1 ICE T) in the past financial year, the ICE family now consists of 216 train units and some 100,000 seats. In conjunction with the modernization of our vehicle fleet and the enhancement and optimization of our distribution channels, our capital expenditures were also focused heavily on our maintenance and distribution infrastructure – as in the previous year.

Simplified Ticket Purchase and Improved Travelers' Information

We expect fast, simple methods for purchasing tickets to both increase revenues and reduce costs in our distribution area. We are expanding new distribution channels such as the Internet, our call center, computer-based travelers' information, and ticketing machines with information, reservation and booking functions. Since its full redesign in April 2001, Deutsche Bahn's Internet presence has enjoyed a strong increase in visitors. With some 18 million unique visitors in December 2001, **www.bahn.de** was by far the most-visited German-language tourism Web site in Europe.

We are in the process of introducing new ticketing methods – such as the online ticket, which customers print out on their own PCs – to supplement traditional tickets. We intend to implement e-ticketing in the medium term. These new ticketing forms are focused primarily on the business traveler and frequent traveler segments in long-distance transport.

The complete transfer of phone-based travelers' information to our wholly-owned subsidiary DBDialog Telefonservice GmbH during the year under review created one of the five largest service companies in the German call center market. We expect the consolidation of our phone-based travelers' information to reduce costs, improve quality and increase availability.

Introduction of New Pricing System in Long-Distance Transport

Another important step towards improving customer focus is our new price and revenue management system, which will replace our legacy fare system in late 2002. The new system aims to simplify the fare structure, capture new customers and repeat travelers, and balance seat loads. Our preparations in the past year included undergoing the required fare approval procedures with the state and federal governments. A comprehensive training program has been designed for more than 40,000 train conductors, local transport customer consultants, service staff, and internal and external ticket sellers to get them ready for the introduction of this new system.

Expansion of Cooperation with Polish State Railways

As part of our expanded international cooperation, DB Reise&Touristik AG and the Polish State Railways (PKP) aim to significantly increase their market shares and economic efficiency in rail transport between Berlin and Warsaw by intensifying coordination and repositioning train services in traffic between Germany and Poland. To achieve this, we developed a specific train service with fares tailored to the German-Polish market, from which we expect significant increases in demand and reductions in operating costs on the Berlin–Warsaw route. The official launch of the "Berlin-Warszawa-Express" in October 2001 was very well received.

Regional and Urban Transport Business Units (DB Regio)

Development in regional and urban transport was **entirely positive** in the year 2001. Our transport performance in this area increased by 2.2 %, beating both our performance in the previous year (+0.5 %) and the overall passenger transport market, which dropped by 1 % to 816 billion pkm in 2001.

We increased our **transport performance** in rail-bound local passenger transport to 39.1 billion pkm (+2.5 %). Including bus services, total transport performance amounted to 47.7 billion pkm (previous year: 46.7 billion pkm).

Despite the major economic downturn in the fourth quarter of 2001, external revenues increased by 1.2 % to € 7,607 million over the previous year. The main growth driver was once again farebox revenues, which increased by 4.7 % to € 2,187 million. The bus transport companies contributed € 1,030 million (+1.3 %) to external revenues. The German federal states, which are responsible for providing local rail passenger transport, ordered services worth € 4,310 million (–0.5 %) from DB Regio during the year 2001.

Thanks to the positive development in external revenues and the successful implementation of our restructuring concepts, we were able to increase our **operating income after interest** significantly – by € 43 million to € 116 million – despite higher fuel costs, increased depreciation and higher interest payments. At € 714 million, **gross cash flow** was also far above the previous year's value (+27.7 %).

In total, the regional and urban transport business units (DB Regio) employed a **staff** of 45,454 as of December 31. In this business units as well, the decline by 7,315 employees (–13.9 %) compared to the previous year is due primarily to the transfer of the heavy maintenance facilities to DB AG as of January 1, 2001.

Modernization of the Vehicle Fleet Continued

Gross capital expenditures declined in comparison to the previous year, by 11.1 % to € 1,160 million. As in the previous year, the bulk of the funds was dedicated to procuring power cars and double-deck cars – important elements in making local rail transport more attractive. A current focus of our expenditures in rolling stock is the **modernization of the S-Bahn (metro) fleets** in the metropolitan areas of Berlin, Munich, Rhineland and Rhine-Ruhr, with the delivery of 121 new S-Bahn (metro) rail cars during 2001. Another focus was the procurement of rail cars for regional transport, with a total of 111 electric rail cars, 54 rail cars with tilting technology, and 156 lightweight-construction rail cars. Overall, DB Regio invested € 989 million in the modernization of rail vehicles, taking another important step in its targeted, ambitious capital expenditures program. We also invested significant amounts in the purchase of new busses (€ 109 million), the modernization of our light maintenance facilities (€ 50 million), and the expansion of our distribution technology (€ 10 million) in local transport.

Spin-Off of S-Bahn (Metro) Munich

The Munich metro system became the legally independent company S-Bahn München GmbH, a wholly-owned subsidiary of DB Regio AG, effective January 1, 2001. With nearly 1,000 employees, external revenues of € 154 million, and transport performance of over 2.48 million pkm, the company's new independent structure is even more focused on the specific needs of the market and its customers.

Four Regional Networks (RegioNetz) Founded

During the year under review, DB RegioNetz Verkehrs GmbH (RNV) was founded as a wholly-owned subsidiary of DB Regio AG and DB RegioNetz Infrastruktur GmbH (RNI) was founded as a wholly-owned subsidiary of DB Netz AG in order to create the organizational framework for our future regional networks.

The Kurhessenbahn in Hesse, the Erzgebirgsbahn in Saxony, the Oberweißbacher Berg- und Schwarzatalbahn in Thuringia, and the SüdostBayernBahn in southeast Bavaria were the first regional networks to be spun off to the two new LLCs in January 2002. 482 employees were transferred from DB Regio AG to RNV. All four networks will be comprehensively reorganized and modernized in the coming years.

Competition in Local Transport

We are faced with tough competition in the local transport market. The trend towards tender offers in local rail passenger transport continues to increase. Some 10.2 million train kilometers were subject to Europe-wide tender offers and reassigned during the year under review alone. Many of the German states have announced additional tender offers. We have won some 60 % of the tendered transport services to date – including the contract for operating **S-Bahn Rhine-Neckar**, the largest tender offer for a local rail passenger transport service in Europe to date, with some 6 million train kilometers annually and a contract term of twelve years. S-Bahn Rhine-Neckar will begin operations in the border triangle area of Baden-Württemberg, Hesse and Rhineland-Palatinate in December 2003.

In public road passenger transport, our 20 independently operated regional bus companies are well-equipped to face competition. In order to provide integrated local transport services from a single source, we plan to **expand our position in urban transport**. Our goal is to increase our market share in this business unit, which is currently around 7 %. Our strategy aims at the formation of integrated transport operators – as partners with or investors in municipal transport companies. A prime example of such activities is the partnership between DB Regio and “üstra”, the Hanover urban transport operator, sealed in October 2001. DB Regio and üstra plan to consolidate their urban transport services in the greater Hanover area under the new jointly operated company “üstra intalliance AG”. We expect the new streamlined organizational structure to greatly improve urban transport services for our customers under an optimized cost structure. The repositioning process and related restructuring of DB Regio into nine regions (plus S-Bahn Berlin and S-Bahn Rhine-Neckar) we began in the previous year was continued on schedule during the year under review. In the organizational area, we have streamlined administration and shifted entrepreneurial responsibility and competency to the regions. These measures will enable decentralized management of local transport markets, facilitating integrated train/bus services where the demand for them arises.

Outlook for Passenger Transport: Continued Restructuring Program and New Perspectives

Our strength in passenger transport is our ability to offer integrated local and long-distance services. We plan to better integrate the services available in local and long-distance transport, a goal that is supported by our supreme competency in transportation planning. We see significant **growth potential** in the rapidly opening urban transport business unit. The opportunities for contributing our competency in managing transport companies and for developing and implementing convincing transport concepts in association with our core business are excellent. In addition, we plan to strengthen our services during the year 2002 through measures such as our new pricing system, the opening of the new Cologne–Rhine/Main line, the introduction of bahn.comfort – our new customer retention program, a new service concept, and improvements in major customer care. These measures give us a firm foundation for combating the increasing market entry activities by our competitors – including in the long-distance transport business unit.

We are continuing our restructuring process with renewed vigor. All major restructuring programs have been established, and key elements were already implemented in 2001. In addition to achieving an improved market focus for our services and targeted projects in the production and distribution areas, a major focus continues to be the procurement of new vehicles. After the major improvement in operating income after interest during the year under review, our high capital expenditures requirements for new vehicles and the expiring special burden compensation from the federal government in the current financial year will have a negative effect on net income that we will be unable to compensate for through increased revenues until the following period. As a result, we expect that operating income after interest **for the financial year 2002** will fail to reach last year's level despite expected steady revenues.

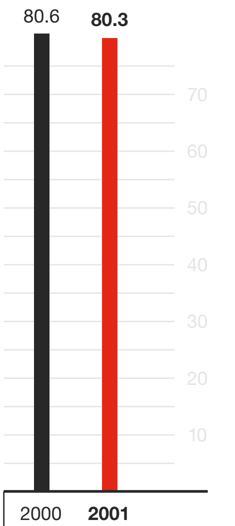
Die Bahn DB

Freight Transport

The rapid pace of our restructuring program is giving us a firm foundation for future growth in the Group Freight Transport division, despite increasing competition. We aim to concentrate on transports that are profitable in the long term and to optimize the production structures necessary to do so.

in € million	2001	2000	Change in %
External revenues	3,896	3,831	+ 1.7
Intra-Group revenues	986	816	+ 20.8
Divisional revenues	**4,882**	**4,647**	**+ 5.1**
Operating income after interest	17	49	– 65.3
Gross cash flow	164	259	– 36.7
Gross capital expenditures	321	405	– 20.7
Employees as of Dec 31	32,442	38,555	– 15.9

Freight Transport: Structural Improvements in a Difficult Competitive Environment

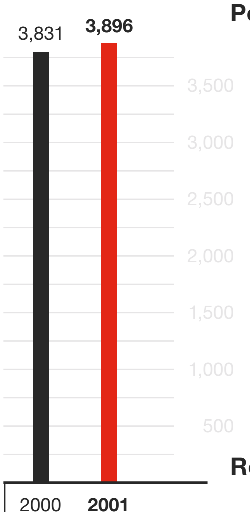


Total rail freight transport performance
in billion tkm

Relative change: – 0.4 %
Effect Railion Denmark: + 2.6 %

After positive developments in the previous year, growth of the freight transport segments relevant to the rails was much weaker during the year under review – owing to the economic downturn. As a result of this decline, we were unable to match last year's record transport performance. Despite the first-time inclusion of Railion Denmark A/S, which contributed a one-time effect of + 2.6 percentage points, total **transport performance** measured in ton-kilometers (tkm) declined by 0.4 % compared to the previous year, to 80.3 billion tkm. This was primarily due to weak performance at DB Cargo AG, whereas the performance of Railion Benelux N.V. increased slightly. After gaining market share in the previous year, DB Cargo AG fell slightly short of the growth level achieved by the overall market – which was borne primarily by road transport – during the year under review.

We are introducing a number of operative and structural measures to deal with the increasing competition in the transportation market: selective participation in the growth market of combined rail/road transport, an increased customer and service focus, targeted measures for reducing costs and increasing productivity, and increased internationalization of our activities. For example, more than half of our transport performance was achieved through international services, while average **transport distance** increased by 3.1 % to 276 km.



External revenues Freight Transport
in € million

Relative change: + 1.7 %

Positive Development of the Railion Joint Venture

During the year under review, the Danish State Railways (DSB) transferred its freight transport division to the Railion joint venture as Railion Denmark A/S, which further strengthened the Railion enterprise. As a result, Railion GmbH now holds 100 % of Railion Denmark A/S in addition to its 100 % holdings in DB Cargo and Railion Benelux N.V. The shares in Railion GmbH are now held by DB AG (92 %), the Dutch railroad NS Groep N.V. (6 %) and DSB (2 %). Railion GmbH continues to function purely as a financial holding company. The successful integration of the Dutch Railion Benelux N.V., the German DB Cargo AG and the Danish Railion Denmark A/S in the Railion Group has created a firm base for improved international transport. The joint venture is open for additional partners.

Revenue Increase Through First-Time Inclusion of Railion Denmark

Divisional revenues, including internal services (such as locomotion and transport services for other Group divisions) increased by 5.1 % to € 4,882 million. **External revenues** increased by 1.7 % to € 3,896 million, which was primarily the result of the € 76 million (or some 2 percentage points) from the first-time inclusion of Railion Denmark A/S. The revenue trends reflect heavy competition from road transport, the market leader – competition which resulted in a further decline of specific revenues. The intensified activities of other rail transport companies also increased competitive pressure.

Positive Operating Income After Interest

Our "Fokus" restructuring program continued to make progress on the cost side. In light of the difficult market conditions, the productivity improvements achieved during the year under review were unable to fully compensate for the ongoing reductions in special burden compensation to DB Cargo AG from the federal government (€ –93 million). Nonetheless, **operating income after interest** was once again positive, at € 17 million (previous year: € 49 million). At € 164 million, **gross cash flow** was € 95 million less than the previous year's figure.

The number of **employees** declined by 15.9 %, from 38,555 to 32,442, as of December 31, 2001. In addition to productivity improvements, this is primarily due to the departure of 4,844 employees associated with the transfer of the heavy maintenance facilities to DB AG as of January 1, 2001; 707 employees were added as the result of the first-time inclusion of Railion Denmark A/S.

Further Internationalization

The increasing internationalization of our competitors in freight transport markets, as well as the increasing internationalization of their staffs, is further intensifying price pressures and causing fundamental structural change in the transportation and logistics sectors. In light of rail's intrinsic strengths over medium and long distances and the free access to the German rail network, we intend to concentrate on our strengths and confront the opportunities and challenges of international transport.

We are currently making every effort to rationalize our processes and modernize our rolling stock, in order to secure our domestic and international core markets. We have to clearly concentrate our resources on those shipments for which rail transport has a clear competitive advantage. The continuation of our restructuring programs in combined rail/road transport and the implementation of our MORA C (market-oriented services – cargo) program in **single freight car transport** are aimed at improving the quality and speed of transport. **Combined rail/road transport**, our second business unit next to wagonload transport, is a clear growth market on the rails; however, we will have to develop standardized process modules to further reduce production costs. Our CustomerServiceCenter in Duisburg plays a key role in fulfilling customer requests in all segments.

In addition to the Railion joint venture, our international focus is served by bilateral contracts and partnerships. For example, we coordinate our activities closely with SNCF Fret, the freight division of the French National Railways; the Swedish SJ Cargo Group AB; the Polish PKP; and the Swiss BLS. In the logistics area, we founded the Railog GmbH joint venture with Stinnes AG and its subsidiary Schenker AG on July 1, 2001.

Modernization of the Vehicle Fleet

With an internationally focused, extensive **multiyear capital expenditures program**, we intend to modernize our vehicle fleet for freight transport. The highlight of the program is the acquisition of electric locomotives, including ones with multi-system technology for the optimization of cross-border transport and scheduling. Considerable funds will also be invested in the further modernization and upgrade of freight wagons within the Group Freight Transport division, as well as in modern load tracking technology. **Gross capital expenditures** amounted to € 321 million in the year under review, a slight decrease on the previous year.

Improved Operating Income After Interest Expected for the Current Year

The overall economic environment for freight transport will remain muted in 2002. Rail cargo transport has been hit especially hard by the decline in transport volumes in chemicals and heavy industry. We expect a slight decrease in transport performance for the Group Freight Transport division in 2002, resulting primarily from the reorganization of our transport of single freight wagons (MORA C). After a detailed traffic and efficiency analysis, we have continued to serve a total of 1,463 freight transport points (of an original 2,100 points) since the start of 2002 – many more than originally planned. The development of alternative service concepts and close coordination with our customers enabled us to keep a significant share of transports on the rails. We also cooperate with other railroads to achieve this goal. We expect declining revenues in the year 2002 as the result of continuing price competition and the weak economy. Still, the productivity improvement measures we have introduced will begin to bear fruit in 2002, and we expect a further improvement in operating income after interest for the current year.

Die Bahn DB

Passenger Stations

Continuing to improve the attractiveness of our stations was the focus of our activities during the year under review. Our ongoing 3-S program resulted in noticeable improvements in safety, service, and station cleanliness; our modernization and renovation efforts and cleanliness program were extremely well received.

in € million	2001	2000	Change in %
External revenues	219	200	+ 9.5
Intra-Group revenues	589	600	– 1.8
Divisional revenues	**808**	**800**	**+ 1.0**
Operating income after interest	6	4	+ 50.0
Gross cash flow	126	111	+ 13.5
Gross capital expenditures	459	552	– 16.8
Employees as of Dec 31	5,193	5,015	+ 3.5

Passenger Stations – Our Company’s Calling Cards

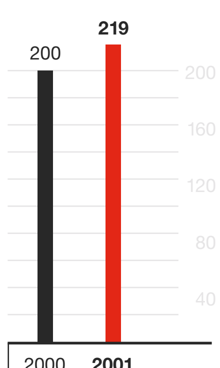
Our stations are gates to mobility; their outward appearance is a key factor in gaining satisfied customers. In addition to their obvious importance to some 1.7 billion travelers annually, the stations are also a marketplace and meeting place for more than 2.4 billion annual visitors who partake of a wide range of services and shopping facilities.

The Group Passenger Stations division is responsible for managing the stations, i.e. the technical operation of more than 5,700 active stations throughout our transport infrastructure as well as the commercially utilized space in some 3,000 station buildings. A comprehensive capital expenditures and modernization program is aimed at steadily upgrading our stations, with the primary focus on enhancing the stations’ outward appearance and improving the quality of customer information and service.

Diversified Business Units

The Group Passenger Stations division carries out its activities in two business units: traffic stations and marketing. The **traffic stations business unit** is focused on optimizing traffic and passenger flows. The federal and state governments contribute to capital expenditures in this area in line with their statutory obligations. The focus of the **marketing business unit** is broader, encompassing all visitors instead of just passengers; in this area, Deutsche Bahn aims to optimize marketing of commercial station spaces to leaseholders, whose products and services in turn further increase the attractiveness of the stations.

In the year 2001, we installed a **comprehensive portfolio management system** with medium-term profitability assessments of all station buildings to be conducted annually. On the basis of these assessments, we recommend action plans for property optimization – up to and including disposal – which we began implementing in 2001. Some 1,000 properties that are no longer essential to operations and for which a suitable ROCE cannot be achieved in the medium term are currently up for sale. The detailed optimization potential of nearly 50 station buildings is currently being determined, with the aim of implementing the recommended measures as soon as possible.



External revenues Passenger Stations
in € million

Relative change: + 9.5 %

Positive Development in Revenues

Revenues of the Group Passenger Stations division grew by some 1 % to € 808 million in the year under review. About 73 % of divisional revenues were generated by intra-Group companies (€ 589 million). **External revenues** generated from non-Group transport companies, tenants, and leaseholders rose by 9.5 % to € 219 million.

The contribution of the traffic stations business unit to total revenues was some € 0.6 billion – primarily from business with the Group Passenger Transport division.

Additional revenues resulted from travel-related services and facilities, such as luggage lockers and station parking. The share of revenues generated from non-Group transport companies increased significantly by nearly 3 % (previous year: +2 %).

Revenues in the marketing segment amounted to around € 0.2 billion. We were also able to increase the external rental of commercial spaces: some 863,000 square meters of commercial space were rented out in the year 2001, an increase of nearly 1.6 % over the previous year. Within the framework of our so-called "railway station package" (Bahnhofspaket) – which entails lease-financed expansion and modernization programs at 26 different stations – we were able to reach tenancy rates of nearly 100 % upon completion of the modernization projects. The full railway station package is scheduled for completion by the end of 2006. In addition, the professional operations management we have implemented – the targeted optimization in terms of business and tenant type based on location analyses of our existing buildings – is starting to pay off.

Cleanliness Program 2001 – Sustained Improvement in Station Appearance

We began a special program in the year 2001 with the aim of achieving a sustained increase in the optical and functional appearance of (primarily) smaller and medium-sized stations. Total funding for the program was initially some € 35 million. In addition to a general cleaning, the program was focused on removing graffiti damage and making general cosmetic repairs and improvements. Several federal states, particularly North Rhine-Westphalia and Bavaria, contributed funding for the program. As a result of the **overwhelming public response**, this special program will be continued and expanded in the coming years. Additional improvements are planned in addition to sustaining the level we have already achieved. In the coming year, our cleanliness program will be reinforced by a ban on smoking that will be introduced at our 63 most frequented stations, following positive experiences with a pilot project in Bonn in 2001. The smoking ban will be introduced successively starting in the second half of 2002. From this point, smoking will be permitted only in designated smoking areas. The expected reduction in cigarette waste on platforms and in track beds will give a major boost to overall station cleanliness.

Positive Income

Operating income after interest increased slightly from the previous year to € 6 million. The reorganization of our management structure that we implemented in 2000 continued to provide cost savings during the year under review. Negative effects on operating income resulted from our intensified capital expenditures and modernization activities, as well as the cleanliness program implemented at our stations during 2001. These measures led to an increase in maintenance and cleaning expenses, as well as higher interest payments and increased depreciation. Thanks to improved operating profit and increased depreciation volume, **gross cash flow** increased by 13 % to € 126 million.

Capital Expenditures in Modernization

Gross capital expenditures during the year under review, at € 459 million, fell short of the previous year's figure (€ 552 million); expenditures were focused more on medium-sized projects than in previous years, especially in the traffic stations business unit. In addition, significant amounts were invested in the stations along the new Cologne – Rhine / Main line with the Frankfurt Airport Station, the Cologne – Bonn Airport link, and the Montabaur Station – as well as in Lehrter Stadtbahnhof in Berlin.

We are also concluding more and more agreements for total station modernization with individual federal states. In this model, the states contribute funding to projects whose aims have been defined jointly with Deutsche Bahn. In addition to the "Modernization Program for Stations in NRW" concluded with North Rhine-Westphalia, we have signed similar contracts with the states of Bavaria (for MVV, the Munich transport authority) and Saxony-Anhalt. The defined projects are currently in the planning phase; initial works in North Rhine-Westphalia have already been completed with the cooperation of local citizens' groups.

The central stations in Bremen, Mannheim, and Mainz were (at least partially) reopened in 2001 as part of the railway station package. Hamburg-Dammtor was completed in January 2002. Three further projects are nearing completion, while we are currently revising the planning for ten other sites in light of new information regarding location factors and technical requirements.

Targeted Expansion of Skills

The number of **employees** increased by 178 to 5,193 as of December 31, 2001. The additions are aimed at strengthening our competencies in sales and construction engineering. During the current year, selected activities will be transferred to the newly founded DB ProjektBau GmbH as part of our Group-wide consolidation of construction project activities.

Further Improvements in the Current Year

We will continue to increase the operative responsibility of our local station managers during the year 2002. Customer surveys at our stations have shown that we have to heed our customers' subjective feeling of security and their need for prompt travel information more than we have in the past. As a result, we are accelerating the expansion of our travelers' information system and our "3-S Centers", which are responsible for implementing our "Service, Safety, Station Cleanliness" program. The continuation of our cleanliness program will further improve the quality of time spent at our passenger stations. At the bottom line, we expect gains in both divisional and external revenues and a slight increase in operating income after interest.

Die Bahn DB

Track Infrastructure

As the name implies, railroads are inseparably linked with the rails. The track infrastructure is a primary factor in the quality of rail transport. The time for improving the competitiveness and economic efficiency of our rail network is now. Our strategy is called “Netz 21”.

in € million	2001	2000	Change in %
External revenues	138	110	+ 25.5
Intra-Group revenues	3,391	3,415	– 0.7
Divisional revenues	**3,529**	**3,525**	**+ 0.1**
Operating income after interest	– 207	57	–
Gross cash flow	693	987	– 29.8
Gross capital expenditures	4,435	3,896	+ 13.8
Employees as of Dec 31	52,089	53,554	– 2.7

Track Infrastructure – The Foundation for Mobility

In the wheel/rail system, the "track infrastructure" is the foundation and backbone of rail transport, without which every train would stand still. DB Netz AG plans and coordinates the timetables – taking customer demand into account – and organizes **safe and reliable rail operations**. The rail infrastructure is open to other rail transport companies on a non-discriminatory basis – as required by EU Directive 91/440. **Some 250 non-Group customers** used this opportunity during 2001. In addition, this Group division is also responsible for maintenance, new construction and expansion of the infrastructure.

Stable Revenue Development

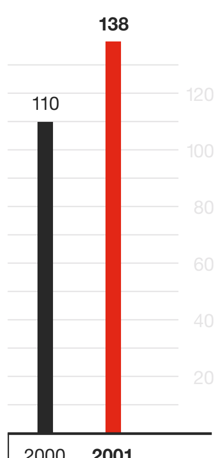
At € 3,529 million, **divisional revenues** matched the previous year's level. 90 % of total revenue came from train-path revenues, 6 % from rentals and leases on marshaling yards and storage sidings, and 4 % from project and transshipment services. Demand for service during the year under review was 977 million train-path kilometers (tpkm), nearly as high as the extraordinary "EXPO year 2000" level of 984 million tpkm.

Internal revenues with Group customers decreased by 0.7 % to € 3,391 million in the past financial year. **External revenues** with non-Group customers once again increased significantly – by 26 % to € 138 million.

Major Expansion in Capital Expenditures

The signing of the Trilateral Agreement between Deutsche Bahn, the Federal Ministry of Transport, Building and Housing, and the Federal Ministry of Finance in March 2001 secured the necessary increase in federal subsidies for infrastructure measures. **Gross capital expenditures** increased by 13.8 % to € 4,435 million during the year under review. Some **40 % of our capital expenditures were allocated to the existing network**. Compared to the previous year, we were able to reduce **travel time lost due to reduced-speed restrictions by 50 %**. Our aim is to aggressively renovate and modernize our entire infrastructure. We plan and implement our capital expenditures in corridors, an approach that has decisive advantages: Only a single planning process is required even if multiple construction measures are involved, and work can be executed more quickly and cost-effectively.

Some € 2.1 billion (48 %) of the invested amount was directed at projects involving the Federal Transportation Infrastructure Plan. By far the largest single project during the year under review was once again the new Cologne–Rhine/Main line, at some € 626 million. We invested € 402 million in the Nuremberg–Ingolstadt–Munich line.



External revenues Track Infrastructure
in € million

Relative change: + 25.5 %

Quality Programs Affect Net Income

Operating income after interest declined to € –207 million (previous year: € 57 million). The decline in special burden compensation from the federal government (€ –171 million) had a negative effect. This compensation will cease completely after the year 2002. Our intensive capital expenditures program resulted in increased depreciation, and we increased maintenance expenditures for the existing network. **Gross cash flow** amounted to € 693 million (previous year: € 987 million).

In line with productivity increases, the **number of employees** had declined by the end of the year under review by 1,465 to 52,089.

"Netz 21" Strategy: Enhancement of the Existing Network

The "Netz 21" concept remains DB Netz AG's strategic approach for optimizing our infrastructure and increasing productivity. The aims of "Netz 21" are to significantly increase the performance of the rail infrastructure, to increase availability of rail lines, to reduce costs and to shorten overall journey times for passengers and cargo.

"Netz 21" is intended to segregate faster-moving from slower services, which will improve overall traffic flow and enable better utilization of train-paths. To achieve these goals, we divide the rail network – customer-friendly – into three different segments: priority network, performance network and regional network:

- The **priority network**, a component of the "Long-Distance/Conurbation Network", links conurbations and will in future comprise a distance of some 10,000 km [around 3,500 km for high-speed traffic, around 4,500 km for slower traffic, and around 2,000 km for S-Bahn (metro) traffic].
- The **performance network**, the second component of the "Long-Distance/Conurbation Network", will comprise some 12,200 km for mixed regional and interregional traffic – e.g. long-distance transport, local transport, and freight trains on a single track.
- The **regional network**, including the so-called Regent networks, will comprise some 14,500 km of rails serving passenger and freight transport.

"Netz 21" is aimed at giving operators of long-distance transport, freight transport, and local transport sufficient capacity for future transport developments. Segregating traffic will enable railroads to run more passenger and freight trains, responding more effectively and more flexibly to customer demands. We also intend to install new technology – especially command and control technology systems – to make rail operations more flexible and capture additional rationalization potential.

Construction of the New Cologne–Rhine/Main Line Completed

The new Cologne–Rhine/Main line is one of the most important transport projects in Germany and in Europe. It links the economic centers Rhine/Ruhr and Rhine/Main and represents the backbone of a European high-speed route from London, Amsterdam or Brussels to southern Germany and beyond. Construction of the line was finished on schedule in late 2001. Journey times between the Greater Cologne and Greater Frankfurt areas will be reduced by 75 minutes to about an hour. As a result, the new European timetable that will take effect on December 15, 2002, will offer much more attractive long-distance connections.

Electronic Interlockings and Operations Centers Expanded Further

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. In parallel, we have established a total of 7 operations centers, which will monitor and plan all activities on the commissioned lines and control them through electronic interlockings. The Munich Operations Center was the last of these 7 operations centers to go online, in the fall of 2001. Additional expansion is planned for all 7 operations centers.

Preparations for GSM-R on Schedule

Another cornerstone of our track infrastructure strategy is the GSM-R (Global Standard for Mobile Communications-Rail) digital cellular communications network, which will provide the foundation for uniform digital mobile communication between vehicles and the infrastructure. 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. A harmonized European standard for mobile voice and data communication, GSM-R will promote the technological integration among the European rail networks. Our capital expenditures in our network of over 25,000 km are exemplary in Europe and will enable a wide range of applications for operations control, diagnostic and service systems. This standardized platform will save operating costs while improving functionality and quality at the same time. The installation of the GSM-R network continued on schedule during the year 2001.

New Train-path Pricing System Introduced

We replaced our previous two-tier train-path pricing system (TPS) with a new single-tier system effective April 1, 2001. As a result, the same prices will fundamentally apply to all customers – regardless of how much train-path capacity they utilize. The new system features different line categories that take the significance, capacity utilization, and technical infrastructure of the respective lines into account. Overall, the introduction of the new TPS had a neutral effect on revenues. It has been well-received by our customers.

Outlook: Repeated Operating Loss in 2002

In the current financial year, we anticipate a renewed operating loss – despite a slight increase in divisional revenues – due to intensified maintenance activities, higher interest payments, and scheduled reductions in federal grants for inherited burdens resulting from reunification. In the medium term, however, we expect a significant improvement thanks to major cost reductions and quality improvements.


A9

Die Bahn DB

Rolling Stock

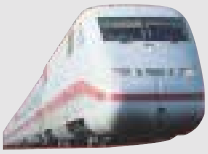
Our customers' expectations continue to increase, just as competition becomes more intense. The modernization of our rolling stock is therefore a high priority within our intensive capital expenditures program. We are currently subjecting our vehicle fleet to a rejuvenation whose scope is unparalleled in our history. Many of our typical vehicles are listed on the following pages.

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, 2001	59

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

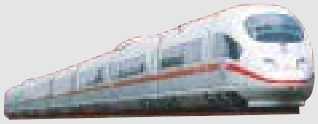
ICE 2
(EMU[1])



Manufacturer	Consortium leaders: Siemens, Adtranz
Commissioning	1996
Output	4,800 kW
Max. speed	280 km/h
Seats	361
Stock as of Dec 31, 2001	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 2000
Output	8,000 kW
Max. speed	330 km/h
Seats	391 (BR 403)/380 (BR 406)
Stock as of Dec 31, 2001	49 (37/12)

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 12 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.

ICE T
(EMU[1])

Manufacturer	Consortium leaders: Bombardier, DUEWAG, Fiat, Siemens
Commissioning	from 1999
Output	3,000/4,000 kW
Max. speed	230 km/h
Seats	250 (BR 415)/357 (BR 411)
Stock as of Dec 31, 2001	43 (11/32)

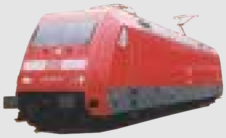
The ICE T is a five- or seven-segment electric multiple unit (EMU). The hydraulic tilting technology enables an up to 30% higher curving speed and – depending on the profile of the line – a reduction in journey times of between 10 and 20%. The "under-floor" configuration of the drive technology results 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.

ICE TD
(DMU[2])

Manufacturer	Consortium leaders: Siemens, Bombardier
Commissioning	2001
Output	1,700 kW
Max. speed	200 km/h
Seats	195
Stock as of Dec 31, 2001	20

The ICE TD is a four-segment diesel-electric multiple unit (DMU). Each individual unit is driven by a 560 kW diesel engine. The Siemens tilting technology (electromechanical) enables an up to 30% higher curving speed.

BR 101
(electric locomotive)



Manufacturer	Adtranz
Commissioning	1996 – 1999
Output	6,400 kW
Max. speed	220 km/h
Stock as of Dec 31, 2001	145

The BR 101 (101 series) 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 by 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, 2001	90

The BR 112 is a further development of the well-established BR 212 used by the Deutsche Reichsbahn. 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
[2] DMU = diesel 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, 2001	75

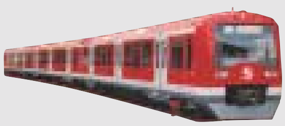
The four-axled, driveless driving trailer is designed primarily for IC push-pull traffic services. The driving trailer makes it possible to change the direction of running in approx. 4 minutes without having to change the locomotive. In addition to the driver's cab, the IC driving trailer also has a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

BR 423
(EMU [1])

Manufacturer	Consortium leaders: Adtranz, LHB
Commissioning	2000 – 2004
Output	2,350 kW
Max. speed	140 km/h
Seats/standing room	192/352
Stock as of Dec 31, 2001	189

The four-segment, air-conditioned EMU of the BR 423 is the successor to the BR 420 operating for the S-Bahn (metro) systems in Munich, Stuttgart and Frankfurt. This EMU has very low power consumption thanks to its lightweight construction, energy recapture during braking and utilization of exhaust heat for heating purposes. The first construction series is currently used in the Dusseldorf, Stuttgart and Munich areas. Cologne is one of the areas scheduled for employment of the second construction series (110 vehicles).

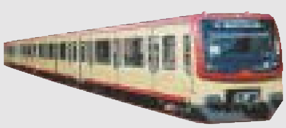
BR 474
(EMU [1])



Manufacturer	Consortium leaders: Alstom, LHB, Adtranz
Commissioning	1997 – 2001
Output	920 kW
Max. speed	100 km/h
Seats/standing room	208/306
Stock as of Dec 31, 2001	103

The three-segment BR 474 is the successor vehicle for the Hamburg S-Bahn (metro) system, replacing the obsolete BR 471 and BR 470. There is same-level access to the passenger area and passengers are automatically informed of stops through electronic displays and announcements. The intermediate cars are unbraked, but the end drive cars have magnetic track brakes.

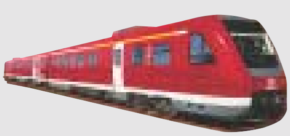
BR 481
(EMU [1])



Manufacturer	Consortium leaders: Bombardier (DWA), Adtranz
Commissioning	1996 – 2004
Output	600 kW (quarter-set)
Max. speed	100 km/h
Seats/standing room	94/200 (quarter-set)
Stock as of Dec 31, 2001	348 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 (two-car units) are to be procured for € 1.1 billion. Air-sprung bogies, excellent sound damping and a light, open interior offer more passenger comfort. Modern three-phase current technology, lightweight construction, and recovery of the braking energy provide for low power consumption and low maintenance costs.

BR 612
(DMU [2])



Manufacturer	Adtranz
Commissioning	2000 – 2001
Output	2 x 560 kW
Max. speed	160 km/h
Seats	146
Stock as of Dec 31, 2001	105

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 fittings and design. 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, 2001	458

The two-segment BR 628.4 DMU is a further development of the second 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, strollers and bicycles; a lavatory in the center of the unit; passenger areas with forced ventilation; and the IBIS (integrated, on-board information system).

BR 643 "Talent"
(DMU [2])

Manufacturer	Consortium leaders: Bombardier, Talbot
Commissioning	2000 – 2001
Output	2 x 315 kW
Max. speed	120 km/h
Seats	137
Stock as of Dec 31, 2001	75

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 wheelchair-accessible lavatory. The BR 643 is in service predominantly on lines in Baden-Württemberg, Rhineland-Palatinate, North Rhine-Westphalia, and in the Saarland.

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

BR 644 "Talent"

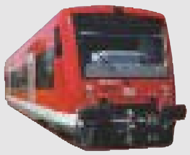
(DMU[2])

Manufacturer	Bombardier, Talbot
Commissioning	1998
Output	2 x 505 kW
Max. speed	120 km/h
Seats	161
Stock as of Dec 31, 2001	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 from both 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 Bielefeld–Dissen-Bad Rothenfelde line.

BR 650

(diesel rail car)

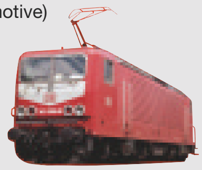


Manufacturer	Adtranz
Commissioning	1999 – 2001
Output	2 x 257 kW
Max. speed	120 km/h
Seats	71
Stock as of Dec 31, 2001	50

The one-segment, air-conditioned BR 650 diesel rail car is in service especially on the lines of DB ZugBus Alb-Bodensee and in association with vehicles of the State railways in Baden-Württemberg. The above-average acceleration provided by the powerful engine and effective drive configuration (all axles are powered) are a great advantage in the mountainous areas 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, 2001	629

The BR 143 is an extremely versatile electric locomotive. Besides the BR 111 and BR 146, 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 and propelling most of the local transport push-pull trains.

BR 146

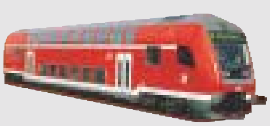
(electric locomotive)

Manufacturer	Adtranz
Commissioning	2001 – 2002
Output	4,200 kW
Max. speed	160 km/h
Stock as of Dec 31, 2001	11

The BR 146 is a further development of the BR 145, which was developed for freight transport. The installation of newly-developed bogies enables speeds of up to 160 km/h. To allow its use in local transport, the locomotive has been equipped with push-pull train control, selective side-door opening and a passenger information system. A total of 31 locomotives will be procured for double-deck push-pull trains in Rhineland-Palatinate and North Rhine-Westphalia.

Double-deck driving trailer

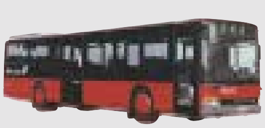
(DBpbzf 763.5 and 763.6)



Manufacturer	Bombardier (DWA)
Commissioning	1997 – 1999
Max. speed	160 km/h
Seats	101 (763.5), 95 (763.6)
Stock as of Dec 31, 2001	(27 + 23) = 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 and wheelchair-accessible and feature a modern passenger information system. The lower deck offers a multi-purpose area with spaces for wheelchairs, bicycles and strollers, as well as a wheelchair-accessible lavatory.

EvoBus-Setra low-floor, single-decker bus S 315 NF



Manufacturer	EvoBus-Setra
Commissioning	from 1996
Output	184 kW/220 kW
Seats/standing room	48/42 (depending on configuration)
Stock as of Dec 31, 2001	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 integrated ramp. The bus is equipped with an automatic transmission and is also suitable for scheduled urban and suburban transport services.

A total of some 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 comprising some 4,000 routes.

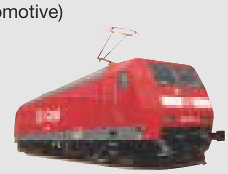
[2] DMU = diesel multiple unit

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, 2001	697

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 proven its worth in both passenger and freight transport on main and secondary lines. Even today, the BR 140 is a major factor in traction for freight transport.

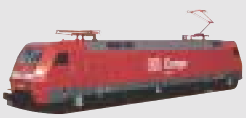
BR 145
(electric locomotive)



Manufacturer	Adtranz
Commissioning	1997 – 2000
Output	4,200 kW
Max. speed	140 km/h
Starting tractive effort	300 kN
Stock as of Dec 31, 2001	80

The BR 145 is part of the new generation of three-phase current locomotives in the freight transport stock. It has a flexible range of employment and has proven its worth in local transport as well. 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.

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, 2001	170

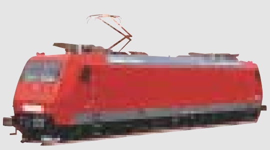
Procurement of the BR 152 three-phase current locomotive was launched to replace the heavy BR 150 electric locomotives and areas of employment of the BR 151/155. The engines can frequently be seen on long-haul runs and are highly capable vehicles for heavy freight transport.

BR 182
(electric locomotive)

Manufacturer	Siemens, Krauss-Maffei
Commissioning	2001 – 2002
Output	6,400 kW
Max. speed	230 km/h
Starting tractive effort	300 kN
Stock as of Dec 31, 2001	18

The new BR 182 will initially be procured in a lot of 25 units. The 182 is a dual-frequency locomotive that runs not only at Germany's 15 kV/16⅔ Hz, but also at the 25 kV/50 Hz that predominate in neighboring countries. Its performance and high speed are well-suited for use in high-value traffic, such as Parcel Intercity trains.

BR 185
(electric locomotive)



Manufacturer	Adtranz
Commissioning	2000 – 2008
Output	5,600 kW
Max. speed	140 km/h
Starting tractive effort	300 kN
Stock as of Dec 31, 2001	47

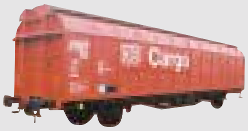
As a further development of the BR 145 and to exercise an option it had with the industry, DB Cargo ordered 400 BR 185 vehicles. Owing to the design and configuration of the engine, it can be employed both in Germany and abroad – i.e. at 15 kV/16⅔ Hz and at 25 kV/50 Hz – when fitted with the train protection and train radio systems used in the respective country.

BR 241
(diesel locomotive)

Manufacturer	Voroshilovgrad
Commissioning	1999 – 2001
Output	2,550 kW
Max. speed	100 km/h
Starting tractive effort	450 kN
Stock as of Dec 31, 2001	10

Modified from the present BR 232 that had already proven its worth at the former Reichsbahn, the BR 241 is the most powerful diesel locomotive in the DB Cargo fleet. It is intended for employment in heavy freight transport services. Its high power output makes double heading unnecessary in certain areas of employment. The second series of five vehicles (241.8) was designed especially for the requirements of transport in Belgium.

Hbbillns



Volume	105 m^3
Loading width	2.90 m
Height	2.40 m
Area	41.3 m^2
Stock as of Dec 31, 2001	1,850

The high-capacity Hbbillns wagon is equipped with sliding side-walls that can be opened and closed 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 are fitted with so-called "latchable partitions" to ensure the careful transport of various types of sensitive goods.

Passenger transport		2001	2000
Vehicles	ICE 1 multiple units	59	59
	ICE 2 multiple units	44	44
	ICE 3 multiple units	37	24
	ICE 3-M multiple units	12	9
	ICE T multiple units	43	42
	ICE TD multiple units	20	0
	Locomotives	2,601	2,672
	Rail cars (incl. rail buses)	7,189	6,564
	Passenger cars	12,748	12,975
Seats (thousand)	DB Reise&Touristik	299	281
	DB Regio	1,192	1,182
	Total	**1,491**	**1,463**
Number of trains per day	DB Reise&Touristik	1,376	1,557
	DB Regio	29,117	28,995
	Total	**30,493**	**30,552**

Passenger Transport

Speed and comfort are the arguments that are convincing more and more travelers to choose the train. Accordingly, powerful high-speed trains are playing a growing role in our long-distance fleet; with the delivery of additional ICE trains, we can now offer our customers some 100,000 seats in this train family. To make local rail passenger transport more attractive, we are also aggressively modernizing our regional trains and S-Bahn (metro) fleets.

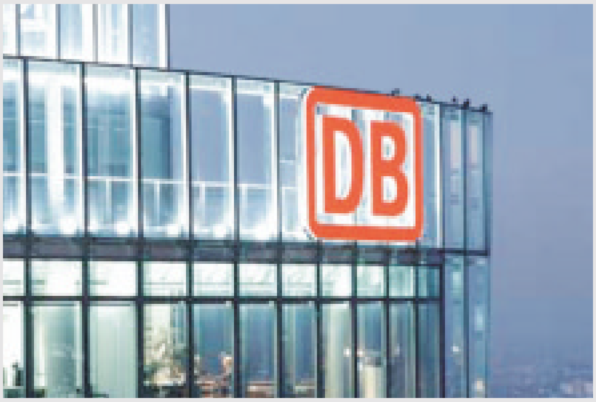
Freight Transport

To achieve our goal of becoming the leading European provider of rail transport services, we are making every effort to create a firm foundation for the future. We are investing more than ever before in new locomotives and freight wagons that are tailored precisely to our customers' loading and unloading needs.

Freight transport		2001	2000
Locomotives		3,564	4,371
Freight wagons		128,059	131,178
Transport capacity of freight wagons	thousand t	5,741	5,847
Number of trains per day	approximately	6,318	6,219

Die Bahn DB

Consolidated Financial Statements



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Consolidated Balance Sheet

on December 31, 2001

Assets

in € million	Note	Dec 31, 2001	Dec 31, 2000
A. Fixed assets			
Intangible assets	(5)	125	193
Properties	(5)	34,930	33,878
Financial assets	(5)	735	600
		35,790	**34,671**
B. Current assets			
Inventories	(6)	992	973
Accounts receivable and other assets	(7)	3,890	2,990
Securities	(8)	348	33
Cash and cash equivalents		363	394
		5,593	**4,390**
C. Prepayments and accrued income	(9)	**579**	**406**
		41,962	**39,467**

Equity and Liabilities

in € million	Note	Dec 31, 2001	Dec 31, 2000
A. Equity			
Subscribed capital	(10)	2,150	2,147
Capital reserves	(11)	5,310	5,313
Retained earnings	(12)	1,045	1,269
Balance sheet loss	(13)	– 134	– 5
Minority interests	(14)	65	64
		8,436	**8,788**
B. Special items for investment grants	(15)	**2**	**2**
C. Special reserve items with equity portion	(16)	**14**	**17**
D. Provisions	(17)	**14,302**	**14,167**
E. Liabilities	(18)	**18,285**	**15,514**
F. Accruals and deferred income	(19)	**923**	**979**
		41,962	**39,467**

Consolidated Statement of Income

January 1 through December 31, 2001

in € million	Note	2001	2000
Revenues	(23)	15,722	15,465
Inventory changes		65	83
Other internally produced and capitalized assets		1,748	1,719
Overall performance		**17,535**	**17,267**
Other operating income	(24)	2,406	3,653
Cost of materials	(25)	– 7,108	– 6,625
Personnel expenses	(26)	– 7,487	– 8,475
Depreciation		– 2,162	– 2,052
Other operating expenses	(27)	– 3,282	– 3,436
		– 98	**332**
Investment income	(28)	2	– 44
Net interest	(29)	– 313	– 251
Income before taxes		**– 409**	**37**
Income taxes	(30)	3	48
Income after taxes		**– 406**	**85**
Minority interests in profits		11	21
Minority interests in losses		0	0

Consolidated Statement of Cash Flows

January 1 through December 31, 2001

in € million	Note	2001	2000
Income before taxes		**– 409**	**37**
Depreciation of properties [1]		2,162	2,052
Changes to pension provisions		33	24
Cash flow before taxes		**1,786**	**2,113**
Depreciation/write-back on financial assets		8	50
Changes to other provisions		– 315	1,311
Changes in special items		– 3	– 3
Gains/losses from disposal of properties [1]		– 121	– 96
Gains/losses from disposal of financial assets and (partial) divestiture of consolidated companies		– 106	– 405
Changes to current assets (excl. cash and cash equivalents)		– 1,408	– 1,183
Changes to other liabilities (excl. financial debt)		489	– 520
Income taxes		3	48
Cash flow from business activities		**333**	**1,315**
Proceeds from disposal of properties [1]		897	471
Payments for purchase of properties [1]		– 7,303	– 7,014
Proceeds from investment grants		3,656	3,024
Proceeds from additions to interest-free loans from the federal government		924	622
Repayments of interest-free loans to the federal government		– 293	– 248
Proceeds from disposal of financial assets and (partial) divestiture of consolidated companies		66	482
Payments for purchase of financial assets and (partial) acquisition of consolidated companies		– 35	– 62
Investing activities		**– 2,088**	**– 2,725**
Income payments to minority shareholders		– 14	– 16
Proceeds from long-term Group financing		294	288
Proceeds/payments from short-term Group financing		31	– 2
Proceeds from sale-and-lease-back		178	255
Proceeds from issuing bonds and new loans		1,239	1,001
Repayments of bonds and loans		– 4	– 2
Financing activities		**1,724**	**1,524**
Net increase (decrease) in cash		**– 31**	**114**
Cash and cash equivalents, beginning of year	(32)	394	280
Cash and cash equivalents, end of year	(32)	**363**	**394**

[1] Including intangible assets

Deutsche Bahn Group: Consolidated Fixed Assets Schedule

	Acquisition and manufacturing costs				
in € million	Balance at Jan 1, 2001	Changes to companies consolidated	Additions	Transfers	Disposals
Intangible assets					
1. Licences, patents, trademarks, and similar rights	565	– 1	9	1	– 129
2. Advance payments	5	0	5	– 1	0
	570	**– 1**	**14**	**0**	– 129
Properties					
1. Land, leasehold rights, and buildings including buildings on land owned by others					
a) Land and leasehold rights	5,192	1	35	– 27	– 111
b) Commercial, office, and other buildings	2,261	1	153	60	– 19
c) Permanent way formation and structures	6,917	0	88	222	– 11
	14,370	**2**	**276**	**255**	**– 141**
2. Track infrastructure, signaling and control equipment	9,552	– 1	252	353	– 66
3. Rolling stock for passenger and freight transport	10,735	56	942	1,330	– 472
4. Technical equipment and machinery other than No. 2 or 3	780	0	58	36	– 25
5. Other equipment, operating and office equipment	1,817	0	221	46	– 197
6. Advance payments and construction in progress	5,513	0	1,544	– 2,020	263
	42,767	**57**	**3,293**	**0**	**– 638**
Financial assets					
1. Investments in affiliated companies	1	0	1	0	0
2. Loans to affiliated companies	6	0	0	0	0
3. Investments in associated companies	604	0	6	0	– 369
4. Investments in related companies	36	0	417	0	– 1
5. Loans to associated and related companies	1	0	2	0	0
6. Long-term securities	0	0	0	0	0
7. Other loans	7	0	1	0	– 1
	655	**0**	**427**	**0**	**– 371**
Total fixed assets	**43,992**	**56**	**3,734**	**0**	**– 1,138**

		Accumulated depreciation							Book value	
	Balance at Dec 31, 2001	Balance at Jan 1, 2001	Changes to companies consolidated	Depreciation	Write-backs	Transfers	Disposals	Balance at Dec 31, 2001	Balance at Dec 31, 2001	Balance at Dec 31, 2000
	445	– 377	0	– 48	0	0	96	– 329	116	188
	9	0	0	0	0	0	0	0	9	5
	454	**– 377**	**0**	**– 48**	**0**	**0**	**96**	**– 329**	**125**	**193**
	5,090	– 8	0	0	0	0	0	– 8	5,082	5,184
	2,456	– 429	0	– 96	0	1	5	– 519	1,937	1,832
	7,216	– 799	0	– 147	0	– 1	3	– 944	6,272	6,118
	14,762	**– 1,236**	**0**	**– 243**	**0**	**0**	**8**	**– 1,471**	**13,291**	**13,134**
	10,090	– 3,238	0	– 586	0	– 1	45	– 3,780	6,310	6,314
	12,591	– 3,183	– 5	– 914	0	0	221	– 3,881	8,710	7,552
	849	– 357	0	– 83	0	0	18	– 422	427	423
	1,887	– 875	0	– 288	0	1	167	– 995	892	942
	5,300	0	0	0	0	0	0	0	5,300	5,513
	45,479	**– 8,889**	**– 5**	**– 2,114**	**0**	**0**	**459**	**– 10,549**	**34,930**	**33,878**
	2	0	0	0	0	0	0	0	2	1
	6	– 6	0	0	0	0	0	– 6	0	0
	241	– 43	0	– 1	8	0	85	49	290	561
	452	– 6	0	– 14	0	0	1	– 19	433	30
	3	0	0	0	0	0	0	0	3	1
	0	0	0	0	0	0	0	0	0	0
	7	0	0	0	0	0	0	0	7	7
	711	**– 55**	**0**	**– 15**	**8**	**0**	**86**	**24**	**735**	**600**
	46,644	**– 9,321**	**– 5**	**– 2,177**	**8**	**0**	**641**	**– 10,854**	**35,790**	**34,671**

Notes

for the Financial Year 2001

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). As in the previous year, they were drawn up **in euros** at the official exchange rate of 1 euro = DM 1.95583. The Group currency was changed 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 123 domestic and 11 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 domestic 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.

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

21 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:

	2001
Additions	
Newly-founded companies and spin-offs	11
Shares acquired	5
Inclusion for the first time	1
	17
Disposals	
Sales	2
Reallocation to “Associated companies”	1
Mergers within the Group	5
	8
Balance	**9**

b) Associated companies:

	2001
Additions	
Shares acquired	1
Reallocation from “Companies included in the consolidated financial statements”	1
Inclusion for the first time	1
	3
Disposals	
Sales	3
Sales of shares	3
Mergers	1
Termination	1
	8
Balance	**– 5**

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 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 expenditures 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 of December 31, 2001, or for a financial year ending in the course of financial year 2001 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

There have been no changes in the accounting and valuation methods compared to the previous year.

Intangible assets acquired for valuable consideration are carried at acquisition costs and written down on a straight-line basis. Acquired software that constitutes a low-value asset in each individual case is fully written off during the first year.

Properties (property, plant and equipment) are carried at acquisition or manufacturing costs 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 – 20

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.

Securities held as current assets are valued at acquisition cost.

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 6 a 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 % p.a. interest rate for discounting purposes.

All other **provisions** are stated at the amount required, based on sound business judgement. 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 the financial year 2001 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 € 975 million (previous year: € 701 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 2001, while they were offset against acquisition and manufacturing costs in previous years.

In financial year 2001, **write-offs for impairment of properties** – primarily due to the decommissioning of rolling stock, track infrastructure, and plant and equipment – amounted to € 129 million (previous year: € 72 million).

Write-ups of **financial assets** in the amount of € 8 million (previous year: € 20 million) relate to an adjustment of investment income from associated companies using the equity method. The write-downs of € 15 million in the past financial year are largely due to holdings, whereas write-downs in the previous year (€ 70 million) involved associated companies exclusively. Deutsche Bahn AG reduced its voting share in Arcor AG & Co., relinquishing its considerable influence. Therefore, the company was removed from the consolidated financial statements as an associated company and included under “Participating interests”. The disposals under “Associated companies” and the additions under “Participating interests” are almost exclusively due to this transaction.

6 Inventories

in € million	2001	2000
Raw materials and manufacturing supplies	491	521
Unfinished products, work in progress	483	421
Finished products and goods	12	26
Advance payments to suppliers	6	5
Total	**992**	**973**

Valuation adjustments in the amount of € 286 million (previous year: € 279 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	2001	of which with a remaining term of more than one year	2000
Trade receivables	1,137	21	1,153
Receivables due from affiliated companies	1	0	1
Receivables due from companies in which a participating interest is held	122	1	229
Other assets	2,630	271	1,607
Total	**3,890**	**293**	**2,990**

Value adjustments for accounts receivable and other assets amounted to € 320 million (previous year: € 234 million).

The main elements of **other assets** are short-term cash investments through year's end totaling € 1,775 million (previous year: € 1,046 million), tax receivables, and a claim against the Federal Railroad Fund (BEV) under the "Trilateral Agreement" for the transfer of real estate [for more information, please see the comments under Note (18)].

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 € 579 million (previous year: € 406 million) include a discount of € 52 million (previous year: € 48 million), € 527 million (previous year: € 358 million) mainly involve 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

In the financial year 2001, Deutsche Bahn AG changed its subscribed capital over from DM to euros. In this context, its equity capital was increased by an amount of some DM 5 million (some € 3 million) to round the value in euros, through a conversion of part of capital reserves, without issuing new shares. The subscribed capital now amounts to DM 4,205 million (€ 2,150 million). At the same time, the previous subdivision of the subscribed capital into 84,000,000 bearer shares having a par value of DM 50 each, was changed to a subdivision into 430,000,000 no-par value bearer shares. The shares are held entirely by the Federal Republic of Germany.

11 Capital Reserves

Within the process of converting the subscribed capital from DM to euros, some DM 5 million (some € 3 million) were withdrawn from the capital reserves. Accordingly, an amount of DM 10,385 million (€ 5,310 million) was reported as of December 31, 2001.

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 / Other 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	2001	2000
Retained earnings carried forward to January 1	1,269	1,354
Balance sheet profit carried forward to January 1	– 5	– 152
Changes in equity and liabilities-side differences resulting from consolidation	11	– 2
Changes in assets-side differences resulting from consolidation	48	2
Transfers from/to minority interests	4	– 4
Changes resulting from foreign currency translation	1	2
Consolidated net income/loss for the year	– 406	85
Earnings attributable to minority interests	– 11	– 21
Retained earnings and balance sheet profit as of December 31	**911**	**1,264**
Posted as balance sheet loss	134	5
Retained earnings as of December 31	**1,045**	**1,269**

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	2001	2000
Adjustment items on the equity and liabilities side	65	64
Adjustment items on the assets side	0	0
Total	**65**	**64**

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

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

in € million	2001	2000
In accordance with Section 281 HGB:		
Reserves in accordance with Section 3 (2) ZonenRFG [1]	3	3
Reserves in accordance with Section 4 FördergebietsG [2]	11	14
Total	**14**	**17**

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

Gains of € 3 million (previous year: € 5 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 € millions	2001	2000
Pension provisions	508	475
Tax provisions	372	359
Provisions for deferred taxes	0	0
Other provisions	13,422	13,333
Total	**14,302**	**14,167**

€ 33 million (previous year: € 31 million) were transferred to **provisions for pensions** in the financial year 2001.

Other provisions consisted of the following:

in € million	2001	2000
Personnel-related commitments	1,071	1,160
Restructuring charges	2,141	2,633
Inherited environmental liabilities	2,620	3,156
Reconveyance obligations	324	476
Other risks	7,266	5,908
Total	**13,422**	**13,333**

Personnel-related commitments mainly concern leave entitlements, accumulated flex-time, 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. The reduction of these two provision items is primarily due to the redemption of obligations within the framework of the "Trilateral Agreement" with the Federal Railroad Fund (BEV) [also see comments under Note (18)].

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	2001	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	2000
Interest-free loans	7,324	267	1,271	5,786	6,714
Bonds	5,419	511	342	4,566	4,181
Liabilities due to banks	73	19	2	52	76
Advance payments received for orders	316	202	73	41	280
Trade accounts payable	1,557	1,546	11	0	1,704
Liabilities due to affiliated companies	0	0	0	0	0
Liabilities due to companies in which a participating interest is held	1,758	236	347	1,175	1,508
Other liabilities	1,838	1,190	555	93	1,051
of which tax liabilities	(78)	(78)	(0)	(0)	(85)
of which social security liabilities	(100)	(100)	(0)	(0)	(102)
Total	**18,285**	**3,971**	**2,601**	**11,713**	**15,514**

The **interest-free loans** arise almost exclusively 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 € 1,501 million (previous year: € 1,206 million).

The increase in **other liabilities** is due almost exclusively to payment obligations to the Federal Railroad Fund (BEV) under the "Trilateral Agreement". These payments serve primarily to replace obligations that were previously reported as provisions. The excess amount results in a claim against the BEV for the transfer of properties [also see the comments under Notes (7) and (17) and the Management Report].

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).
- Of liabilities due to banks, € 1 million (previous year: € 2 million) were secured by real-estate liens.

For a listing of **financial debt** and the corresponding comments, please see Note (22).

19 Accruals and Deferred Income

Accruals and deferred income of € 923 million (previous year: € 979 million) result primarily from the purchase of redemption commitments in the year 1999 for the years 2025 through 2041 relating to interest-free loans [see Note (18)].

20 Contingent Liabilities

in € million	2001	2000
Liabilities from the drawing and endorsement of bills	0	0
Liabilities from guarantees	231	244
Liabilities from the provision of collateral for third-party liabilities	159	212
Total	**390**	**456**

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 rail reform, it was 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	2001	2000
Purchase order commitments for capital expenditures	5,614	7,295
Outstanding contributions	349	340
Commitments under rental, leasing, and other debt obligations with external parties	4,132	4,085
Euro currency on hand for sub-frontloading	56	0
Total	**10,151**	**11,720**

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 reported at their nominal values. The two tables below list the corresponding **nominal values and the net present values** (as of December 31, 2001) by due date:

in € million	Nominal value	Net present value at 7.5%
Lease payments		
due within 1 year	141	136
due within 1 to 5 years	579	467
due after 5 years	890	477
Total	**1,610**	**1,080**

Leasing plays only a minor part in the financing of necessary business assets. During the financial year 2001, lease payments totaled € 115 million (previous year: € 84 million).

in € million	Nominal value	Net present value at 7.5%
Rental and other external-party liabilities		
due within 1 year	403	389
due within 1 to 5 years	995	816
due after 5 years	1,124	538
Total	**2,522**	**1,743**

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, 2001, are listed in the following table, with nominal amounts and book values being equivalent:

	Currency	Residual maturity in years	Nominal interest rate in %	2001 Book value in € million
Deutsche Bahn AG bonds:				
Bond 2001 – 2011	JPY	9.7	1.390	46
DB Finance B.V. bonds:				
Bond 1995 – 2002	DM	0.6	6.875	511
Bond 1997 – 2007	DM	5.8	5.750	511
Bond 1998 – 2003 [1]	DM	max. 1.3	1.125	42
Bond 1998 – 2008	DM	6.4	5.000	767
Bond 1999 – 2009	EUR	7.5	4.875	1,350
Bond 2000 – 2010	EUR	8.5	6.000	1,000
Bond 2001 – 2006	DM	5.0	4.500	31
Bond 2001 – 2006	CHF	4.7	3.375	265
Bond 2001 – 2008	DKK	6.8	5.250	54
Bond 2001 – 2008	SEK	6.8	5.500	42
Bond 2001 – 2008	NOK	6.8	7.000	50
Bond 2001 – 2013	EUR	11.9	5.125	750
Total				**5,373**
EUROFIMA loans:				
Loan 1995 – 2002	CHF	0.3	5.250	36
Loan 1995 – 2005 [2]	DM	3.7	4.750	7
Loan 1995 – 2005	CHF	3.7	4.750	27
Loan 1996 – 2006	DM	5.0	6.000	256
Loan 1997 – 2009	DM	8.0	5.625	256
Loan 1999 – 2009	EUR	7.8	5.750	400
Loan 2000 – 2014	EUR	12.8	5.970	219
Loan 2001 – 2014	EUR	12.7	5.410	300
Total				**1,501**
Liabilities due to banks:				
Note loan 1998 – 2008	DM	6.3	5.310	51
Other liabilities				22
Total				**73**
Total financial debt				**6,993**

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.

The bonds issued in foreign currencies have been swapped to euros, which means the DB Group is not exposed to any currency risk from these transactions. An amount of € 0.6 billion of the total financial debt has a residual maturity of up to one year. € 19 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 € 1.6 billion as of December 31, 2001, to cover short-term liquidity requirements. Deutsche Bahn AG had drawn on none of these credit lines as of December 31, 2001.

B. Financial Derivatives

Financial derivatives are used 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. Derivatives for fuel were purchased to hedge against price risks in commodity markets. The use, settlement, and control of derivative transactions are governed by Group 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 and interest rate/currency swaps were used 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.

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 were used.

Commodity risks at Deutsche Bahn AG primarily involve the purchase of fuels. In the year 2001, Deutsche Bahn AG engaged in several hedging transactions in the commodities area, including swaps and options.

The total **notional value** of hedging transactions listed below represents the sum of all purchase and sales contracts being hedged. The tonnage is specified for commodity transactions. 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 tables.

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.

Notional and Fair Market Values of Interest Rate Derivatives

in € million	2001	2000
Total notional value	**4,403**	**2,851**
Performance of valuation units:		
Fair market value of derivatives	– 57	– 60
Change in the fair market value of underlying transactions	8	31
Total	**– 49**	**– 29**

As of December 31, 2001, the portfolio of interest rate derivatives consisted primarily of interest rate swaps with a remaining term of more than one year.

Notional and Fair Market Values of Currency Derivatives

in € million	2001	2000
Total notional value	**1**	**2**
Performance of valuation units:		
Fair market value of derivatives	0	0
Change in the fair market value of underlying transactions	0	0
Total	**0**	**0**

As of December 31, 2001, existing contracts to offset foreign exchange risks consisted of currency futures contracts of DE-Consult Deutsche Eisenbahn Consulting GmbH with a remaining term of less than one year.

Notional and Fair Market Values of Commodity Derivatives

in € million	2001	2000
Total notional volume (in t)	**894,000**	**0**
Performance of valuation units:		
Fair market value of derivatives	– 11	0
Change in the fair market value of underlying transactions	0	0
Total	**– 11**	**0**

As of December 31, 2001, half of the portfolio of commodity derivatives consisted of contracts with a remaining term of more than one year.

Credit Risk

in € million	2001	2000
Credit risk interest rate-, currency-, and commodity derivatives	**54**	**27**

The single biggest risk, i.e. a risk of default by a specific counterparty, amounts to € 19 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 A1.

Notes to the Consolidated Income Statement

23 Revenues

The breakdown of revenues totaling € 15,722 million (previous year: € 15,465 million) by business segment is shown in the Segment Information [Notes (33) and (34)].

24 Other Operating Income

in € million	2001	2000
Services to external parties and sale of materials	615	621
Rents and leases	213	211
Other operating income	750	766
Gains on sales of properties and (partial) divestiture of consolidated companies	391	701
Income from the release of provisions	345	1,142
Gains on the reversal/recovery of write-downs/write-offs of receivables	82	200
Income from the release of special reserve items with equity portion	3	5
Other income unrelated to accounting period	7	7
Total	**2,406**	**3,653**

25 Cost of Materials

in € million	2001	2000
Cost of raw materials, supplies, and merchandise	2,007	1,738
Cost of services purchased	2,718	2,774
Maintenance expenses	2,705	2,578
Subtotal (gross cost of materials)	**7,430**	**7,090**
Federal government contributions	– 322	– 465
Total	**7,108**	**6,625**

The cost of services and merchandise purchased for **self-constructed assets** is recognized under cost of materials. Such cost is capitalized by inclusion in other internally produced and capitalized assets under properties.

Federal government contributions are provided in accordance with Article 2 Section 22 (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	2001	2000
Wages and salaries		
for employees	5,079	6,061
for civil servants assigned		
Payments to the Federal Railroad Fund IAW Article 2 Section 21 (1) (2) German Railroad Restructuring Act	1,432	1,545
Ancillary remuneration paid directly	66	97
	6,577	**7,703**
Compulsory social security contributions, pensions and similar benefits, and support payments		
for employees	1,156	1,235
for civil servants assigned (payments to the Federal Railroad Fund IAW Article 2 Section 21 (1) (2) German Railroad Restructuring Act)	270	300
	1,426	**1,535**
of which for pensions and similar benefits	(555)	(559)
Subtotal (gross personnel expenses)	**8,003**	**9,238**
Contributions by the Federal Railroad Fund	– 516	– 763
Total	**7,487**	**8,475**

Grandfathering allowances paid in the financial year 2001 have been offset against provisions.

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 compensation for 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	2001	2000
Rents and leases	604	575
Fees and dues	116	140
Miscellaneous operating expenses	2,208	2,374
Losses on the disposal of fixed assets	164	202
Expenses relating to set-up of allowances for and write-off of accounts receivable	186	102
Expenses relating to allocations to special reserve items with equity portion	0	0
Other expenses unrelated to accounting period	4	43
Total	**3,282**	**3,436**

€ 51 million (previous year: € 73 million) of **miscellaneous operating expenses** are attributable to “other taxes”.

28 Investment Income

in € million	2001	2000
Income from participating interests	7	2
of which from affiliated companies	(0)	(0)
Income from associated companies	15	27
Transfer of losses	– 5	– 3
Write-down of investments	– 15	– 70
Total	**2**	**– 44**

29 Net Interest

in € million	2001	2000
Income from other securities and long-term loans	0	3
of which from affiliated companies	(0)	(0)
Other interest and similar income	95	94
of which from affiliated companies	(0)	(0)
Interest and similar expenses	– 408	– 348
of which from affiliated companies	(0)	(0)
Total	**– 313**	**– 251**

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 2001 and the previous year 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

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

During the year under review, the subdivision of equity capital was changed to 430,000,000 shares [also see comments under Note (10)]. We have adjusted the number of shares for the previous year to simplify comparability.

		2001	2000
Net income	in € million	– 417	64
Number of shares outstanding		430,000,000	430,000,000
Earnings per share	in €	**– 0.97**	**0.15**

Notes to the Consolidated Cash Flow Statement

The cash flow statement is set out in accordance with German Accounting Standard No. 2 (DRS 2), Cash Flow Statement, developed by the German Accounting Standards Board of the German Accounting Standards Committee e.V. (DRSC).

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.

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 Group divisions. The operating activities of the Deutsche Bahn Group are now classified according to the Group's four Group divisions:

The Group **Passenger Transport** division includes the business areas 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 92 % stake in Railion GmbH, which, in turn, holds a 100 % interest in both DB Cargo AG and Railion Benelux N.V., as well as in Railion Denmark A/S; Nederlandse Spoorwegen (NS Groep N.V.), the Dutch railroad company, holds a 6 % interest in Railion GmbH; and DSB, the Danish State Railways, holds the remaining 2 %. 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. In the delimitation of segments, the rail construction business unit – which is part of DB Netz AG in strict legal terms – is projected as a separate legal entity and allocated to "Participating interests", and is therefore reported under "Other operating entities".

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 passenger 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.

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.

34 Financial Data by Segment

	External Revenues		Intra-Group Revenues		Divisional Revenues		Depreciation	
in € million	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**
Passenger Transport								
DB Reise&Touristik	3,457	3,463	313	256	3,770	3,719	336	272
DB Regio	7,607	7,517	572	560	8,179	8,077	520	404
Total	11,064	10,980	885	816	11,949	11,796	856	676
Freight Transport	3,896	3,831	986	816	4,882	4,647	149	190
Passenger Stations	219	200	589	600	808	800	90	80
Track Infrastructure	138	110	3,391	3,415	3,529	3,525	751	788
Other Operating Entities/ Consolidation Effects	405	344	3,553	3,517	3,958	3,861	316	318
Group	**15,722**	**15,465**	**9,404**	**9,164**	**25,126**	**24,629**	**2,162**	**2,052**

[1] 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 four Group divisions, i.e. operations allocated to the divisions "Other" or "Participating Interests" including the operations of the Group holding company Deutsche Bahn AG.

- A **comparison with the previous year** must take into account both the addition of Railion Denmark A/S and transfers of business activities between the segments. The latter primarily involves the consolidation of the transport divisions' heavy maintenance facilities under DB AG and the concentration of all energy-related activities under DB Energie GmbH.

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

- **Intra-Group revenues** relate to revenues 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 Group divisions Track Infrastructure and Passenger Stations with the Group divisions 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 Interest		Gross Cash Flow		Capital Employed		Total Assets		Gross Capital Expenditures		Employees[1] as of Dec 31	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	124	100	483	383	2,978	3,139	4,778	4,809	424	499	27,360	30,293
	116	73	714	559	4,628	4,666	7,827	7,359	1,160	1,305	45,454	52,769
	240	173	1,197	942	7,606	7,805	12,605	12,168	1,584	1,804	72,814	83,062
	17	49	164	259	1,660	1,814	3,199	3,234	321	405	32,442	38,555
	6	4	126	111	1,966	1,911	2,727	2,731	459	552	5,193	5,015
	– 207	57	693	987	9,549	9,988	18,525	18,562	4,435	3,896	52,089	53,554
	– 260	– 84	124	227	7,868	5,925	4,906	2,772	311	235	51,833	42,470
	– 204	**199**	**2,304**	**2,526**	**28,649**	**27,443**	**41,962**	**39,467**	**7,110**	**6,892**	**214,371**	**222,656**

- **Divisional revenues** represent the sum of external and intra-Group revenues and thus show the business performance of the segments.

- **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 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

	2001 Annual average	2001 As of Dec 31	2000 Annual average	2000 As of Dec 31
Wage and salary earners	164,726	161,374	171,335	166,775
Civil servants assigned	54,420	52,997	59,280	55,881
Subtotal	**219,146**	**214,371**	**230,615**	**222,656**
Apprentices	8,804	9,091	11,315	11,851
Total	**227,950**	**223,462**	**241,930**	**234,507**

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"). Since the beginning of Stage II of the rail reform process they work for the different companies of the DB Group, 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:

A. Philippi GmbH, Quierschied
Ameropa-Reisen GmbH, Bad Homburg v.d.H.
Autokraft GmbH, Kiel
Bayern Express Omnibus GmbH, Munich
Bayern Express & P. Kühn Berlin GmbH, Berlin
Bodensee-Schiffsbetriebe GmbH, Konstanz
BRG Servicegesellschaft Leipzig mbH, Leipzig
BRN Busverkehr Rhein-Neckar GmbH, Ludwigshafen
BSG Bahn Schutz & Service GmbH, Frankfurt/Main
BTT BahnTank Transport GmbH, Mainz
BVO Busverkehr Ostwestfalen GmbH, Bielefeld
BVR Busverkehr Rheinland GmbH, Dusseldorf
DB Anlagen und Haus Service GmbH, Berlin
DB Arbeit GmbH i.L., Berlin
DBAutoZug GmbH, Dortmund
DB Bahnbau GmbH, Berlin
DBBauProjekt GmbH, Frankfurt/Main
DBDialog Telefonservice GmbH, Schwerin
DB Energie GmbH, Frankfurt/Main
DBFuhrparkService GmbH, Frankfurt/Main
DB Gastronomie GmbH, Frankfurt/Main
DB Informatik-Dienste GmbH, Erfurt
DB Projekt Verkehrsbau GmbH, Berlin
DB Regionalbahn Rheinland GmbH, Cologne
DB Regionalbahn Rhein-Ruhr GmbH, Essen
DB Regionalbahn Westfalen GmbH, Münster (Westf.)
DB RegioNetz Infrastruktur GmbH, Frankfurt/Main
DB RegioNetz Verkehrs GmbH, Frankfurt/Main
DB Rent GmbH, Frankfurt/Main
DB Services GmbH, Berlin
DB ServiceStore Systemführungs GmbH, Frankfurt/Main
DB Verkehrsbau Logistik GmbH, Mainz
DB Vermittlung GmbH, Berlin
DB Zeitarbeit GmbH, Berlin
DB ZugBus Nordrhein Holding GmbH, Cologne
DB ZugBus Regionalverkehr Alb-Bodensee GmbH (RAB), Ulm
DB ZugBus Westfalen Holding GmbH, Münster (Westf.)
Deutsche Bahn Gleisbau GmbH, Duisburg
Deutsche Bahn Immobiliengesellschaft mbH, Frankfurt/Main
Deutsche Eisenbahn-Reklame GmbH, Kassel

Deutsche Gleis- und Tiefbau GmbH, Berlin
Deutsche Touring Gesellschaft mbH, Frankfurt/Main
Ibb Ingenieur-, Brücken- und Tiefbau GmbH, Dresden
Kombiwaggon Servicegesellschaft für den Kombinierten Verkehr mbH (KSG), Mainz
Metropolitan Express-Train GmbH, Bad Homburg v.d.H.
MITROPA AG, Frankfurt/Main
MITROPA Grundstücks- und Beteiligungsgesellschaft mbH, Frankfurt/Main
MOS Mobile Oberbauschweißtechnik GmbH, Berlin
Omnibusverkehr Franken GmbH (OVF), Nuremberg
ORN Omnibusverkehr Rhein-Nahe GmbH, Mainz
Railion GmbH, Mainz
RBG Reisebetreuungs GmbH, Frankfurt/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, Munich
RSW Regionalbus Saar-Westpfalz GmbH, Saarbrücken
RVS Regionalbusverkehr Südwest GmbH, Karlsruhe
S-Bahn Berlin GmbH, Berlin
S-Bahn Hamburg GmbH, Hamburg
S-Bahn München GmbH, Munich
SBG Südbadenbus GmbH, Freiburg
TLC Transport-, Informatik- und Logistik-Consulting GmbH, Berlin
Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH, Frankfurt/Main
UBB Usedomer Bäderbahn GmbH, Heringsdorf
Verkehrsgesellschaft mbH Untermain –VU–, Frankfurt/Main
WB Westfalen Bus GmbH, Münster (Westf.)
Weser-Ems Busverkehr GmbH (WEB), Bremen
Zehlendorfer Eisenbahn- und Hafen GmbH, Berlin
Zentral-Omnibusbahnhof Berlin GmbH, Berlin
ZugBus Schleswig-Holstein GmbH, Kiel

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

in € thousand	2001	2000
Total Management Board emoluments	4,694	3,880
Emoluments of former Management Board members	995	2,110
Pensions provisions for former Management Board members	10,971	9,484
Total Supervisory Board emoluments	224	237
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 127–130.

38 Events After the Balance Sheet Date

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

Berlin, March 28, 2002

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, 2001. 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/Main, April 16, 2002

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Kämpfer)	(Jäcker)
Wirtschaftsprüfer	Wirtschaftsprüfer

Major Subsidiaries Deutsche Bahn Group

Name and domicile	Ownership in %	Equity in € million	Revenues 2001 in € million	Revenues relative change in %	Net income 2001 in € million	Employees as of Dec 31, 2001
Group division Passenger Transport						
Long-distance Passenger Transport (DB Reise&Touristik)						
DB Reise&Touristik AG, Frankfurt/Main	100.0	2,045.2	3,142.6	0.4	– [1]	19,867
AMEROPA-REISEN GmbH, Bad Homburg v.d.H.	100.0	2.6	103.1	1.9	– [1]	131
Bayern Express & P. Kühn Berlin GmbH, Berlin	100.0	4.1	22.6	6.1	– [1]	199
CityNightLine CNL AG, Zurich	100.0	18.8	42.7	17.1	4.0	13
DBDialog Telefonservice GmbH, Schwerin	100.0	0.8	53.2	276.2	– [1]	1,509
Deutsche Touring Gesellschaft mbH, Frankfurt/Main	82.8	5.0	54.7	6.2	– [1]	159
Metropolitan Express-Train GmbH, Bad Homburg v.d.H.	100.0	4.3	18.8	17.7	– [1]	12
MITROPA Mitteleuropäische Schlafwagen und Speisewagen Aktiengesellschaft, Berlin	100.0	15.5	283.2	– 6.2	1.3 [1]	4,554
Local Passenger Transport (DB Regio)						
DB Regio AG, Frankfurt/Main	100.0	1,764.0	4,695.9	– 5.1	– [1]	25,564
BRN Busverkehr Rhein-Neckar GmbH, Ludwigshafen	100.0	13.3	47.6	– 1.7	– [1]	416
Burgenlandbahn GmbH, Zeitz	70.0	0.3	15.3	4.3	0.2	0
DB Regionalbahn Rhein-Ruhr GmbH, Essen	100.0	126.1	503.0	1.3	– [1]	2,231
DB Regionalbahn Rheinland GmbH, Cologne	100.0	68.6	296.7	6.6	– [1]	1,156
BVR Busverkehr Rheinland GmbH, Dusseldorf	100.0	4.2	53.9	– 5.2	– [1]	262
DB ZugBus Regionalverkehr Alb-Bodensee GmbH (RAB), Ulm	100.0	24.0	188.3	0.5	– [1]	596
DB Regionalbahn Westfalen GmbH, Münster	100.0	35.5	299.7	7.3	– [1]	1,218
WB Westfalen Bus GmbH, Münster	100.0	6.0	54.6	3.7	– [1]	337
BVO Busverkehr Ostwestfalen GmbH, Bielefeld	100.0	11.3	56.8	– 1.4	– [1]	434
Omnibusverkehr Franken GmbH (OFV), Nuremberg	100.0	13.3	83.3	2.2	– [1]	485
ORN Omnibusverkehr Rhein Nahe GmbH, Mainz	100.0	5.1	41.3	4.1	– [1]	318
RBO Regionalbus Ostbayern GmbH, Regensburg	100.0	9.8	54.2	3.1	– [1]	268
Regional Bus Stuttgart GmbH, Stuttgart	100.0	15.9	64.8	– 10.4	– [1]	506
Regionalbus Braunschweig GmbH –RBB–, Braunschweig	100.0	3.6	38.4	0.2	– [1]	266
Regionalverkehr Kurhessen GmbH, Kassel	100.0	10.7	58.9	5.9	– [1]	524
Regionalverkehr Oberbayern GmbH, Munich	100.0	10.8	55.0	7.7	– [1]	625
RMV Rhein-Mosel Verkehrsgesellschaft mbH, Koblenz	74.9	13.4	55.5	2.7	3.8	221
RSW Regionalbus Saar-Westpfalz GmbH, Saarbrücken	100.0	9.4	57.2	6.1	– [1]	321
RVS Regionalbusverkehr Südwest GmbH, Karlsruhe	100.0	7.2	48.8	– 7.7	– [1]	365
S-Bahn Berlin GmbH, Berlin	100.0	165.2	486.8	8.4	– [1]	4,135
S-Bahn Hamburg GmbH, Hamburg	100.0	62.3	159.2	– 0.3	– [1]	1,067
S-Bahn München GmbH, Munich [2]	100.0	225.4	241.6		– [1]	991
SBG SüdbadenBus GmbH, Freiburg	100.0	6.6	63.8	– 9.5	– [1]	446
Verkehrsgesellschaft mbH Untermain –VU–, Frankfurt/Main	100.0	3.8	55.3	4.7	– [1]	335
Weser-Ems Busverkehr GmbH (WEB), Bremen	100.0	10.2	54.7	3.0	– [1]	351
Regionalbahn Schleswig-Holstein GmbH, Kiel	100.0	10.5	239.3	6.8	– [1]	972
Autokraft GmbH, Kiel	100.0	8.7	67.8	3.8	– [1]	623

Name and domicile	Ownership in %	Equity in € million	Revenues 2001 in € million	Revenues relative change in %	Net income 2001 in € million	Employees as of Dec 31, 2001
Group division Freight Transport						
DB Cargo AG, Mainz	100.0	434.6	3,420.6	– 2.5	– [1]	29,101
ATG Autotransportlogistic GmbH, Eschborn/Taunus	75.0	3.1	268.7	1.0	2.0	45
BTT BahnTank Transport GmbH, Mainz	100.0	1.5	32.1	25.4	– [1]	36
DB Verkehrsbau Logistik GmbH, Mainz	95.0	2.6	417.9	93.8	– [1]	164
NUCLEAR CARGO+SERVICE GmbH, Hanau	100.0	8.7	39.9	77.0	3.6	71
Railion Benelux N.V., Utrecht	100.0	69.6	150.6	4.5	0.1	1,397
Railion Denmark A/S, Copenhagen[3]	100.0	7.8	77.2		(10.0)	707
TRANSA Spedition GmbH, Offenbach/Main	50.0	9.8	208.1	2.4	1.0	313
Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH, Frankfurt/Main	100.0	0.5	207.0	0.3	– [1]	182
Group division Passenger Stations						
DB Station&Service AG, Frankfurt/Main	100.0	1,201.5	807.6	0.9	– [1]	5,096
Group division Track Infrastructure						
DB Netz AG, Frankfurt/Main	100.0	4,422.7	3,453.4	– 0.6	– [1]	53,894
Other Subsidiaries						
DB Anlagen und Haus Service GmbH, Berlin	100.0	2.6	340.3	– 1.9	– [1]	4,707
DB Energie GmbH, Frankfurt/Main	100.0	528.9	1,289.8	9.2	– [1]	1,876
DB FuhrparkService GmbH, Frankfurt/Main	90.0	3.5	129.8	1.3	– [1]	164
DB Informatik-Dienste GmbH, Erfurt	100.0	212.5	433.5	7.9	– [1]	850
DE-Consult, Deutsche Eisenbahn Consulting GmbH, Berlin	74.0	23.9	107.5	– 1.5	3.8	1,010
Deutsche Eisenbahn-Reklame GmbH, Kassel	100.0	5.5	170.6	17.2	– [1]	253
Deutsche Bahn Gleisbau GmbH, Duisburg	100.0	7.5	83.3	12.8	– [1]	369
Deutsche Gleis- und Tiefbau GmbH, Berlin	100.0	1.1	144.9	– 18.0	– [1]	1,413
Ibb Ingenieur-, Brücken- und Tiefbau GmbH, Dresden	100.0	2.0	58.9	11.5	– [1]	282
DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH, Bad Homburg v.d.H.	65.0	1.0	22.6	28.0	11.0	67
BRG Servicegesellschaft Frankfurt a.M. GmbH, Frankfurt/Main	51.0	0.2	29.1	16.0	0.0	692
BRG Servicegesellschaft Hamburg GmbH, Hamburg	51.0	1.7	52.6	8.5	0.9	1,385
BRG Servicegesellschaft München GmbH, Munich	51.0	1.7	57.9	19.0	1.2	1,341
BRG Servicegesellschaft Köln GmbH, Cologne	51.0	1.3	59.4	22.8	0.8	1,306
BRG Bahnreinigung Karlsruhe GmbH, Karlsruhe	51.0	1.3	39.8	15.3	0.8	831
BRG Servicegesellschaft Berlin GmbH, Berlin	51.0	0.8	64.0	4.5	0.5	1,973
BRG Servicegesellschaft Leipzig GmbH, Leipzig	100.0	0.3	66.8	20.3	– [1]	2,162
BSG Bahn Schutz&Service GmbH, Frankfurt/Main	100.0	0.2	102.0	2.8	– [1]	3,063
TLC Transport-, Informatik- und Logistik-Consulting GmbH, Berlin	100.0	1.9	278.8	12.6	– [1]	1,251

[1] Profit and loss transfer agreement
[2] Spin-off from DB Regio AG
[3] First-time consolidation

Major Activity Relationships Within the DB Group

The following table shows the major intra-Group activity relationships among the segments of the DB Group. The figures indicate the infrastructure-related offset for the use of train-paths, local infrastructure (including marshaling yards and storage sidings) and passenger stations, as well as energy cost offset.

The offset for infrastructure utilization is billed based on the published pricing systems (Train-path Pricing System, Facility Pricing System and Station Pricing System). The activities are rendered by DB Netz AG or DB Station&Service AG. The recipients of intra-Group activities are mainly the rail transport companies in the Group Passenger Transport and Freight Transport divisions.

Energy activities are consolidated: DB Energie GmbH purchases all energy products from external sources and then charges these activities on to the intra-Group consumers, at fair market conditions. Energy cost offset includes both tractive energy (diesel fuel, rail electricity) and electricity for stationary facilities (such as switch-track heaters and train preheating units of DB Netz AG).

	Passenger Transport		Freight Transport	Passenger Stations	Track Infra-structure	Other
in € million	DB Reise & Touristik	DB Regio				
Train-path utilization	– 622	– 1,921	– 507	–	3,057	– 7
Utilization of local infrastructure	– 16	– 43	– 163	–	224	– 2
Station utilization	– 87	– 449	0	536	–	–
Energy offset	– 180	– 603	– 315	– 37	– 81	1,216

Management Board of Deutsche Bahn AG

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)
S-Bahn München GmbH
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G.
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G.
Lufthansa Technik AG
SAP AG
b) DB Services GmbH (Advisory Board)
Railog GmbH (Shareholders' Committee)

Klaus Daubertshäuser
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)
b) DB Services GmbH (Advisory Board)

Dr. Horst Föhr
Personnel,
Berlin
– until December 31, 2001 –
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 Gastronomie GmbH (Chairman)
DB Vermittlung GmbH (Chairman)
Deutsche Bahn Immobiliengesellschaft mbH (Chairman)
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G.
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G.
Sparda Bank Berlin e.G. (Chairman)

Dr. Christoph Franz
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) DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G.
DEVK Allgemeine Versicherung AG
DF Deutsche Forfait AG
Lufthansa CityLine GmbH
b) DB Services GmbH (Advisory Board)

Roland Heinisch
Track Infrastructure/
Integrated Operations,
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
Arcor Verwaltungs-AG
b) Gemeinschaftskernkraftwerk Neckar GmbH (Administrative Board)
Magnetschnellbahn-Fahrweggesellschaft mbH (Chairman)

Dr. Bernd Malmström
Freight Transport,
CEO and Chairman of the
Management Board
of DB Cargo AG,
Mainz
a) Scandlines AG (Chairman)
Scandlines Deutschland GmbH (Chairman)
BLG Bremer Lagerhausgesellschaft AG
b) DB Services GmbH (Advisory Board)
Scandlines Denmark A/S (Chairman of the Administrative Board)
Deutsche Umschlaggesellschaft Schiene-Straße (DUSS) mbH (Chairman)
Hansarail GmbH
POLZUG GmbH

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 Informatik-Dienste GmbH (Chairman)
Deutsche Bahn Immobiliengesellschaft mbH
TLC Transport-, Informatik- und Logistik-Consulting GmbH (Chairman)
Deutsche VerkehrsBank AG
b) DB Services GmbH (Advisory Board)
DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH (Chairman)
EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial (Administrative Board)

Dieter Ullsperger
Passenger Stations / Real Estate,
CEO and Chairman of the Management Board of DB Station&Service AG,
Much
– until December 31, 2001 –
a) DB Reise&Touristik AG
DB Regio AG
b) Inter Auxilia GmbH
Verwertungsgesellschaft mbH (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, 2001, or the date of resignation.

Supervisory Board of Deutsche Bahn AG

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

Dr. Michael Frenzel
Chairman of the Supervisory Board
– since March 14, 2001 –
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)
Hapag-Lloyd Flug GmbH (Chairman)
TUI Deutschland GmbH (Chairman)
Volkswagen AG
b) 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
of Bessemer Vogel & Treichl GmbH,
Dusseldorf
a) ABB AG (Chairman)
Bertelsmann AG
Gerling Industrie-Service AG
MobilCom AG
b) Mapress GmbH (Chairman)
Oneview GmbH (Chairman)

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

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

Peter Debuschewitz*
Management Representative for the
State of Berlin,
Deutsche Bahn AG,
Taufkirchen

Elke Ferner
Former State Secretary,
Ministry of Transport,
Building and Housing,
Saarbrücken
– until February 5, 2001 –

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

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

Jörg Hensel*
Member of the Central Works Council
of DB Cargo AG,
Hamm
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 Lebensversicherungs-
verein a. G.
DEVK Deutsche Eisenbahn
Versicherung Sach- und HUK-
Versicherungsverein a. G.

Lothar Krauß*
Deputy Chairman of TRANSNET
German Railroad Workers' Union,
Rodenbach
a) DB Anlagen- und Haus Service
GmbH
Union Druckerei und Verlagsanstalt
GmbH
DBV Winterthur Holding AG

Heike Moll*
Member of the Central Works Council
of DB Station&Service AG,
Frankfurt / Main
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
Bundesbaugesellschaft Berlin mbH

Dr. rer. nat. h.c. Friedel Neuber
Duisburg-Rheinhausen
a) Babcock Borsig AG (Chairman)
Preussag AG (Chairman)
RWE AG (Chairman)
ThyssenKrupp AG
Hapag-Lloyd AG
b) Landwirtschaftliche Rentenbank (Administrative Board)
Österreichische Kontrollbank AG, Vienna

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Deputy Chairman of TRANSNET German Railroad Workers' Union, Wunstorf
a) BHW AG
DEVK Rechtsschutz-Versicherungs-AG
Sparda-Bank Hannover e.G. (Chairman)

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

Albert Schmidt
Member of Parliament (Bundestag), Ingolstadt

Prof. Dr. Ekkehard D. Schulz
Chairman of the Management Board of ThyssenKrupp AG,
Krefeld
– since July 4, 2001 –
a) Axa Colonia Konzern AG
Commerzbank AG
MAN AG
Preussag AG
RWE Plus AG
Strabag AG
RAG Aktiengesellschaft
ThyssenKrupp Automotive AG (Chairman)
ThyssenKrupp Materials AG (Chairman)
ThyssenKrupp Steel AG (Chairman)
b) Rheinkalk Verwaltungs GmbH
The Budd Company, Troy/Michigan, USA
Thyssen Inc., Dover/Delaware, USA

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

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

Dr.-Ing. E.h. Heinrich Weiss
Chairman of the Management Board of SMS AG,
Hilchenbach-Dahlbruch
a) Bertelsmann AG
Commerzbank AG
Ferrostaal AG
HOCHTIEF AG
J.M. Voith AG
SMS Demag AG (Chairman)
b) Concast Holding AG, Zürich (Chairman)
Thyssen-Bornemisza Group, Monaco

Horst Zimmermann*
Chairman of the Central Works Council of DB Reise&Touristik AG,
Nuremberg
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, 2001, or the date of resignation.

Report of the Supervisory Board for the Financial Year 2001

Meetings of the Supervisory Board

In the past financial year 2001, the Supervisory Board convened for four meetings. 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.

In addition, the Executive Committee of the Supervisory Board maintained regular contact with the Management Board to discuss crucial business policy issues. The Executive Committee of the Supervisory Board assembled for four meetings. 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

In its meeting on March 14, 2001, the Supervisory Board approved the financial year 2001 budget plan proposed by the Management Board for DB AG, and acknowledged receipt of the medium-term five-year plan 2001–2005 and the long-term strategic goals of DB AG, which were brought to its attention.

In its meeting on December 5, 2001, the Supervisory Board approved the financial year 2002 budget plan, and acknowledged receipt of the medium-term planning 2002–2006 and the long-term strategic goals of DB AG, which were brought to its attention.

The Supervisory Board continued to intensively follow the major construction projects in the year 2001, such as the new Cologne–Rhine/Main line, the north-south link of the Berlin hub – including Lehrter Bahnhof – and the construction and expansion of the Nuremberg–Ingolstadt–Munich line, as well as the corresponding cost risks. The Supervisory Board was also involved in the planning and preparatory measures for the "Stuttgart 21" and "Neu-Ulm 21" projects and the new Wendlingen–Ulm line. It also approved the continuation of planning and the sale of land in Stuttgart. As part of the reporting on the "Fokus" project, the Supervisory Board received information on the status of restructuring projects that were especially relevant for remaining on schedule.

In the second six months of the year under review, particular attention was paid to ongoing developments in the management structure of the DB Group. On the proposal of the DB AG Management Board, the Supervisory Board approved the reorganization of the DB Group's operating core business into passenger transport and freight transport, the necessary track infrastructure and passenger stations, and activities that immediately support these lines of business.

Financial Statements

The annual accounts prepared by the Management Board and the Management Report of DB AG as of December 31, 2001, 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. Furthermore, as part of its audit of the financial statements, the auditor also examined the company's risk management system, as required pursuant to the German Act on Corporate Control and Transparency (KonTraG).

The auditor's report was discussed at length during the balance sheet meeting on May 15, 2002, 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 2001, and the proposal for appropriation of retained earnings and raised no objections. The annual financial statements of DB AG for the financial year 2001 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.

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

Dr. Dieter H. 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. Michael Frenzel was elected Chairman of the Supervisory Board and member of its Executive Committee. At the same meeting, Mr. Ralf Nagel (State Secretary), who was appointed by the Federal Republic of Germany to the Supervisory Board in its letter of February 5, 2001, as successor to Ms. Elke Ferner (State Secretary – ret.) in accordance with Section 9 (2) of the Articles of Incorporation, was elected to the Executive Committee and the committee pursuant to Article 27, Paragraph 3, Codetermination Act.

At the Annual General Meeting on July 4, 2001, Prof. Dr. Ekkehard D. Schulz was elected to the Supervisory Board as successor to Dr. Vogel.

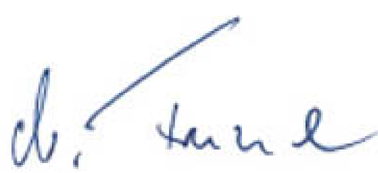
In the course of the reorganization of management structures within the DB Group and the corresponding fundamental restructuring of real estate activities within the Group, Mr. Dieter Ullsperger left the DB AG Management Board and assumed overall management responsibility for AURELIS Real Estate GmbH & Co. KG (in the process of formation) and AURELIS Management GmbH as of December 31, 2001. The Board Division "Passenger Stations and Real Estate" was eliminated at this time. A General Manager vested with full power of representation now heads the Group Passenger Stations division.

Dr. Horst Föhr left the DB AG Management Board as of December 31, 2001, and was appointed Chairman of the Board of Directors of the newly formed DB Services GmbH as of January 1, 2002.

The Supervisory Board would once again like to thank the retired members of the Management Board, who led the DB Group through the difficult period of restructuring 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 2001.

Berlin, May 2002
For the Supervisory Board



Dr. Michael Frenzel
Chairman

January

Deutsche Bahn consolidates its energy transactions: **DB Energie** GmbH now provides a fullrange of energy-related services. Whether power pylon, electricity socket or train filling station – DB Energie manages the complete supply chain for its Group and non-Group customers.

The Danish State Railways (DSB) transfers its cargo division to the Railion joint venture, as Railion Denmark, effective January 2001. In return, DSB receives a 2 % share in Railion, reducing the DB AG share to 92 %.

February

The **Kornwestheim rail loading station** is opened. In attendance: the German chancellor and the CEOs of Porsche AG and Deutsche Bahn AG. In future, 20,000 Porsche automobiles annually will be transported by rail to the shipping port in Emden.

The federal government, the state governments, and Deutsche Bahn reach an agreement on the financing of the **modernization of the Stuttgart rail hub** and the new Ulm–Stuttgart ICE line.

March

Federal funding to finance infrastructure is secured over a longer term, as designated in the **Trilateral Agreement** signed by Deutsche Bahn AG, the Federal Ministry of Transport, Building and Housing, and the Federal Ministry of Finance.

Green light for the new **AIRail** service on the ICE line from Stuttgart to the Frankfurt/Main Airport: Lufthansa passengers can now check in their baggage at Stuttgart Central Station and travel in comfort to Frankfurt on the ICE high-speed train.

“Miles&More” program members can now collect miles on selected routes and cash in their miles in exchange for Deutsche Bahn tickets.

April

DB Netz AG introduces a **new single-tier train-path pricing system**. The same prices now apply to all customers – regardless of how much line capacity they utilize.

A **new organizational structure** in freight transport focuses even more on customer needs: DB Cargo is now divided into the “Wagonload Transport” and “Combined Rail/Road Transport” segments.

As part of our **cleanliness program**, 4,800 stations will be given a full spit-and-polish cleaning by the end of the year: Graffiti erased, vandalism repaired and track beds cleaned.

May

A **new, decentralized structure** brings DB Regio closer to its customers: Decision-making competency and entrepreneurial responsibility are devolved to the regions.

A **memorial** to the victims of Eschede is opened as a sign of our sympathy with their loved ones: The garden alongside the track shelters a 10-meter remembrance wall with the names of all the victims; a cherry tree has also been planted for each of the 101 victims.

Deutsche Bahn is awarded the **“Total E-Quality Certificate”** for the second time running. It already received the award – for its equal opportunity-focused personnel policies – in 1998.

June

The Management Board of DB AG presents its concept for the **reorganization of the so-called “C facilities”** for heavy maintenance. In particular, the new concept is aimed at adjusting capacity to current demand.

01 02 03 04 05 06

July

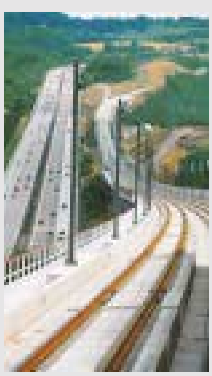
In a pilot project, the Bonn Central Station becomes Germany’s **first non-smoking station**. Smoking is now completely prohibited in the entrance hall and on all platforms, with the exception of specially marked smoking areas on each of the four platforms.

DB Cargo continues to expand its expertise in **combined rail/road transport**: A pair of trains now offers five connections a week between Regensburg in Germany and Györ in Hungary. The Györ transshipping station has a total area of some 27,000 m² and a loading track 250 m in length.

August

DB Regio wins the Europe-wide tender for **S-Bahn Rhine-Neckar**. With an operating performance of 6 million train kilometers annually within a 240 km rail network, this is the largest tender offer for a local rail passenger transport service to date.

The first trial run on the 177 km of the **new Cologne–Rhine/Main line** returns excellent results.



September

Over a million visitors tour a total of 36 sites on the **Third Germany-Wide Railroad Day**.

The **“Zukunft Schiene” (“Future Rail”) task force** presents its final report. The task force recommends that DB Netz AG remains part of the DB Group, and confirms the vertical integration of network and operations.

Deutsche Bahn and Dekra, a technical service provider, convince drivers in 26 cities to **swap their cars for a NetzCard**.

October

Hanover urban transport operator üstra and DB Regio announce plans to consolidate their urban transport services under the name “üstra intalliance AG”. The new company will also be able to offer management and operation of local transport beyond the greater Hanover area.

The **Munich Operations Center** (OC) is opened as the last of 7 new operations centers throughout Germany. The Munich OC will schedule some 8,600 trains daily on a network 6,100 km in length.

November

The **station modernization campaign** continues onwards. Major projects in Bremen and Mannheim are completed. Total capital expenditures amount to € 53 million.

December

Speeds of 300 km/h are reached for the first time on the **new Cologne–Rhine/Main line**.

Deutsche Bahn issues Germany’s last **DM-denominated commemorative bond**. The bond issue represents both a final tribute to the German mark and a trip through the history of German rail transport.

07 08 09 10 11 12

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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 Eight-Year-Summary

in € million	2001	2000	1999	1998	1997	1996	1995	1994
Balance sheet								
Properties [1]	35,055	34,071	32,815	31,155	29,866	24,034	21,815	17,982
Financial assets	735	600	680	584	665	710	367	305
Fixed assets	**35,790**	**34,671**	**33,495**	**31,739**	**30,531**	**24,744**	**22,182**	**18,287**
Inventories	992	973	866	654	604	490	597	709
Accounts receivable and other assets [2]	4,238	3,023	2,346	2,141	2,277	3,755	3,139	1,804
Cash and cash equivalents	363	394	280	351	447	603	654	640
Current assets	**5,593**	**4,390**	**3,492**	**3,146**	**3,328**	**4,848**	**4,390**	**3,153**
Prepayments and accrued income	579	406	211	76	33	30	48	53
Total assets	**41,962**	**39,467**	**37,198**	**34,961**	**33,892**	**29,622**	**26,620**	**21,493**
Equity	8,436	8,788	8,701	8,528	8,422	6,711	6,278	6,218
Special items	16	19	23	38	47	205	177	154
Pension and other long-term provisions	9,515	8,420	9,241	9,881	9,627	9,902	9,128	7,585
Tax and other short-term provisions	4,787	5,747	3,714	2,612	2,181	2,237	1,979	1,401
Provisions	**14,302**	**14,167**	**12,955**	**12,493**	**11,808**	**12,139**	**11,107**	**8,986**
Interest-free loans	7,324	6,714	6,344	8,284	7,363	6,308	4,781	2,340
Interest-bearing debt	6,993	5,463	4,192	2,532	1,713	858	606	513
Other liabilities	3,968	3,337	3,609	2,971	4,413	3,284	3,570	3,203
Liabilities	**18,285**	**15,514**	**14,145**	**13,787**	**13,489**	**10,450**	**8,957**	**6,056**
Accruals and deferred income	923	979	1,374	115	126	117	101	79
Total liabilities and shareholder's equity	**41,962**	**39,467**	**37,198**	**34,961**	**33,892**	**29,622**	**26,620**	**21,493**
Statement of income								
Revenues	15,722	15,465	15,630	15,348	15,577	15,452	15,249	14,793
Overall performance	17,535	17,267	17,521	17,104	17,422	17,227	17,244	16,191
Other operating income	2,406	3,653	2,511	2,596	2,141	2,169	1,702	1,799
Cost of materials	– 7,108	– 6,625	– 6,688	– 6,595	– 6,716	– 6,475	– 5,757	– 5,195
Personnel expenses	– 7,487	– 8,475	– 8,285	– 8,389	– 8,663	– 8,881	– 9,523	– 9,898
Depreciation	– 2,162	– 2,052	– 1,965	– 1,737	– 1,620	– 1,387	– 1,148	– 984
Other operating expenses	– 3,282	– 3,436	– 2,790	– 2,546	– 2,204	– 2,169	– 2,236	– 1,649
Investment income	2	– 44	– 55	– 143	– 151	– 127	5	19
Net interest	– 313	– 251	– 158	– 89	– 26	12	– 4	– 32
Income before taxes	– 409	37	91	201	183	369	283	251
Income after taxes	– 406	85	87	170	200	577	135	93
Other financial figures								
EBITDA [3]	2,271	2,492	2,036	1,997	1,920	1,658	1,401	1,248
EBIT [4]	109	450	71	260	300	319	253	264
Operating income after interest	– 204	199	– 87	171	273	327	247	232
Cash flow before taxes	1,786	2,113	2,107	1,985	1,833	1,777	1,445	1,477
Short-term liabilities	9,089	9,329	7,325	5,803	7,145	5,992	6,018	5,232
Long-term liabilities	24,421	21,331	21,149	20,592	18,278	16,714	14,147	9,889
Capital employed [5]	28,649	27,443	24,911	22,656	20,878	18,600	17,147	14,926
Gross capital expenditures	7,110	6,892	8,372	7,660	7,136	7,771	7,329	7,128
Net capital expenditures [6]	3,307	3,250	3,229	3,040	6,223	5,056	5,107	5,533

	2001	2000	1999	1998	1997	1996	1995	1994
Key figures								
Fixed assets as % of total assets	85.3	87.8	90.0	90.8	90.1	83.5	83.3	85.1
Equity incl. special items in % of total assets	20.1	22.3	23.5	24.5	25.0	23.3	24.2	29.6
Fixed assets coverage (in %) 7)	91.8	86.9	89.2	91.9	87.6	95.5	92.9	88.9
Cash flow coverage of net capex (in %)	54.0	65.0	65.3	65.3	29.5	35.1	28.3	26.7
Return on capital employed (ROCE) (in %) 8)	0.4	1.6	0.3	1.1	1.4	1.7	1.5	1.8
Interest coverage 9)	0.0	1.1	1.4	2.3	2.4	5.2	4.3	4.6
Cash flow return on revenues (in %) 10)	11.4	13.7	13.5	12.9	11.8	11.5	9.5	10.0
Return on revenues before interest expenses and taxes (in %)	0.0	2.5	2.1	2.3	2.0	2.9	2.4	2.2
Rail transport performance								
Total passengers (million)	1,701.7	1,712.5	1,680.1	1,668.4	1,641.0	1,596.4	1,539.4	1,430.6
thereof long-distance	136.3	144.8	146.5	148.9	152.2	151.2	149.3	139.3
thereof local	1,565.4	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)	74,459	74,388	72,846	71,853	71,630	71,028	70,334	64,539
thereof long-distance	35,342	36,226	34,897	34,562	35,155	35,620	36,277	34,845
thereof local	39,117	38,162	37,949	37,291	36,475	35,408	34,057	29,694
Freight carried (million t) 11)	291.3	301.3	279.3	288.7	294.9	287.9	300.4	306.9
Ton kilometers (million tkm) 11)	80,348	80,634	71,494	73,273	72,614	67,880	69,492	70,554
Total transport performance (million ptkm)	154,807	155,022	144,340	145,126	144,244	138,908	139,826	135,093
Train kilometers (million train-path km)	977.3	984.2	976.7	946.5	–	–	–	–
Employees								
average	219,146	230,615	244,851	259,072	277,471	295,610	331,774	355,694
at year end	214,371	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, from 2001 including Railion Denmark A/S

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