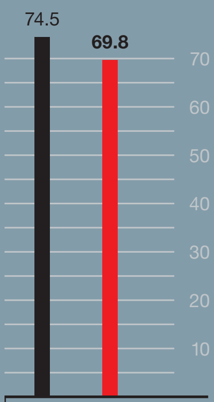
Die Bahn DB

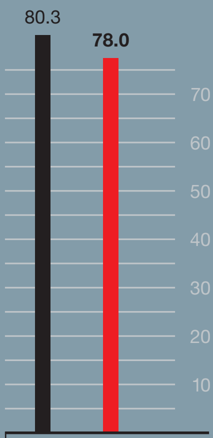
Annual Report 2002

Performance Measures



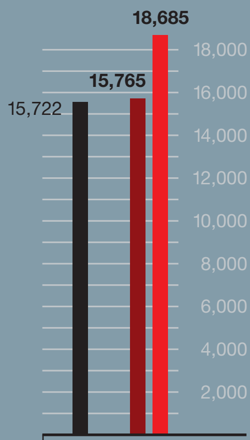
Total rail passenger transport performance
in billion pkm

Relative change: – 6.2 %



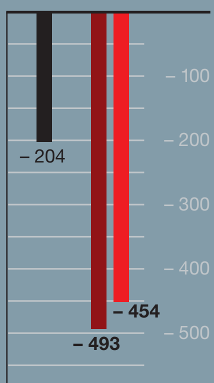
Total rail freight transport performance
in billion tkm

Relative change: – 2.9 %



Revenues
in € million

Relative change:
+ 0.3 %
+ 18.8 %



Operating income after interest
in € million

DB pro forma
DB incl. Stinnes

Key figures in € million		2002	pro forma 2002	2001	Change in %
Revenues		18,685	15,765	15,722	+ 18.8
Income before taxes		– 438	– 466	– 409	– 7.1
Income after taxes		– 468	– 482	– 406	– 15.3
EBITDA before special burden compensation		2,021	1,926	1,433	+ 41.0
EBITDA		2,464	2,369	2,271	+ 8.5
EBIT		37	– 15	109	– 66.1
Operating income after interest		– 454	– 493	– 204	–
Return on capital employed	in %	0.1	– 0.1	0.4	–
Fixed assets		39,775	40,637	35,790	+ 11.1
Total assets		46,023	44,231	41,962	+ 9.7
Equity		5,708	7,501	8,436	– 32.3
Cash flow before taxes		2,052	1,960	1,786	+ 14.9
Gross capital expenditures		9,994	9,907	7,110	+ 40.6
Net capital expenditures [1]		5,355	5,268	3,307	+ 61.9
Employees (as of Dec 31)		250,690	210,072	214,371	+ 16.9

Performance figures			2002	2001	Change in %
Passengers	DB Reise & Touristik	million	128.4	136.3	– 5.8
	DB Regio	million	1,528.8	1,565.4	– 2.3
	Total	million	**1,657.2**	**1,701.7**	– 2.6
Passenger kilometers	DB Reise & Touristik	million pkm [2]	33,173	35,342	– 6.1
	DB Regio	million pkm [2]	36,675	39,117	– 6.2
	Total	million pkm [2]	**69,848**	**74,459**	– 6.2
Train kilometers	DB Reise & Touristik	million train-path km [3]	156.1	161.5	– 3.3
	DB Regio	million train-path km [3]	563.9	560.2	+ 0.7
	Total	million train-path km [3]	**720.0**	**721.7**	– 0.2
Freight carried		million t	278.3	291.3	– 4.5
Ton kilometers		million tkm [4]	77,981	80,348	– 2.9
Mean transport distance (freight transport)		km	280.2	275.8	+ 1.6
Train kilometers		million train-path km [3]	211.0	226.9	– 7.0
Number of passenger stations			5,580	5,760	– 3.1
Train kilometers on track infrastructure		million train-path km [3]	967.4	977.3	– 1.0
Length of line operated		km	35,804	35,986	– 0.5

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

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

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

[4] Ton kilometers (tkm): product of freight carried and mean transport distance (Please note: all tkm figures represent metric tons (1,000 kg = 2,200 lbs.)

Organizational Structure

Deutsche Bahn AG is the management holding for the DB Group, which is vertically integrated and clearly divided into Group divisions and business units. This structure assists Deutsche Bahn in achieving the necessary progress in the rail reform process and ensures business efficiency to the benefit of our various groups of customers. In addition, this organizational structure supports our strategy aimed at becoming the "best railroad" and a leading provider of mobility, transport, and logistics services.

Management Board of Deutsche Bahn AG

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

Core Business

Group functions / Service functions

Group Passenger Transport Division	Group Freight Transport Division*	Group Passenger Stations Division[2]	Group Track Infrastructure Division	Service Functions
DB Reise&Touristik AG[1] DB Regio AG[1]	Railion GmbH[1] DB Cargo AG[1]	DB Station& Service AG[1]	DB Netz AG[1]	(directly managed business units)
BU Long-Distance Transport	BU Wagonload Transport	BU Traffic Station	BU Long-Distance/ Conurbation Network	DB Energie
BU Regional Transport	BU Combined Rail/Road Transport	BU Marketing	BU Regional Networks	DBFuhrparkServices
BU Urban Transport	**Stinnes**[*1] BU Transportation (Schenker)		BU Marshalling Yards/ Transshipment Terminals	DB ProjektBau
				DB Services
				DB Systems
				DB Telematik

BU = Business Unit

[1] And related subsidiaries

[2] General manager with full power of representation

* These activities will be merged in the financial year 2003 to form the new Group Transport and Logistics Division

Management Board

Hartmut Mehdorn
Chairman and CEO

Diethelm Sack
CFO

Dr. Karl-Friedrich Rausch
Technology

Klaus Daubertshäuser
Marketing

Dr. Norbert Bensel
Personnel

Dr. Bernd Malmström
Freight Transport

Dr. Christoph Franz
Passenger Transport

Roland Heinisch
Track Infrastructure/Integrated Operations

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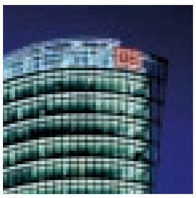
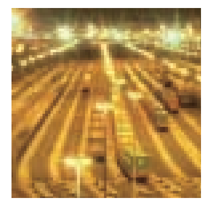
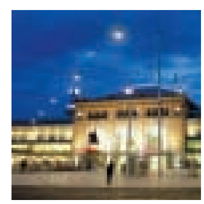






Dear Ladies and Gentlemen,

2002 was a successful year overall for Deutsche Bahn – and marked another major step on our way to completing the rail reform process. Since 1994, the year in which Deutsche Bahn was transformed into a stock corporation, we have never introduced and implemented so many effective measures for our customers as we did in the past year. What makes us especially proud: We were not only able to meet our ambitious plan objectives, but also significantly reduced our planned operating loss – which itself was the inevitable result of our comprehensive capital expenditures – beating our earlier estimates. Moreover, we achieved this under increasingly difficult conditions. After all, the economy developed much more unfavorably than had been forecast, and we also suffered more than € 50 million in lost revenues due to the summer floods in eastern Germany. These figures also prove that entrepreneurial thinking and action are commonplace at Deutsche Bahn – which is especially gratifying for me personally.

Revenues in 2002 increased by 18.8 % compared to the previous year, to € 18.7 billion, due to the first-time consolidation of Stinnes AG in the fourth quarter; yet we achieved a slight increase even without Stinnes. Transport performance declined in both freight and passenger transport, due mostly to the weak overall economy, but also to the targeted discontinuation of underperforming connections in both of these market segments.

Our capital expenditures program clearly reflects our focus on sustainable structures. In 2002, capital expenditures reached the record amount of nearly € 10 billion, some € 2.9 billion more than in the previous year. Deducting the investment grants we received in the amount of € 4.6 billion, it becomes clear just how much of the Deutsche Bahn modernization we are financing from our own sources. Our capital expenditures are not only aimed at rolling stock, either. We also spent more than € 2.4 billion of our own funds on infrastructure measures. Not incidentally, these measures and our other procurement programs mean Deutsche Bahn has done more to protect jobs in Germany – especially among small and medium-sized enterprises – than nearly any other company. With scheduled capital expenditures totaling some € 45 billion over the next five years, we are keeping our promise to become the best railroad we can be. Our clear strategy and its three pillars – restructuring, performance, and growth – demand the deliberate continuation of our modernization course. At the same time, we have to make further adjustments to our existing structures in order to get us into shape to face increasing international and intermodal competition. Although productivity has increased by over 150 % since the inception of the rail reform process, value added per employee is still slightly below specific personnel expenses, which only proves that we have to continue our restructuring efforts in this, the tenth year of rail reform.

2002 was also a year of tremendous innovation. The new Cologne–Rhine/Main line was opened in the summer, and was well received by our customers from the start. The integration of this new line into our new winter timetable had an impact on fully 70 % of our long-distance trains. Although the new European timetable that took effect on December 15, 2002 brought far-reaching changes, its rollout was nearly seamless. We wish to extend a sincere apology to all customers affected by the technical problems with our new vehicles, for which our industry partners are culpable and which tarnished our successes somewhat. Together with the manufacturers, we are working hard to solve these quality problems. The same applies to initial difficulties in timetable coordination, which first became apparent in day-to-day operations.

Last but not least, we introduced a new pricing system for long-distance passenger transport. Our comprehensive preparations enabled the nearly error-free implementation of the necessary fundamental changes to our processes and IT systems. We spent months getting our employees and those of our sales partners ready for the changeover. The new system, which offers numerous benefits to the bulk of our passengers, now has to stand the test of the market. We are convinced that our new pricing system will prove its positive effects for the vast majority of the traveling public just as soon as the economy picks up. Nonetheless, we will of course continue to implement potential improvements as they are identified.

The introduction of the new pricing system also marks an improvement in our conditions of transport: We now offer far-reaching consumer protection measures in comparison to the other European standards, but without artificially inflating the costs of the integrated rail system compared to competition from the roads. Thus we have aggressively joined the nascent German and European debate on passenger rights in the interest of our customers; at the same time, we are contributing to the development of a pan-European charter to protect consumer rights throughout the continent.

The year 2002 was also characterized by increasingly intense competition in Germany: The numbers and volumes of tenders for local transport services continued to increase. In many cases, our competitors were able to exploit their lower personnel expenses to win contracts – which is another incentive for us to consistently focus our structures on competition. This focus is made even more necessary by the fact that organizations ordering local transport services in Germany will award contracts exclusively through competitive bidding on a tender basis in the coming years.

Competition in long-distance passenger transport also increased in 2002. We expect this trend to continue, especially in light of the fact that only a few countries aside from Germany have fully opened their markets. It remains up to the European Union to enforce a truly open European rail transport sector. Only then will the ongoing, cost-intensive programs aimed at standardizing technology in high-speed passenger transport be truly justified in economic terms.

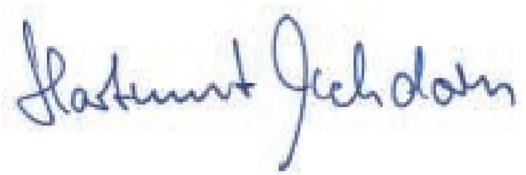
The open German market for rail freight transport has attracted competitors both domestic and international. Our Group Freight Transport division is facing these developments with a consistent focus on the customer and improvements to our production structures.

We achieved a decisive breakthrough with the acquisition of Stinnes, a globally operating transport and logistics group, which lets us offer our customers services along the entire supply chain from a single source. Our Transport and Logistics division is now the number one in European overland transport, the leading European company in rail freight transport, and one of the leading international sea and air-freight carriers. Accordingly, we have done more to prepare for the liberalization of the European rail-freight transport sector – slated to commence in 2003 – than any other European railroad. It is now essential to eliminate persisting barriers to domestic rail networks in Europe, to enable rail freight transport to exploit its cost advantages over long distances to the fullest.

The severe floods in eastern Germany this past summer proved Deutsche Bahn's ability to render transport services quickly and efficiently, even under the most adverse conditions. Not least, the effective cooperation among all Group divisions proved to be a decisive advantage – an advantage that only an integrated railroad can offer. In this context, we owe special thanks to the German federal government, whose significant reconstruction funding limited the exposure for our company. But we also owe a tremendous debt of gratitude to the countless Deutsche Bahn employees who worked tirelessly to repair the destruction and give our customers the best possible service under the prevailing circumstances.

In 2003, we will continue to resolutely pursue our course of modernization. The merger of DB Cargo and Stinnes will bring positive effects for our customers. At the same time, we and our international partners will progressively exploit the opportunities presented by European market liberalization. Our efforts in passenger transport will be focused on further improvements in service. In particular, we plan to implement our new Traveler Information System – aimed at giving our customers comprehensive, up-to-date information – as rapidly as possible. We will continue to make every effort to modernize our existing network, with a particular focus on eliminating bottlenecks.

I would like to take this opportunity to express my thanks to our loyal customers, many of whom were faced with major and minor inconveniences during the year 2002, as well as to our dedicated employees, who implemented a wide range of changes in the past year and saw them through to success despite the heavy burdens they faced. But on one point, in particular, I wish to be especially clear: We have once again made significant progress towards our goal of becoming the best railroad for our customers.



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

Deutsche Bahn Bond Issues

- Confirmation of ratings from Moody's (Aa1) and Standard & Poor's (AA)
- Total volume of € 2.2 billion placed successfully on the market in five currencies during the reporting year
- US dollar market tapped for the first time with a large-volume bond
- Investor relations activities intensified further

Deutsche Bahn Bond Issues in 2002

ISIN	WKN	Issuer	Currency	Volume (millions)	Coupon	Issue date	Maturity	Time to maturity (years)
CH 0014 084 146	854 785	Deutsche Bahn Finance B.V.	CHF	750	3.250 %	April 12	May 2007	5
XS 0150 120 052	594 436	Deutsche Bahn AG	USD	20	5.520 %	June 17	June 2012	10
XS 0150 855 335	861 362	Deutsche Bahn Finance B.V.	HKD	250	5.870 %	June 25	July 2012	10
XS 0151 414 413	862 250	Deutsche Bahn Finance B.V.	USD	600	4.500 %	July 10	July 2007	5
CH 0014 524 992	862 454	Deutsche Bahn Finance B.V.	CHF	250	3.000 %	July 10	Dec 2008	6
DE 0008 628 678	862 867	Deutsche Bahn Finance B.V.	EUR	500	5.375 %	July 17	July 2012	10
XS 0154 397 938	917 643	Deutsche Bahn Finance B.V.	USD	75	3M-Libor +10	Sept 03	Jan 2008	6
XS 0155 728 842	956 895	Deutsche Bahn Finance B.V.	JPY	5,000	1.205 %	Sept 26	Oct 2012	10
XS 0155 762 510	956 999	Deutsche Bahn Finance B.V.	CHF	75	3.060 %	Sept 27	Oct 2012	10
XS 0155 855 108	957 178	Deutsche Bahn Finance B.V.	USD	50	3M-Libor +6	Sept 30	Oct 2006	4
XS 0156 468 539	981 890	Deutsche Bahn Finance B.V.	EUR	100	6M-Euribor +7	Oct 10	Oct 2006	4

Successful Placements in the Year 2002

Despite the difficult market for corporate bonds, we were once again able to turn to the capital markets for various transactions during the year 2002. To do so, we primarily utilized the services of our financing subsidiary, DB Finance B.V. in Amsterdam. The expansion of our road shows to the Far East region proved to be effective, and opened up access to Asian markets. We also tapped the public USD market for the first time, in July of last year, with a five-year bond in the amount of USD 600 million.

In addition, we have further intensified our investor relations activities. We have firmly established the practice of semi-annual reporting, published annual reports for our main subsidiaries for the first time, further developed our Internet presence, and intensified the direct dialog with major investors.

Further Development of Our Group Portfolio






The face of Deutsche Bahn changed in the year 2002: Our portfolio has become even clearer and more effective. Our ongoing consolidation activities resulted in the formation of DB Systems and DB Services, for example, our powerful business units for IT support and other auxiliary services. The newly founded DB ProjektBau unit is our prime agent for resource optimization: it is now the overall project manager for all of our major construction projects.

Our new DB Fuhrpark unit proves that we are more than just Germany's leading railroad company. It provides fleet management services for major customers and helps to further optimize mobility chains.

After all, we will be able to become more attractive for our customers, and shift more traffic to the rails, if we manage to create more seamless interfaces within the travel and mobility chain – networking with airplanes, cars, and even bicycles.

We have also repositioned ourselves in the telematics area: With our acquisition of Arcor's rail telematics activities, the further development of this crucial input for rail transport once again lies solely in our hands. As a result, we can make interaction with neighboring railroads even more efficient than before – for example, through the establishment of GSM-R, a common, standardized platform for mobile rail communication.

Together with DB Energie GmbH, these business units – which report directly to the Group Management Board – form the Service area, whose development we also portray independently.

Our greatest step in the year 2002 and a lasting fortification of our Group portfolio was our successful acquisition of Stinnes AG. The transport expertise of our Group Freight Transport division and the leading logistics competencies of Stinnes and its Schenker subsidiary are now united within the DB Group. Together with our Railion joint venture, this move gives us the unique position of being a truly European service provider. We can now develop even more international, integrated services for our customers. Our task in the current financial year is to integrate these new activities within the Group. Stinnes/Schenker and Railion will serve both end-customers and other carriers. We will report on the progress we have made in the next Annual Report. The results of the merger will be listed under the new Group Transport and Logistics division, which we will form in the fall of this year.

Group Management Report

- "DB Campaign" strategy in line with the planned successes
- Strong logistics position attained by the acquisition of Stinnes
- Revenues including Stinnes increased to € 18.7 billion
- Gross capital expenditures on a new highest level of € 10 billion
- Operating income after interest still negative at € –454 million, but obviously better than planned

Significant Progress in Restructuring and Modernization Process

In the financial year 2002, we made significant progress towards the successful completion of the rail reform process, despite the difficult economic environment. The underlying foundation of all our activities is the **“DB Campaign” strategy**; with its approaches of restructuring, performance, and growth, it puts us well on track towards becoming a company that is attractive for the capital markets. The consistent implementation of our programs will result in a **sustained strengthening of rail as a mode of transport and a Deutsche Bahn that is in shape for the future growth markets of mobility, transportation, and logistics**.

After having focused the activities of the DB Group on our core businesses in previous years, a major emphasis in the year under review was the **further development of the Group portfolio**: In addition to the four Group divisions Passenger Transport, Freight Transport, Passenger Stations, and Track Infrastructure, we reorganized and/or founded six directly-managed “Strategic Business Units”. Overall, such business units are responsible for managing our activities in the areas of rail-specific telematics (DB Telematik GmbH), project construction (DB ProjektBau GmbH), energy (DB Energie GmbH), general services/facility management (DB Services GmbH), and IT (DB Systems GmbH), as well as services in the car rental/fleet management area (DBFuhrparkService GmbH). These business units render the majority of their services to other Group companies, as before, yet are also increasingly successful in external markets in many areas. These service providers are consolidated in the Service area in the segment reporting; the previous year’s figures in the segment reporting have been adjusted accordingly.

The **successful takeover of Stinnes AG** gives us a powerful international position as a logistics service provider. When E.ON AG, the previous majority owner, signaled its willingness to sell (within the framework of a strategic reorganization of its own business activities), we took advantage of this strategic opportunity to further strengthen our logistics position, a move which we had been planning for some time.

All our Group divisions and business units focus their efforts on present and future customer demands and on challenges from our competitors. We aim to achieve a leading competitive position in all fields of business in which we are active.

Stinnes Acquisition Makes Deutsche Bahn a Powerful Provider of Logistics Services

Following the successful completion of negotiations with the previous majority owner, E.ON AG, we acquired Stinnes AG within the framework of a public takeover bid in the year under review, which was extremely successful in its own right on top of our purchase of the 65.4 % share held by E.ON. By the end of the bidding phase in October 2002, Deutsche Bahn held a total of 99.71 % of the shares, which corresponded to a purchase price of € 2.5 billion. Based on this equity position, we initiated a squeeze-out in accordance with Sec. 327a ff. German Stock Corporation Act (AktG) in December 2002. A proposal to redeem the remaining shares held by minority stockholders in exchange for money compensation was approved at the special general meeting of Stinnes AG on February 17, 2003. When this resolution is implemented, we will be the sole owner.

The Stinnes AG portfolio is structured into three divisions. Its **Transportation** division (Schenker group) makes Stinnes one of the leading companies in European land transport. At the same time, the company also has a strong international position in air and sea freight. This division represents a complementary, forward-looking, value-enhancing addition to our activities in the Group Freight Transport division. The other two Stinnes divisions – the **Chemicals** division (Brenntag group) is an international leader in chemicals logistics and the **Materials** division (Interfer group) focuses its activities in the areas of steel trading and commodities/materials logistics – are also well-positioned. Despite their high profitability and development potential, we plan to divest the Chemicals and Materials divisions in the medium term, as their activities do not fit in with our core business. In contrast, we will merge the Transportation division with our existing activities in the Group Freight Transport division in the current financial year, to form the **new Group Transport and Logistics division**.

Stinnes also strengthened its individual divisions in the year under review through various joint ventures and equity investments, particularly the acquisition of French logistics group Joyau near the end of 2002. With this move, Schenker has multiplied its capacity and customer ties and now belongs to the top tier of logistics service providers in France as well. Joyau will be included in the annual statements of Stinnes and in our consolidated financial statements from financial 2003 onwards.

The first-time consolidation of Stinnes AG (and of the Stinnes Group it manages) in our consolidated financial statements has a major impact on the structure of our income statement (Stinnes is included only as of the fourth quarter of 2002) and our 2002 balance sheet. The effects of this, and developments without Stinnes, are addressed below, where relevant.

Telecommunications Facilities Acquired from Arcor DB Telematik

The establishment of the **DB Telematik** business unit is largely based on a reorganization of rail telematics activities between Deutsche Bahn and Arcor AG & Co., the contracts for which we signed in January 2002. Under these contracts, all rail-specific telecommunications facilities were purchased from DB Netz AG, and Arcor DB Telematik GmbH was charged with operating and servicing these facilities. Deutsche Bahn AG initially held a 49.9 % share in this company. We acquired the remaining shares on July 1, 2002. The company has operated as DB Telematik GmbH since.

Project Construction Activities Consolidated in New Company

To optimize our numerous construction projects, we decided in late 2001 to consolidate the DB Group's builder functions for planning, project management, and construction monitoring processes in a new company. **DB ProjektBau GmbH** began its work in full on January 1, 2003, following preparatory activities during the year under review. We expect this consolidation to simplify and standardize the respective process steps, and significantly reduce the necessary DB Group resources in the medium term. This step also introduces a clear interface between the contractor and the builder functions in important infrastructure projects. The processes relating to the builder function have been consolidated within DB ProjektBau GmbH, while our infrastructure companies DB Energie GmbH, DB Netz AG, and DB Station&Service AG have redefined their contractor functions to be compatible with the interface. This process required modifications to the management and organizational structures at DB Station&Service AG and DB Netz AG, which were also implemented on January 1, 2003.

Consolidation of Activities: DB Services GmbH and DB Systems GmbH Business Units

DB Services GmbH, a directly managed business unit, consolidates all business activities involving facility management for fixed and mobile assets, including staging and transportation services along with facilities management for DB Group properties. To this effect, we merged the corresponding service companies in the DB Group to form DB Services GmbH effective 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 DB Group. This reorganization will result in even further standardization of the Group IT processes along with the resulting efficiency improvements.

Other Changes in the Group Portfolio

We made other small changes to the portfolio structure of the DB Group to improve our competitive position and streamline our organization. These changes have only a minor impact on comparability to the previous year's figures. In particular, the changes mainly involve the Group Passenger Transport and Freight Transport divisions. In the Group Passenger Transport division, we separated our night passenger travel and car carrier activities from DB Reise&Touristik AG and grouped them in our subsidiary DBAutoZug GmbH. In addition, we transferred the "On-Train Service" business unit, which was previously run by our subsidiary Mitropa AG, to DB Reise&Touristik AG (for daytime transport) and its subsidiary DB European Railservice GmbH (for nighttime transport). In the Regional and Urban Transport unit, we were able to expand our position in public road passenger transport through additional equity investments and takeovers of smaller bus operators. For this purpose, we purchased the companies Kreisomnibusverkehr Bad Kissingen GmbH, Bad Kissingen (through Omnibusverkehr Franken GmbH, Nuremberg), and Nikolaus Hanekamp GmbH&Co. KG, Cloppenburg (through Weser-Ems Busverkehr GmbH, Bremen), to round out their respective activities.

Within the framework of our program for promoting mid-sized companies, the business units SüdostBayernBahn, Kurhessenbahn, Erzgebirgsbahn, and Oberweißbacher Berg- und Schwarzatalbahn were transferred from DB Regio AG to DB RegioNetz Verkehrs GmbH (RNV). The necessary infrastructure has been leased from DB Netz AG by DB RegioNetz Infrastruktur GmbH (RNI).

The founding of DB Regio Sverige AB, Stockholm/Sweden, as a subsidiary of DB Regio AG in the third quarter of 2002 marked our entry into the international public transport segment.

We continued to enhance our position in the Group Freight Transport division through joint ventures, holdings, and takeovers. In the latter six months of 2002, DB Cargo AG purchased 20 % of BLS Cargo AG, Bern/Switzerland. To strengthen our position in combined rail/road transport, we purchased 50 % of Kombiverkehr

KG, Frankfurt am Main, in June 2002. DB Cargo AG also increased its previous minority holding in Spedition Hangartner AG, Aarau/Switzerland, to 100 % in the latter six months of 2002. Hangartner is one of the leading forwarding companies in European combined rail/road transport. With economic effect of February 1, 2002, DB Cargo AG increased its holdings in BTS BUSS-Trans Container Service GmbH & Co. KG (BTS), Hamburg, to 100 %. In future, Kombiverkehr KG plans to purchase a 25 % interest in BTS. Effective this financial year, DB Cargo AG and DB Netz AG increased their holdings in Deutsche Umschlaggesellschaft Schiene-Straße (DUSS) GmbH, Bodenheim, boosting the total share owned by the DB Group to 100 %. In addition – associated with a reduction of DB Cargo AG's holdings – Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH has also been managed jointly (50 %/50 %) with its new shareholder Hamburger Hafen- und Lagerhaus-Aktiengesellschaft (HHLA) since the start of 2003.

Effective January 1, 2002, the shares of DB Verkehrsbaulogistik GmbH previously held by DB Cargo AG were transferred to DB Netz AG. The company is now part of the Group Track Infrastructure division. The previous year's figures in the segment information have been adjusted to facilitate comparability.

Group-Wide "Fokus" Program Continues Success in the Year under Review

The cornerstone of our restructuring and modernization program is our "Fokus" restructuring program, which initially began in the year 2000 with 25 subprojects spread throughout the DB Group. As in the previous year, **we reached all our defined goals** in the year under review. The DB Regio unit of the Group Passenger Transport division, for example, made major progress in its comprehensive decentralization and streamlining of organizational structures, as well as in the renegotiation of transport contracts. The main optimization activities in the DB Reise&Touristik unit involved an optimized line and stop concept and the introduction of the new pricing and marketing system. In the Group Freight Transport division, we were able to implement our market focus program (MORA C) to reorganize the transport of single freight cars. The Group Track Infrastructure division continues to work on comprehensive reorganization projects in the operations and maintenance areas. Other "Fokus" projects concentrate on Group-wide issues, including the fields of purchasing, information technology, administrative expenses, and facilities. Following the successful implementation of numerous projects, we resolved to reorganize the "Fokus" project portfolio in February 2003. We expect to make another significant contribution to improving our profitability in the year under review.

European Timetable Introduced Successfully

The introduction of the new timetable on December 15, 2002 marked the first time that all European railroads implemented new, coordinated timetables simultaneously. The seamless introduction is a further example of the involved railroads' combined efforts – within the framework of European integration – to offer coordinated, customer-friendly services and improve the competitive position of rail compared to other modes of transport.

New Pricing System Introduced for Long-Distance Passenger Transport

The introduction of our new pricing and revenue management system for long-distance transport in December 2002 greatly simplified the pricing system, **reduced prices for the vast majority of our customers,** and at the same time improved the potential for economic operations management through effective load balancing. Special-price offers for our customers have been introduced alongside the benefits of an "open system", which means spontaneous trips are still possible. This system puts us at the global forefront in rail transport. At the same time, we started **"bahn.comfort"**, a special service program for frequent travelers. We also expanded our information and distribution channels, and now offer customers up to **"7 ways to a ticket"**: DB ReiseZentren (travel centers), travel agencies with a DB license, independent agencies, ticketing machines, phone-based information and booking service, in the Internet, and on the train.

New Cologne–Rhine/Main Line Integrated in the New Timetable

After comprehensive testing and trial runs, we commissioned the new Cologne–Rhine/Main line on July 25, 2002. ICE 3 trains began operating between Cologne and Frankfurt on August 1, 2002, initially every two hours; hourly connections commenced in September. The line was fully integrated in the new timetable that took effect on December 15, 2002. Trains now travel at **regularly scheduled top speeds of 300 km/h** for the very first time in Germany. The journey between the Cologne and Frankfurt conurbations now takes only 75 minutes, nearly an hour less than before. The 177-kilometer line represents a major milestone for long-distance passenger transport in Germany as well as the **backbone of a European high-speed route** from London, Amsterdam, or Brussels to southern Germany and beyond.

Product Campaign and Expansion of Collaborations in Freight Transport

We began a product campaign in the full-train area of the Group Freight Transport division in the year under review. This program unifies customer demands for custom-tailored solutions with the necessity for production according to standardized, plannable processes. We introduced **clearly defined products: “Plantrain”, “Variotrain”, and “Flextrain”**, each of which offers different levels of transport frequency and order flexibility. We plan to add individual service modules and expand coverage to the transport of single freight cars in the medium term. Several equity investments and joint ventures have **strengthened our position in combined rail/road transport**. We aim to have a Europe-wide presence at all economically relevant seaports, in order to get more traffic onto the rails.

The further intensification of collaborations with other railroads continued to be an emphasis in the year under review. **We intensified our collaboration in freight transport with SNCF, the French National Railways**, by agreeing on, for example, the optimized, international deployment of interoperable locomotives. Eight pilot trains have been running since June 2002 on the cross-border route between the Mannheim and Woippy (near Metz) marshalling yards. Our goal is to run all freight transports non-stop across the Franco-German border at Saarbrücken by the end of 2003.

DB Cargo AG has begun several collaborative projects with BLS Cargo AG, Bern/Switzerland, that include linking the companies’ IT systems, joint product development, and uninterrupted traction, to create an integrated process chain in cross-border transport in future. To optimize transalpine traffic along the Brenner route, DB Cargo AG and the Italian and Austrian partner railroads Trenitalia (TI) and Rail Cargo Austria (RCA) founded the **international BrennerRailCargo Alliance (BRC)** to get more Brenner-bound freight traffic onto the rails.

Comprehensive Restructuring Measures in the Infrastructure Areas

We continued our rapid pace of modernization and project expenditures in our infrastructure divisions, Passenger Stations and Track Infrastructure. The temporary burdens imposed by the increased expenditures are more than offset by benefits for our customers in **terms of increased system speeds** and **reduced journey times**, along with the enhanced attractiveness of the stations through our **cleanliness program** and our **“Safe Station”** and **“Smoke-Free Station” projects**.

Special Challenges Imposed by Severe Flooding in Eastern Germany

A natural disaster impacted our development in the year under review. In August 2002, severe flooding that plagued much of eastern Germany also caused heavy damage to our facilities. Particularly hard-hit was the rail infrastructure in Saxony and Saxony-Anhalt. We suffered extreme damage in the greater Dresden area, along the Elbe, and in the valleys of the Weißeritz, Mulde, and Müglitz rivers. The track infrastructure here was either totally destroyed and washed away or heavily damaged at numerous sites. Some 400 kilometers of track were affected in Saxony and Saxony-Anhalt alone – heavy damage was sustained by 130 kilometers of train embankment and 94 bridges, ten of which were completely destroyed. 250 switches and 25 interlockings were also damaged. Some twenty regional and long-distance lines had to be shut down and the timetable had to be completely redesigned. By consolidating our planning and construction resources, we quickly managed to reestablish the most important regional and long-distance connections – if provisionally at first. The cost of restoring the infrastructure, including reasonable related measures, amounts to some € 910 million. Damage to other facilities (including lost revenues and other damages) is estimated at some € 145 million.

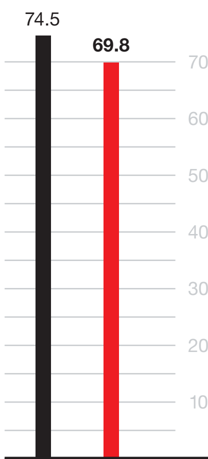
Overall Economic Situation

As in the previous year, **global economic development** remained below expectations once again in financial 2002. The nascent economic recovery that had been gaining momentum since the start of the year, due to the rapid growth of the U.S. economy, began to falter by mid-year. Overall global growth, at some 2.8 %, was hardly better than in the previous year (+2.2 %). Key to the worsening outlook were major declines in stock prices, which resulted in loss of wealth worldwide. Another factor was increased uncertainty among investors and consumers due to the escalation of the Iraq conflict, along with the associated sharp increase in crude oil prices.

Developments on the **European continent**, the main operating environment for the DB Group, were also less than satisfactory. Growth of the gross domestic product (GDP) in the euro zone was a mere 0.8 %, even less than the previous year's weak figure (+1.4 %). Only the export markets provided a major impetus, but even its dynamism was curbed by the appreciation of the euro over the course of the year. Domestic demand remained weak. Total EU GDP growth of around 1 % was slightly higher than in the euro zone, due to above-average growth in Great Britain. Development in Central and Eastern European countries, which achieved higher GDP growth rates, was more positive.

GDP growth in **Germany** was much less than forecasted and, at a real 0.2 % in the year 2002, was even less than the previous year's weak figure (+0.6 %). At the same time, this growth rate was the second-lowest recorded in Germany since reunification (1993: –1.1 %). An increase in the real export surplus had a positive effect, while domestic demand declined by 1.5 %. Declines resulted from a repeated drop in equipment spending of 9.4 % (previous year: –5.8 %), a decline in construction investments of 5.9 % (previous year: –6 %), and a decline in real consumer spending of 0.6 % (previous year: +1.5 %).

Transport Sectors and Development of Transport Performance



Total rail passenger transport performance
in billion pkm

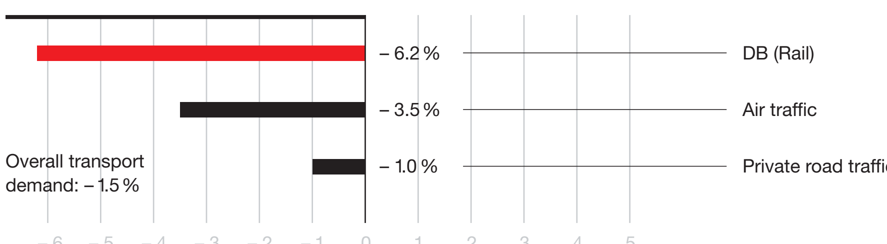
Relative change:	– 6.2 %
DB R&T:	– 6.1 %
DB Regio:	– 6.2 %

The weak overall economic environment in the year under review had a significant impact on the development of the passenger transport and freight transport sectors. The growth rates of all modes of transport fell short of the previous year's values and forecasts for both passenger and freight transport. We also had to cope with supply interruptions caused by the flood catastrophe in eastern Germany and a major landslide along the Rhine route. In sum, the total reduction in transport performance exceeded the declines we anticipated from our programs targeted at streamlining supply. At the same time, the continuing strong competition we faced confirmed the necessity and legitimacy of the supply optimization measures introduced in the previous year.

Renewed Overall Decline in the Passenger Transport Sector

According to preliminary figures, the **overall German market** (motorized private traffic, rail, public road passenger transport, domestic air traffic) fell by around 1.5 % in financial 2002 (previous year: –1.1 %), which represents the third consecutive year of decline. Transport performance of motorized individual traffic declined by some 1 % (previous year: –1.2 %). In addition to the overall weak economy, rising fuel prices played a major role in these developments.

Growth rates in passenger transport sector 2002
in %



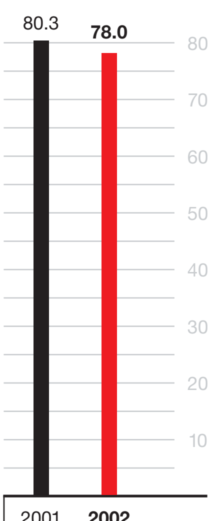
Our own **transport performance development** primarily reflects negative external factors, in addition to the supply adjustment measures we introduced in mid-2001 and which were effective for the full year for the first time. The impact of the weak economy dominated, in addition to interruptions caused by the Elbe flooding. In total, our transport performance declined by 6.2 % to 69.8 billion passenger kilometers (pkm) (previous year: +0.1 %). This represents a slight loss of market share compared to the overall transport sector. Performance fell by 6.1 % to 33.2 billion pkm in long-distance rail passenger transport (previous year: –2.4 %), and by 6.2 % to 36.7 billion pkm in local rail passenger transport (previous year: +2.5 %).

Non-state-operated (NSO) railroads, which are primarily active in local rail passenger transport, enjoyed a growth in transport performance, albeit from a low base.

Public road passenger transport also suffered from overall trends. In scheduled services, growth in the numbers of pupils, apprentices and students compensated for the decline in commuter traffic caused by the worsening employment situation. Non-scheduled services decreased in line with reduced consumer demand.

Transport performance in **domestic air traffic** declined by some 3.5 % in the year 2002, due to ongoing overall uncertainty following the terrorist attacks on the United States, as well as decreasing numbers of business travelers.

Overall, **competition has continued to intensify** in the passenger transport segment. This is true of both intermodal and intramodal competition, in which we face a wide range of competitors from municipal and state-operated railroads to mid-sized companies and international corporations active in rail transport.



Total rail freight transport performance
in billion tkm

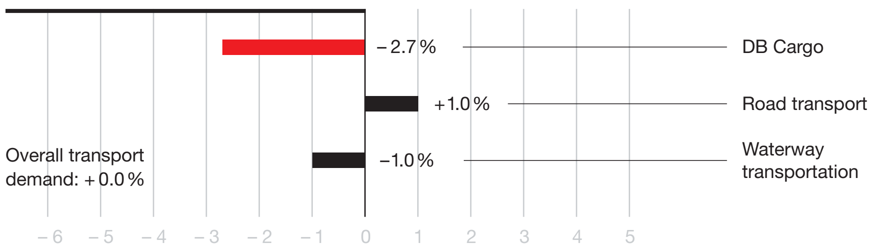
Relative change: – 2.9 %

Weak Development of the Freight Transport Sector

Because the economic upswing that was forecasted for the second half of the year failed to materialize, the **German freight transport sector** (DB Cargo AG, road freight transport – both regional and long-distance, including foreign-flagged vehicles – and inland waterway transport) was weak overall. Based on preliminary data, the overall market stagnated (previous year: +1.1 %). Growth came from **road freight transport**, which was able to benefit from (still) rosy exports and to increase its transport performance by around 1 % (previous year: +2.8 %).

The **development of transport performance at DB Cargo AG**, with a decline of 2.7 % (previous year: –3.1 %) to 72.4 billion ton-kilometers (tkm), reflects the overall poor economic conditions, interruptions due to flooding in eastern Germany, and increasing intermodal and intramodal competition. The market-focused adjustments within the framework of our MORA C program also took effect for the first time. Drops in the transport of imported coal had clearly visible effects, as did the poor state of the construction industry. We also registered drops in the transport demand for petroleum products, motor vehicles, semi-finished and finished goods, and cereals and feedstuff in the past year, some of them more drastic than others. Transports of iron ores and fertilizers increased. Nonetheless, despite increases in transports of forest products, machinery, fabricated metal products, and chemical products, these increases were not enough to maintain transport performance at the previous year's level. As in 2001, more than half of DB Cargo AG's transport performance was rendered in cross-border and international transports.

Growth rates in freight transport sector 2002
in %



Overall, the Group Freight Transport division (**including our international subsidiaries** Railion Benelux N.V. and Railion Denmark A/S) achieved a transport performance of 78.0 billion tkm, a decline of 2.9% from the previous year's figure.

The **other rail transport companies** recorded an increase in transport performance – as partners of DB Cargo through the takeover of various freight transport points within the framework of MORA C, as well as competitors – albeit from a low base.

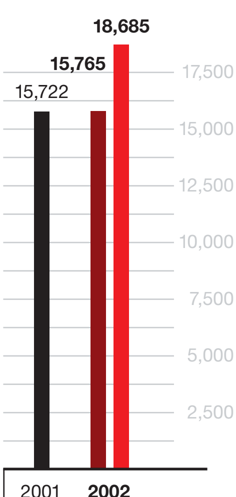
Based on preliminary data, **inland waterway transportation** declined by some 1% (previous year: –2.5%). Positive developments in transports of imported coal from the ARA (Amsterdam, Rotterdam, Antwerp) ports and in the container transport segment were offset by a significant drop in demand for transports of steel and construction materials.

The freight transport sector continues to be characterized by **intense competition** among the various modes of transport as well as increasing intramodal competition, the latter especially in the transports of petroleum products, chemicals, automobiles, and containerized shipping.

Business Performance

The first-time consolidation of the Stinnes Group in our consolidated financial statements had a major impact. Because December 31 is taken as the reference date, Stinnes is consolidated in the balance sheet at its full-year data, but included in the consolidated income statements only at its fourth quarter financial data due to the applicable consolidation rules. In the following presentation of our business performance, both the figures reported in accordance with the German Commercial Code for the year under review (DB Group incl. Stinnes) and the figures calculated for additional, pro forma financials of the "DB Group Before Consolidation of Stinnes Operations" are shown where meaningful. Moreover, the balance sheet, income statement, and cash flow statement also include both the actual figures reported and a pro forma reporting without the inclusion of Stinnes for the financial year 2002, in order to facilitate comparability for both the development of our previous business and the changes due to the Stinnes acquisition.

Significant Jump in Revenues due to First-Time Consolidation of Stinnes AG



Revenues
in € million

Relative change: +18.8 %

DB pro forma
DB incl. Stinnes

Reported group revenues jumped significantly due to the prorated consolidation of the Stinnes operations, by 18.8 % to € 18.685 million. Without the first-time consolidation of Stinnes, pro forma revenues amounted to € 15,765 million (+0.3 %), only slightly above the previous year's level.

External Group revenues by Group division in € million	2002	Share in %	2001[1]	Change in %
Group Passenger Transport division	11,179	60	11,064	+ 1.0
Group Freight Transport division	3,710	20	3,849	– 3.6
Group Passenger Stations division	226	1	219	+ 3.2
Group Track Infrastructure division	201	1	184	+ 9.2
Service area	219	1	175	+ 25.1
Stinnes[2]	2,920	16	–	–
Other	230	1	231	+ 5.6
Group	**18,685**	100	**15,722**	+ 18.8
Group pro forma before Stinnes	15,765		15,722	+ 0.3

1) The Annual Report 2001 did not yet contain the Service area. Following the grouping of our directly managed business units in the Service area, we altered the segment information in our semi-annual report for the first six months of 2002. In addition, Verkehrsbaulogistik GmbH is no longer part of the Group Freight Transport division; it is now included in the Group Track Infrastructure division. The previous year's figures have been adjusted to enable meaningful comparison. This remark applies accordingly to all subsequent tables with segment information.

2) Stinnes: only figures from fourth quarter 2002 included

Despite the difficult market environment, we were able to increase revenues in nearly all Group divisions. Following the effect from consolidating Stinnes, the Group Passenger Transport division contributed the largest absolute amount to the revenue increase. This performance must be considered not only in light of the burdens imposed by an unexpectedly poor economy, but also of revenues lost by the Group Passenger Transport and Freight Transport divisions as a result of flooding in eastern Germany. The total impact for the two Group divisions is some € 50 million. The increase in revenues in the Service area is primarily due to our acquisition of telecommunications activities.

The earnings ratios of the Group divisions remained stable in the pro forma structure before Stinnes: the Group Passenger Transport division matched its previous year's figure of 71 % while the Group Freight Transport division accounted for 24 % of external revenues (previous year: 25 %). The Group Passenger Stations and Track Infrastructure divisions continue to make a nearly negligible contribution to external revenues, since the vast majority of their services are rendered to intra-Group customers. Nonetheless, the significant increase in external revenues compared to the previous year's figures indicates intensifying use of DB infrastructure by non-Group customers.

The **Group Passenger Transport division**, with external revenues of € 11,179 million, topped the previous year's record value by 1.0 %. The revenue increase resulted from **positive developments in local transport**, which more than offset the 2.3 % decline in long-distance transport (DB Reise&Touristik unit) to € 3,378 million. This decline is due to supply adjustments and weaker demand as a result of the economic downturn. In local transport, i.e. the Regional Transport and Urban Transport business segments (DB Regio unit), the 2.6 % increase in revenues to € 7,801 million was due to positive developments in passenger fares (+2.3 % to € 3,372 million) as well as an increase in payments under ordered-service contracts for local rail passenger transport with the federal states or the respective ordering organizations (+2.8 % to € 4,429 million). Due to the structural shift towards higher-value traffic and an increase in fees paid by the ordering parties, external revenues of the Group Passenger Transport division as a whole developed more favorably than its declining transport performance.

In contrast, the revenue trend in the **Group Freight Transport division** is largely in line with the development of its transport performance. The 3.6 % decline in revenues to € 3,710 million is the result of developments at DB Cargo AG – primarily the implementation of the MORA C program for restructuring the transport of single freight cars, implemented as of January 1, 2002 (–4.1 % to € 2,758 million). Revenues of Railion Benelux N.V. amounted to € 141 million, slightly more than in the previous year; Railion Denmark A/S roughly matched last year's level of € 75 million.

The **Group Passenger Stations division** increased its external revenues in the year under review by 3.2 % to € 226 million; these revenues were generated primarily from the rental of railway station space to third parties. As in the previous year, these figures positively reflect the completion of several station renovation projects – even though they failed to meet our expectations due to lagging demand in the retail sector.

External revenues of the **Group Track Infrastructure division** continued to grow dynamically. Increasing competition on the rails, combined with the continuing performance improvements achieved by non-Group transport companies, boosted external revenues in the Group Track Infrastructure division by 9.2 % to € 201 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 grown to around 260.

The **Stinnes Group** is consolidated on a prorated basis with its revenues of the fourth quarter 2002. For the full year, external revenues of the Stinnes Group declined by 4.4 % compared to the previous year's level, to € 11,762 million, due primarily to drops in freight rates and important product raw material prices. Divisional performance was mixed: Transportation (Schenker) increased by 1.7% to € 6,225 million (fourth quarter included: € 1,613 million), while the Chemicals (Brenntag, –6.6 % to € 4,341 million; fourth quarter: € 1,032 million) and Materials (Interfer, –22.0 % to € 1,141 million; fourth quarter: € 261 million) divisions declined. The Stinnes Group contributed a total of € 2,920 million (including other Stinnes operations) to fourth quarter revenues for 2002.

Modernization Program Continues to Affect Income

At € 17,980 million, **overall performance** of the DB Group increased by 2.5 % on a pro forma basis over the previous year's figure; including Stinnes, revenues increased by 19.2 % to € 20,900 million. This development was the result of an increase in revenues (+ 18.8 % to € 18,685 million), together with the increase in internally produced and capitalized assets resulting from our intensified construction and capital expenditures programs (€ 2,362 million; previous year: € 1,748 million) and an offsetting € 147 million drop in inventories (previous year: € + 65 million). **Other operating revenues** increased from € 2,406 million in the previous year to € 2,830 million (pro forma: € 2,751 million). Total operating income reached € 23,730 million (pro forma: € 20,731 million) during the year under review, an increase of 19.0 % (pro forma increase: + 4.0 %) compared to the previous year. Total operating expenses also increased by 18.4 % to € 23,725 million (pro forma: € 20,766 million). **Cost of materials** increased by 34.3 % to € 9,546 million (pro forma: 4.7 % increase to € 7,444 million); its share of overall performance increased from 40.5 % to 45.7 %. **Personnel expenses** – not including Stinnes operations – were influenced by opposing forces: our continued streamlining efforts had a positive effect, which was countered by the negative effects of increased wages and salaries and reduced government reimbursement for surplus personnel expenses in the area of the former Deutsche Reichsbahn. On balance, personnel expenses rose by 5.6 % on a pro forma basis, or by 12.0 % including Stinnes, to € 8,387 million; this accounted for a 40.1 % share of total performance (pro forma: 43.9 %; previous year: 42.7 %).

The DB Group formerly received 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. The grant amounts were reduced annually in accordance with a defined schedule, with the final payments made in the year under review. As a result of these declines, we have to achieve significant gains in efficiency merely to stabilize income. Therefore, the fact that federal grants affecting net income were reduced by € 395 million has to be taken into account in the analysis of the above figures for cost of materials and personnel expenses (2002: € 443 million; previous year: € 838 million).

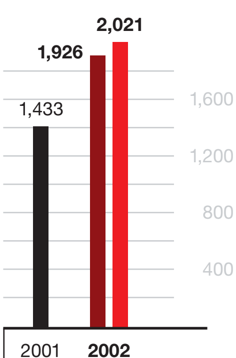
The modernization of the overall rail system is a major component of the rail reform program, a fact that is reflected in our high capital expenditures ratio. This results in increased charges due to depreciation as well as interest expense. In the year under review, this led to a 10.3 % rise in **depreciation** – not including Stinnes (pro forma: € 2,384 million; previous year: € 2,162 million). In the effective year-on-year comparison, including Stinnes operations, depreciation rose by 12.6 % to € 2,434 million. The expansion of debt financing resulted in a decline in **net interest** to € –489 million (previous year: € –313 million). Nonetheless, the ratio of net interest to total operating expenses remained low, at 2.4 % in the year under review. The total increase in expenses from increased depreciation and the decline in net interest was € 448 million compared to the previous year (pro forma: € 387 million).

Net income from investments of € 46 million (previous year: € 2 million) chiefly comprises income from equity interests in associated companies or expenditures related to the transfer of losses and write-downs of investments.

On balance, the DB Group recorded an **income before taxes** of € –438 million (pro forma: € –466 million; previous year: € –409 million) and a **net loss for the year** of € 468 million (pro forma: € –482 million; previous year: € –406 million).

Operating Income After Interest Better than Expected

To analyze the result of our operating activities, we adjust our revenues reported in accordance with the German Commercial Code as necessary to eliminate special factors that are not expected to recur. These adjustments involve special items that are of an unusual nature and recur rarely or irregularly, and involve substantial amounts. In particular, these include book profits from the sale of holdings and restructuring expenses resulting from major reorganization measures (such as facility closures). Because our long investment cycles mean we incur higher depreciation charges and interest expenses before we receive the gains from increased transport revenues and/or lower costs, and because our income trends have also been significantly affected by declining federal special burden compensation since 1994, we use the key measure of EBITDA before special burden compensation to track our gains in operating income over time. This key measure is adjusted for special factors and is not affected by either increasing capital charges or declining special burden compensation. Any meaningful measure of our restructuring progress must be based on a pro forma comparison: the DB Group without Stinnes was able to increase **EBITDA before special burden compensation** by € 493 million, continuing a trend uninterrupted since the start of rail reform. Overall, we have increased EBITDA by a total of € 3,940 million since 1994.



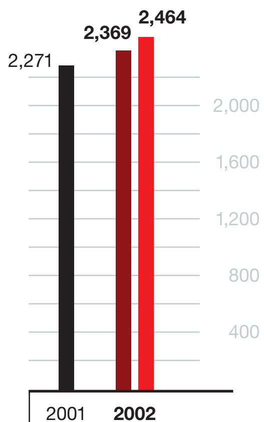
EBITDA before special burden compensation
in € million

Relative change: +41.0 %

DB pro forma
DB incl. Stinnes

Nonetheless, the progress we made in the year under review was not enough to entirely compensate for the combination of declining special burden compensation and charges associated with our modernization efforts – increased depreciation and a decline in net interest: with special burden compensation declining by € 395 million compared to the previous year, our EBIDTA (including special burden compensation) increased by € 98 million to € 2,369 million.

Our course of capital expenditures and modernization resulted in significantly higher depreciation (pro forma: an increase of € 222 million compared to 2001) and interest expense (pro forma: a decline in net interest of € 165 million compared



EBITDA
in € million

Relative change: +8.5 %

DB pro forma
DB incl. Stinnes

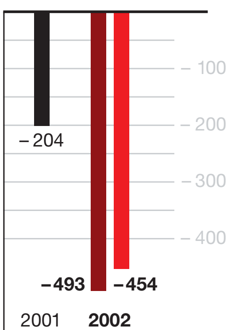
to 2001); the interest expense already reflects increased financial debt resulting from our acquisition of Stinnes. In sum, the pro forma figure for EBIT declined by € 124 million to € –15 million, and our **operating income after interest** by € 289 million to € –493 million, compared to the previous year's values.

These declines were in line with the plans for our modernization program. In our opinion, a decisive factor in any analysis of our financial year 2002 is the fact that our income trends remained on course, despite the difficult economic environment. Through additional restructuring measures, we were able to achieve much better results in the year under review than the plan figures we communicated at the press conference on our financial statements in May 2002 (a forecasted operating loss after interest of some € –550 million).

The consolidation of the Stinnes operations has improved our operating key data as indicated in the table below. **Operating income after interest** for the financial year 2002 amounted to € –454 million. EBITDA before special burden compensation was € 2,021 million, **EBITDA** including special burden compensation € 2,464 million.

Key business management data [1] **in € million**	**2002**	pro forma **2002**	**2001**	**Change**	**Change pro forma**
EBITDA (before special burden compensation)	2,021	1,926	1,433	+ 588	+ 493
Special burden compensation	443	443	838	– 395	– 395
EBITDA (incl. special burden compensation)	2,464	2,369	2,271	+ 193	+ 98
Depreciation	– 2,427	– 2,384	– 2,162	– 265	– 222
EBIT	37	– 15	109	– 72	– 124
Net interest	– 491	– 478	– 313	– 178	– 165
Operating income after interest	**– 454**	**– 493**	**– 204**	– 250	– 289

[1] Any variances between business management data and reporting in accordance with the German Commercial Code in the consolidated income statement result from adjustments performed to facilitate the comparability of trends in operative business.



Operating income after interest
in € million

DB pro forma
DB incl. Stinnes

As the divisional breakdown shows, the major positive contributions were made by the Group Passenger Transport and Freight Transport divisions, as well as the Service area. Intensified cost management in the Group Freight Transport division helped to boost its operating income after interest to € 47 million (previous year: € 17 million) despite declining revenues. Passenger transport earned operating income after interest of € 225 million, a slight drop from the previous year's figure (€ 240 million). The Group net loss for the year is primarily the result of developments in the Group Track Infrastructure and Passenger Stations divisions. In particular, the result of our Group Track Infrastructure division – with an operating loss after interest of € –529 million (previous year: € –206 million) – reflects the scheduled expansion of our capital expenditures program: increased depreciation charges and a sustained high level of expense to accelerate the restructuring process and improve rail network quality. The trend in operating income after interest in the Group Passenger Stations division (€ –218 million; previous year: € 6 million) is also the result of our intensified restructuring efforts, as well as increased project expenditures in conjunction with the immediate action program we began in the year under review and our measures targeted at improving service, safety, and cleanliness. We also set aside risk provisions for various station projects.

The Stinnes contribution margin – without consolidation-related effects resulting from adjustments to Group accounting and valuation rules – amounted to € 22 million, earned primarily by its Transportation and Chemicals divisions.

Operating income after interest by Group division in € million	**2002**	**2001**	**Change**
Group Passenger Transport division	225	240	– 15
Group Freight Transport division	47	17	+ 30
Group Passenger Stations division	– 218	6	– 224
Group Track Infrastructure division	– 529	– 206	– 323
Service area	141	124	+ 17
Stinnes[1]	22	–	+ 22
Other / Consolidation effects	– 142	– 385	+ 243
Group	**– 454**	**– 204**	– 250
Group pro forma (excluding consolidation of Stinnes Group)	– 493	– 204	– 289

[1] Stinnes: only figures from fourth quarter 2002 included

Value Creation and Contributions Made

Value Creation

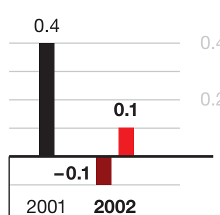
Including Stinnes operations, which were consolidated for the first time, value creation increased by € 1,003 million to € 8,392 million. Under the more meaningful pro forma comparison, we also achieved a significant increase of € 479 million to € 7,868 million. The added value was distributed fully to our staff, as in the previous year.

Generation of added value in € million	2002	pro forma 2002	2001
Overall performance	20,900	17,980	17,535
Other operating income	2,830	2,751	2,406
Overall operating income	**23,730**	**20,731**	**19,941**
Cost of materials [1]	– 9,546	– 7,444	– 7,108
Other operating expenses	– 3,358	– 3,035	– 3,282
Depreciation (properties and intangible assets)	– 2,434	– 2,384	– 2,162
Added value	**8,392**	**7,868**	**7,389**

Distribution of added value in € million	2002	pro forma 2002	2001
Employees [1]	8,387	7,903	7,487
Public authorities (taxes)	30	16	– 3
Creditors (interest)	489	478	313
Shareholders (incl. minority interests) and non-operating income (income from investments)	– 514	– 529	– 408
Added value	**8,392**	**7,868**	**7,389**

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

Contributions to Added Value: ROCE Continues to Decline as Expected



Return on capital employed
in %

DB pro forma
DB incl. Stinnes

The DB Group employs a return-on-capital 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 (earnings 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. 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 2002. The inevitable temporary operating loss, which we had to accept as a consequence of our modernization and capital expenditures programs, and the associated reduced EBIT compared to the previous year resulted in a decline in ROCE from 0.4 % to 0.1 % during the year under review.

Return on Capital Employed in € million	2002	pro forma 2002	2001
EBIT	37	– 15	109
Capital Employed	30,428	27,723	28,649
ROCE	**0.1%**	**– 0.1%**	0.4 %

Balance Sheet Trends

The 9.7 % increase to € 46,023 million in the balance sheet total was due in particular to the inclusion of the Stinnes operations. A pro forma year-on-year comparison excluding the Stinnes operations would show a 5.4 % increase to € 44,231 million, which includes an item of € 2,505 million for Stinnes AG under “Financial assets”. Other than that, the increase in the balance sheet total resulted primarily from the high level of capital expenditures, which continue to exceed the level of depreciation. Total fixed assets including Stinnes amounted to € 39,775 million, which is less than the pro forma amount (€ 40,637). We used the option of offsetting goodwill without affecting the income in the consolidated financial statements as reported and – applying the same accounting procedure as in previous years – offset the potential resulting from restructuring our telematics operations and Stinnes against Shareholders’ equity, which did not affect net income. Apart from a decline in shareholders’ equity, this conservative accounting procedure will reduce the burden on net income in the long term because no future amortization of goodwill will be required.

The first-time consolidation of Stinnes also led to a significant increase in current assets by 13.3 % to € 6,133 million. A pro forma comparison would show a decline by € 2,082 million to € 3,511, which is due primarily to a reduction in short-term cash investments held through year’s end and carried under “Other assets” as of December 31, 2001.

On the assets side, the effects from operations excluding Stinnes (which increases the share of fixed assets) offset the increase in current assets resulting from the consolidation of Stinnes; consequently, the ratios of fixed assets (86.5 %; previous year: 85.3 %) and current assets (13.3 %, as in the previous year) remained largely unchanged.

On the shareholders’ equity and liabilities side, equity dropped by 32.3 % to € 5,708 million due to the net loss for the year and the offsetting of goodwill mentioned above. In the equity structure, the consolidated net loss for the year and netting of goodwill led to a complete write-back of retained earnings and reduced capital reserves. Due to the decline in equity accompanied by a further increase in the balance sheet total, the equity ratio fell from 20.1 % to 12.4 %. Provisions of € 14,834 million, or 32.2 % (pro forma: 30.5 %; previous year: 34.1 %), continued to be a major item on the liabilities side. Long-term provisions and liabilities accounted for 60.4 % (previous year: 58.2 %) of total capitalization, while short-term provisions and liabilities made up 27.2 % (previous year: 21.6 %). Thus, equity and long-term debt covered 84.2 % of fixed assets (previous year: 91.8 %).

The analysis of the capital structure needs to take into account the fact that at € 7,726 million (previous year: € 7,324 million), a significant proportion of our liabilities consisted of interest-free federal government loans provided for infrastructure capital expenditures. Therefore, any meaningful evaluation must be based on the financial debt level (interest-bearing liabilities). Financial debt including liabilities incurred for the Stinnes acquisition increased from € 6,993 million to € 11,051 million (pro forma: € 10,191 million).

We actively control our balance sheet structure using gearing (ratio of net financial debt for reporting purposes to shareholders' equity) and redemption coverage (ratio of cash flow to net financial debt from operations including commitments under rental, leasing, and other debt obligations with external parties) as the key measures. We had already anticipated that we would fail to achieve our long-term targets in the year under review due to our intensified modernization policy: Gearing was 257 % (previous year: 122 %; long-term target ≤ 100 %); redemption coverage was 11.1 % (previous year: 14.9 %; long-term target ≥ 30 %). We expect these key measures to improve significantly within our medium-term planning period.

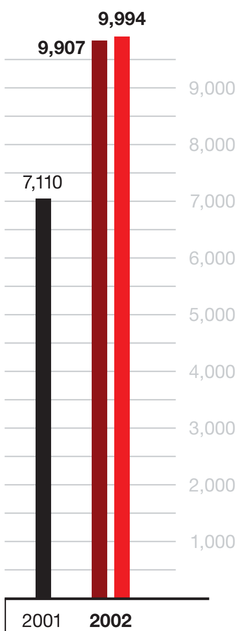
Balance sheet structure in %	**2002**	pro forma **2002**	**2001**
Fixed assets	86.5	91.9	85.3
Current assets	13.3	7.9	13.3
Prepayments and accrued income	0.2	0.2	1.4
Balance sheet total	**100.0**	**100.0**	**100.0**

Balance sheet structure in %	**2002**	pro forma **2002**	**2001**
Equity	12.4	17.0	20.1
Provisions	32.2	30.5	34.1
Liabilities	53.4	50.4	43.6
thereof interest-free federal loans associated with infrastructure financing	(16.8)	(17.5)	(17.5)
thereof financial debt	(24.0)	(23.0)	(16.7)
Accruals and deferred income	2.0	2.1	2.2
Balance sheet total	**100.0**	**100.0**	**100.0**
Balance sheet total in € million	**46,023**	**44,231**	**41,962**

Capital Expenditures

Capital Expenditures Program Picks Up Speed

The intensive capital expenditures program we approved in 2001, aimed at accelerating the modernization of Deutsche Bahn, continued to pick up speed in the year under review. Its major objectives are improving the carrying capacity of our infrastructure and rejuvenating our rolling stock. During the year under review, **gross capital expenditures** amounted to € 9,994 million (previous year: € 7,110 million).



Gross capital expenditures
in € million

Relative change: + 39.3 %

DB pro forma
DB incl. Stinnes

Capital expenditures in € million	2002	Share in %	2001	Change in %
Gross capital expenditures by Group division				
Group Passenger Transport division	1,847	18	1,584	+ 16.6
Group Freight Transport division	371	4	321	+ 15.6
Group Passenger Stations division	591	6	459	+ 28.8
Group Track Infrastructure division	6,754	68	4,433	+ 52.4
Service area	369	4	282	+ 30.9
Stinnes[1)]	119	< 1		–
Other/Consolidation effects	– 57	–	31	–
Group	**9,994**	100	**7,110**	+ 40.6
Group pro forma (excluding consolidation of Stinnes Group)	9,907	99	7,110	+ 39.3
Net capital expenditures	**5,355**	54	**3,307**	+ 61.9

1) Stinnes: only figures from fourth quarter 2002 included

The **Group Track Infrastructure division** is the key factor in the **structure of capital expenditures**. Its share of gross capital expenditures rose to 68 % during the year under review (previous year: 62 %). A major one-time effect in the year 2002 was the purchase of assets associated with the restructuring of our telematics operations (€ 940 million). Adjusted for this factor, the expansion of our planning and project management capacity let us significantly increase our capital expenditures. Once again, the **major focus of capital expenditures in the Group Track Infrastructure division was on investments in the existing network**; other important projects included the new Cologne–Rhine/Main and Nuremberg–Ingolstadt–Munich lines, as well as our construction projects in Berlin. Capital expenditures in the **Group Passenger Transport and Freight Transport divisions** primarily involved the **acquisition of new rolling stock** as part of extensive, multiyear modernization programs. Capital expenditures in the Group Passenger Stations division consisted of **station modernization measures** and selected new buildings. The largest individual projects across all divisions were the new Cologne–Rhine/Main line and the Nuremberg–Ingolstadt–Munich line, each of which received some € 0.4 billion. Due to the nature of the logistics business, capital expenditures at Stinnes were comparatively low.

In accordance with the relevant legal regulations, our capital expenditures in infrastructure are generally financed by means of interest-free federal government loans, investment grants netted with properties, and to a lesser extend through funds obtained under the Local, Regional, and Municipal Traffic Financing Act (Gemeindeverkehrsfinanzierungsgesetz) and the Railroad Crossings Act (Eisenbahnkreuzungsgesetz). Compared to the previous year, we significantly increased our contribution to capital expenditures through internal funding. The Group's **net capital expenditures** after deduction of non-repayable investment grants amounted to € 5,355 million (pro forma: € 5,268 million; previous year: € 3,307 million). **Investments in financial assets** were once again of little significance for the DB Group.

Financial Situation

Central Treasury Consolidates Resources

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. Stinnes AG was not yet integrated in the DB Group financing structures in the financial year 2002; instead, it conducted banking transactions independently in its function as the Stinnes Group's management company. Once Stinnes AG has been integrated into the organizational structures of the DB Group in the current financial year, all financing requirements in this area will also be covered by the comprehensive corporate financing of the DB Group.

Rating Agencies Once Again Confirm Outstanding Creditworthiness

The annual rating reviews conducted by the rating agencies confirmed our outstanding credit ratings once again in the year under review: Moody's with "Aa1" and Standard & Poor's with "AA". The announcement of plans to take over Stinnes led Moody's to change its outlook from "Stable" to "Negative" in July 2002. The Standard & Poor's outlook was confirmed as "Stable". Stinnes does not have an independent rating.

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 € 7.3 billion. In contrast, cash flow before taxes – a measure of our internal financing capability – was € 2.1 billion. We also employed existing cash and cash equivalents in considerable amounts. Due to increased depreciation, cash flow before taxes surpassed previous year's level (€ 1.8 billion). The ratio of cash flow before taxes to revenues fell from 11.4 % to 11.0 %.

As in prior years, we turned to the international capital markets to finance our capital expenditures. Our Debt Issuance Program in the amount of € 5 billion and our superb creditworthiness enabled us to issue bonds on a flexible, as-needed basis and at excellent conditions, despite the difficult situation in global securities markets. We were able to tailor the many issues under this program specifically to the needs of our relevant investors, which in turn resulted in more favorable financing charges due to the specific demand. The additional road show we conducted in Asia in early summer of 2002 enabled us to expand our investor base significantly.

Aimed at satisfying the specific needs of our investors, we issued our first U.S. dollar-denominated public-sector bond during the year under review. We also drew on the Hong Kong dollar market for the first time, and we made our first issue of floating rate bonds. All cash flows from foreign currency issues have been swapped to euros to eliminate currency risk. Total bond issues in the year 2002 amounted to the equivalent of € 2.2 billion. We also obtained loans in the amount of some € 434 million from the European Company for the Financing of Railway Rolling Stock (EUROFIMA), Basle/Switzerland. Moreover, DB Netz AG received a loan earmarked for a specific project from the European Investment Bank (EIB), Luxembourg, in the amount of € 400 million. In July 2002, we redeemed a seven-year DM-denominated bond from the year 1995 in the equivalent amount of € 511 million.

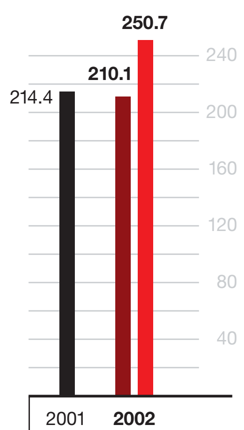
Financial debt increased to € 10,191 million in the pro forma comparison without Stinnes, or to € 11,051 million including Stinnes' financial debt (previous year: € 7,110 million). Cash and cash equivalents amounted to some € 271 million (previous year: € 363 million). As in the previous year, the DB Group had guaranteed credit facilities of approximately € 2.1 billion – without Stinnes – as well as the Multi-Currency Multi-Issuer Commercial Paper program of € 1 billion in the short-term sector. As of December 31, 2002, Stinnes had independent credit lines of € 1.3 billion.

We did not conclude any major leasing transactions in the financial year 2002. In fact, we reduced the number of passenger stations earmarked for development within the framework of leasing projects by 5, to a current total of 21 stations.

Employees

The number of employees at the DB Group increased significantly, from 214,371 as of December 31, 2001 to 250,690 as of December 31, 2002 (+16.9 %), including the takeover of rail telematics activities and the Stinnes Group. Without the rail telematics and Stinnes employees, the year-end figure would have been 206,415; this reduction is the result of the continued improvements to our processes and structures. Including new activities, average headcount during the year 2002 was 224,758, or 2.6 % above the previous year's figure.

We continued our policy of intensive training; accordingly, the adjusted trainee share with the Group remained high at 3.5 % (pro forma: 3.6 %; previous year: 4.4 %). 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: +16.9 %

DB pro forma
DB incl. Stinnes

Headcount by Group division as of December 31	2002	Share in %	2001	Change in %
Employees				
Group Passenger Transport division	71,037	28	72,814	– 2.4
Group Freight Transport division	29,399	12	32,278	– 8.9
Group Passenger Stations division	5,309	2	5,193	+ 2.2
Group Track Infrastructure division	49,499	20	51,106	– 3.1
Service area	29,839	12	25,251	+ 18.2
Stinnes	40,618	16	–	–
Other	24,989	10	27,729	– 9,9
Group	**250,690**	100	**214,371**	+ 16.9
Group pro forma (excluding consolidation of Stinnes Group)	210,072	84	214,371	– 2.0
Apprentices/Trainees	8,551		9,091	
Trainee share	3.5 %		4.4 %	


DB

Technology

Our customers demand high-quality products and services from Deutsche Bahn. To achieve this, we have to include quality and reliability as decisive criteria for our internal processes and for the condition of our technical means of production. In light of the increasing competition we face, both intramodal and from other companies on the rails, the maximum reliability of our means of production must be our primary goal, as this reliability is a basic prerequisite for cost-effective operations. We also have to maintain our established **high safety standards** and continue to optimize the integrated rail system through **further innovations and structural improvements**.

Quality Management and Maximum Safety as the Foundation for a Sustained Competitive Advantage

The intrinsic nature of the rail system gives it a significant safety advantage over other modes of transport. We combine this advantage with our high safety demands, which are reflected in the safety standards of our production systems and means, as well as in our corporate culture. We are making every effort to attain further improvements to these high safety standards through ongoing improvements to our systems and processes. We also invest a great deal in comprehensive training measures.

We **continued to develop our quality management and reporting system** with the inclusion of new tools and methods during the year under review. Our quality improvement measures are based, among others, on the Six Sigma and CIP (Continuous Improvement Process) methods. We continually measure, monitor, and adjust our activities to achieve these goals. We also make comprehensive use of the BahnStrategyCard (a balanced scorecard) as a control tool. One example of such quality improvement measures is our “Rail Operations Quality” project, which we successfully implemented to fight problems with delays in early 2003.

Continued Refinement of Our Technology Strategy

We continued to develop our technology strategy, based on a threefold approach: vehicle strategy, track infrastructure strategy, and a strategy for command and control technology. Modularization and standardization are the primary criteria that will characterize future capital expenditures strategies for our technical means of production. Our goal is to reduce the overall life cycle costs of our means of production, in addition to their procurement costs, and to improve the efficiency of our processes in both the operating and maintenance areas. Our **vehicle strategy** is aimed at achieving a major reduction in vehicle heterogeneity in the medium term, which will result in significant cost savings in both the procurement and ongoing maintenance of our rolling stock. Our **track infrastructure strategy** is also aimed at capturing additional cost savings through ongoing standardization and quality improvements. We have developed differentiated strategies for our **command and control technology** that define sensible line standards dependent on the specific operating requirements.

In the interest of optimizing international rail transport, we also strive to achieve increasing technical interoperability with our European neighbors through the optimized planning of multisystem locomotive usage and rationalization effects from the joint development of the next generation of trains, among other measures. For example, we are working together closely with SNCF, the French National Railways, and FS, the Italian State Railways, on the procurement of the next generation of high-speed trains. We plan to largely complete our joint preparations in the current year. After a comprehensive trial period, we aim to commission the first jointly-specified high-speed trains in 2010.

Our strategic considerations are based on the current and foreseeable short-term legal framework. The EU demands for **increased interoperability among national rail systems** are an especially important factor. Council Directive 96/48/EC on the interoperability of the trans-European high-speed rail system, which became binding during the current year, is a prime example of such demands. The Directive was incorporated into national German law effective December 1, 2002.

Forward-Looking Collaboration Between Railroad Companies and Manufacturers

The ongoing modernization of rail technology and the consistent implementation of innovations are crucial to railroads' long-term competitiveness. These steps demand an entirely new quality of intensive collaboration between railroad companies and manufacturers. Furthermore, European integration is transforming the challenges faced by Europe's railroads. To deal with the accelerating traffic growth forecasted for the coming years, every mode of transport will have to play to its systemic strengths. The increasing demands for respective speed, efficiency, and cost-effectiveness require intensified research efforts from the manufacturers, universities, and specialized institutes.

We see our role in consolidating customer demands and communicating them to industry, promoting the development of competitive, pan-European products for passenger and freight transport. For the technological developments to satisfy the high demands on performance and cost-effectiveness, top quality is needed in procurement and operations monitoring processes.

We expect the manufacturing industry to supply rail technology that functions reliably and to advance technical innovation for the optimization of the integrated rail system. Crucial factors include comprehensive standardization among manufacturers and the modularization of components with open, standardized interfaces.

To achieve further increases in efficiency and improve the competitiveness of the rails as a mode of transport, we need an **ongoing, extensive exchange between railroads and manufacturers** on the subjects of system development, operation, and maintenance. Additional improvements to the integrated rail system, combined with mature, reliable, and cost-effective technology, are the keys to attracting more traffic to the rails throughout Europe – for the benefit of the railroads and the manufacturers.

Purchasing

As one of Germany's largest ordering parties, we placed orders worth some € 13.0 billion (previous year: € 11.6 billion) in the financial year 2002 – not including Stinnes. The total order volume was distributed among the following four major procurement sectors:

Purchasing volume in € billion	pro forma 2002	2001
Construction and engineering services	4.9	4.1
Industrial products	4.3	4.1
Other services	2.5	2.1
Utilities and fuel	1.3	1.3
Total	**13.0**	**11.6**

One focus of our procurement program in 2002 was the purchase of some € 403 million worth of Series 423 metro EMUs. We also placed orders for the construction of the new Nuremberg–Ingolstadt line and the expansion of the Röhrmoos–Obermenzing line with a total volume of some € 590 million. Our total order volume was spread among 44,600 different suppliers. More than 60 % of orders was placed with small and medium-sized companies, a significantly higher share than in the previous year (48 %).

Our Purchasing function made a major contribution to our "Fokus" restructuring program. We see further potential in the current and future financial years through improved consolidation of requirements, an optimization of processes, and improvements in transdivisional cooperation. We successfully completed the preparations for the rollout of our quality management system, which we began in 2001. Our Purchasing function was **certified under EN ISO 9001:2000** in July 2002. We will continue to analyze and document the procurement processes in this system, and adjust them as necessary to meet our and our customers' demands.

To streamline our procurement processes, our Purchasing function is relying increasingly on **e-procurement**. All interested parties can access our electronic marketplace in the Internet under **www.bahn.de/einkaufsplattform**. Intensified use of the Internet will allow us to accelerate global tenders, obtain new sources of supply, and create **process savings for us and our suppliers**.

Our construction marketplace features over 100 current tenders each day; the number of participating suppliers has risen to more than 2,000. We procure strategic goods and services through a comprehensive platform for bid invitations and auctions, which enables more than 800 registered suppliers to participate in the more than 300 bid invitations and virtual price negotiations listed to date.

Supplemental Information

Amendment to the Regional Restructuring Act Completed

The federal and state governments reached agreement on the amendment to the Regional Restructuring Act (Sec. 5 RegG), which defines future state funding for local rail passenger transport and other local public transport, in June 2002. According to this agreement, which took effect on July 1, 2002, the states will receive € 6,745 million annually from the federal government, plus a fixed increase of 1.5 % p.a., until 2007. We have already been able to conclude our first long-term transport contracts based on this agreement.

Amendment to Public Procurement Regulations Provides Needed Clarity

Amendments to the German Public Procurement Regulations in October 2002 stipulated that transport contracts can generally be concluded without a prior competitive tender. The conclusion of long-term transport contracts we strove for in Thuringia and Brandenburg was achieved in accordance with these new regulations. Competition in regional transport continues to increase each year. In the coming years, the ordering organizations will tender a large portion of the total market volume.

Some 12.9 million train-path kilometers (tpkm) were tendered in 2002 alone. Of the 71.7 million tpkm awarded through bid tenders to date, our Group Passenger Transport division won 55%. Most recently, DB Regionalbahn Westfalen and DB Regionalbahn Rhein–Ruhr were able to win the “Border Triangle” (1.8 million tpkm), “Sauerland Network” (2.9 million tpkm), and “Haard Line” (3.4 million tpkm) tenders. In particular, the Haard Line tender represented the first competitive tender of RegionalExpress (RE) services in the electrified network in North Rhine-Westphalia. DB Regio has submitted a bid for the tender of the “Western Network” (4.6 million tpkm) in Schleswig-Holstein (Hamburg–Westerland); a decision is expected in the summer of 2003.

Competition Officer’s Report Confirms Non-Discriminatory Network Access

The DB AG Competition Officer, who was appointed in February of the year under review, published his first Competition Report, which was based on comprehensive investigations. The report once again confirmed that access to the DB Netz AG rail network is non-discriminatory. The follow-up report published in February 2003 corroborated this result, and showed that **Germany is at the forefront of implementing liberalization policy in a pan-European comparison**.

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 and refined, allows us to quickly introduce offsetting measures.

Active Risk Management in the DB Group

The risks inherent to the DB Group – without Stinnes – include:

- **Market risks** such as overall economic development and cyclical demand for services. The major factors influencing passenger transport – consumer spending and number of gainfully employed persons – have been declining in the current year. 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. 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 at both the European and the domestic level – such as the completed amendment to the Regional Restructuring Act with its influence on the fees to be paid by the ordering parties – 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 implementation, or necessary modifications during the project lifetimes – which often take several years – result in project risks that can often affect multiple areas due to our networked production structures. Our activities continue to focus on major projects like the Berlin hub (including Berlin Central Station-Lehrter Station), the new Nuremberg–Ingolstadt–Munich line, and the introduction of GSM-R. Our experiences from the Cologne–Rhine/Main line have been applied to similar projects in a targeted manner. An incremental commissioning concept has been developed for the Berlin hub/Berlin Central Station. We conducted additional analyses in 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 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 energy and other 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 anchor risk management in our standard processes. In addition, the Group-wide “Fokus” program, which was started in the year 2000, continued to achieve the predicted success in 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 our 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, foreign exchange, derivatives) with DB AG enables us to manage and limit the associated risks. Our 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).

Integration of the Stinnes Group into DB Risk Management

Stinnes AG already had its own risk management system for the Stinnes Group and all its subsidiaries, the basics of which correspond to the system established at the DB Group.

The Stinnes risk analysis showed that general business risks have no significant consequences for the Stinnes Group. Due to the special nature of its business, the Transportation division (Schenker) faces risks from the granting of customs guaranties and – especially after the terrorist attacks of September 11, 2001 – the submission of non-objection certificates to airlines, which could have serious consequences in individual cases. In the past several years, Stinnes has continually revised and improved its rules for granting customs guaranties. Stinnes purchased insurance policies in 2002 to cover the risks related to air transport and also monitors strict compliance with country-specific regulations on security measures for the transport of air and sea freight.

Several companies from the Stinnes “Brenntag” division are being sued in the U.S. for damages resulting from the delivery of health-impairing materials. These deliveries took place before the Stinnes Group purchased the companies in question. To date, all claims have been covered by existing insurance policies. Based on claims adjustment to date, Stinnes assumes that future claims for damages will also be covered by existing insurance policies.

Stinnes will be fully integrated into the DB Group’s risk management system by the end of the current financial year.

Risk Portfolio Free of Existence-Threatening Risks

The risk management systems of the DB Group in its previous form, as well as of the newly integrated Stinnes Group, provide an overview of the sum total of risks exceeding defined materiality thresholds in a risk portfolio, in addition to 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 (translated) 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.

In 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

New Traction Current Pricing System Ensures Transparency

Our subsidiary DB Energie GmbH introduced a new, transparent traction current pricing system (TCPS) effective January 1, 2003. At the same time, the technical infrastructure to support usage-specific, remote-readable billing of mobile electricity consumers was deployed. The TCPS fully conforms with all legal requirements and guarantees all railroads the simple calculation of their energy costs. It is a single-tier pricing system for full power supply, with time zone-specific composite prices in cents per kilowatt hour. The single-tier nature of the pricing system guarantees identical prices for comparable train journeys and facilitates the simple calculation of energy costs by our customers.

Hour-specific price differentiation – in high, medium, and low rates – results from the distinct procurement and supply situation. The price differentiation is fair according to the input involved and also creates incentives for shifting traffic to non-peak times. The implementation of the TCPS was accompanied by a traction current supply contract that has been adapted to new conditions that apply uniformly to all customers and which correspond to typical full-supply contracts in the utilities sector. Energy sales to non-Group customers have increased by a factor of seven since the year 2000; we expect this figure to double again by 2007.

Important Agreement Reached in Wage Negotiations

In March 2003, following difficult negotiations, the Employers' Association of Mobility and Transport Service Providers (Agv MoVe) reached an agreement with the Transnet and GBDA unions for wage increases at Deutsche Bahn. This agreement, which has a term of two years retroactive to March 1, 2003, includes wage increases in the years 2003 and 2004 and the full alignment of wage levels in eastern and western Germany by September 1, 2006. This agreement gives us a steady foundation for pursuing our restructuring process. At the time this report was authored, negotiations with the independent Train Drivers Union (GDL) were still underway. We hope for a rapid conclusion of the negotiations based on the results achieved with Transnet and GDBA.

Stinnes General Meeting Approves Squeeze-Out

At the special meeting of Stinnes AG shareholders on February 17, 2003, a resolution regarding the squeeze-out of minority shareholders in accordance with Sec. 327a ff. German Stock Corporation Act (AktG) was passed with 99.97 % of the votes. The squeeze-out will become effective as soon as the transfer decision is entered in the commercial register.

Reorganization of Real Estate Activities Completed

The sale of an extensive Deutsche Bahn real estate portfolio to Aurelis Real Estate GmbH & Co. KG was concluded in March 2003. The portfolio of properties no longer deemed essential to operations that was purchased by Aurelis consists of 1,849 plots of developed and undeveloped real estate with a total area of some 30 million square meters. The shares in Aurelis are held by WestLB AG (39 %), Westdeutsche ImmobilienBank (10 %), and Westdeutsche Immobilienbeteiligungs-gesellschaft (2 %). DB AG retains a 49 % share in the company. Once all approvals have been obtained from the involved companies and regulatory authorities, the transaction will be executed as of April 1, 2003. This land sale represents one of the largest real estate transactions ever in Germany, as well as a decisive step in the strategic reorganization of our real estate activities and the necessary focus on our core business.

Deutsche Bahn Acknowledges Corporate Governance Principles

Since the start of the rail reform process, we have given great priority to ensuring transparent, documented enterprise management by the Management Board and Supervisory Board. With the ratification of the “German Corporate Governance Code”, which was developed by a government commission and submitted in February 2002, and the “Transparency and Disclosure Act”, Germany now possesses a code of internationally and domestically recognized standards for conscientious, responsible enterprise management. The German Corporate Governance Code applies mainly to listed companies. Because we support the basic premise of clear rules and transparent processes, we voluntarily pledge to follow the recommendations of the code. In fact, major portions of its contents have been regular practice at Deutsche Bahn for many years now. The Management Board and Supervisory Board approved corporate governance principles for DB AG in March 2003. They have been published online under www.bahn.de/ir and take effect in July 2003. The application of these corporate governance principles will be a subject of our Annual Report 2003.

Strategy

The DB Group has reached the final phase of the **rail reform** process, which we began in 1994. In the meantime, the market for mobility and logistics services has developed into an extraordinarily **challenging** international **competitive environment**, often between different modes of transport. We face this competition on the rails, as well as in other modes of transport.

Our strategy aims to create a **customer-focused, competitive, resource-rich** company that can thrive in this dynamic, market-based, competitive landscape and achieve the goals of the rail reform program. Our traditional **core unit**, **rail operations**, is being thoroughly streamlined and modernized, which strengthens the competitiveness of the entire rail sector. Upon this foundation, we are building a promising, sustainable **international provider of mobility and logistics services** that intelligently exploits the systemic strengths of the various modes of transport and establishes customer-friendly interfaces with upstream and downstream value creation levels. In particular, this **integration in comprehensive systems** will ensure that the rails will win a commensurate share of future traffic growth.

Our strategy pursues two complementary **goals**: First of all, we intend to satisfy our customers with competitive, **high-value products** and win new customers. Secondly, we have declared our goal of getting the DB Group into shape for a future **initial public offering**. Therefore, we consistently aim to satisfy the requirements of the capital markets. To achieve this objective, we implemented a **value management concept** as early as 1999, along with long-term targets for the DB Group as a whole and for the individual Group divisions. Measured by ROCE (return on capital employed, the ratio of EBIT to capital employed), we have set a medium-term goal of 10 % – irrespective of the temporary operating loss we accept as a consequence of our accelerated restructuring course.

In the same line, we developed our **strategic "DB Campaign" program** in the year 2001, which is based on three pillars: Consistent **restructuring**, significant improvements in **performance**, and a focus on future **growth**. The specific measures that we initiated to achieve each individual goal have already had a sustained impact on our business, and we continue to monitor their progress. In the restructuring area, our ongoing "Fokus" program is the major program. At the same time, we are increasingly focusing on additional performance improvements and on capturing potential growth.

Targeted Expansion: Competitive "One-Stop" Solutions

Not least due to the visible changes to markets and our competitors, we are complementing our restructuring initiatives with a **customer-oriented enhancement** of our **service spectrum** in Germany and internationally.

To exploit the **systemic strengths** of rail over medium and long distances, optimizing **cross-border rail traffic** must be a top priority. We are expanding our international activities in freight transport through **Railion**, our international rail carrier. At the same time, we are cooperating closely with railroads in neighboring countries in both freight and passenger transport. We are also pursuing **collaborations** in border regions in order to offer seamless mobility services in local cross-border transport.

Particularly in the growing market for **logistics services**, customers are increasingly demanding integrated solutions. We have to direct complex logistics processes to give our customers simple, high-quality solutions as a **"one-stop shop"**. The acquisition of **Stinnes AG** was an important step in meeting our customers' demands, thus improving our competitiveness.

Overall, we are striving to achieve better **networking**, even with **services from non-Group transport companies**. Measures range from the consolidation of individual offers on the rails – our collaborations with regional railroads in freight transport are a good example – to seamless integration with other modes of transport in the mobility chain, such as linking airport train stations with our long-distance traffic network.

On the Way to Becoming an International Mobility and Logistics Service Provider

As the restructuring process progresses, it will increasingly become possible to exploit **potential growth**. All current forecasts point to stable growth in the mobility, transportation, and logistics markets for the foreseeable future. We have formulated clear **future prospects** for our various Group divisions and business units:

- In **long-distance transport**, the Group Passenger Transport division offers **competitive services** for fast connections **between German conurbations** and **to other European cities**: rapid, relaxed travel and comfortable city-to-city connections at attractive prices. Our challenge here is to defend our regular customer business from competition on the roads, in the air, and on the rails. We are targeting further, organic growth – primarily through ongoing supply optimization and professional revenue management. In parallel, we continue to pursue the optimization of international traffic – currently through collaborations with railroads in neighboring countries, and later potentially through the liberalization of foreign markets.

- In the increasingly open market for **public local passenger transport**, our Group Passenger Transport division stands for **seamless mobility in cities and beyond** through integrated transport systems – as the market leader in Germany, our home market, and with good prospects of expansion into other European countries. It goes without saying that our Group Passenger Transport division will continue to improve its offerings and defend its position as the leading company in the German rail transport sector through fair competition.
- The Group **Freight Transport** division is being expanded to become a **leading international transport and logistics service provider**. We organize **efficient solutions** for our customers with start-to-finish support and excellent quality – in Germany, Europe, and worldwide – on the rails, the roads, at sea, and in the air. The acquisition of the Stinnes Group represents a major step in expanding our logistics competencies. At the same time, Stinnes' pan-European sales presence is a major platform for future growth. By merging the consolidated competencies in the DB Group, we intend to win a major share of expected market growth, in both traditional rail transport and in the logistics area.
- The Group **Passenger Stations** division is **optimizing** its some 5,600 stations not only in their function as traffic stations, but also as representative calling cards of our company and the respective cities. Together with the federal government and municipal authorities, we have to **provide for the integrated function** of railroad stations – both in cities and in the countryside – for the satisfaction of our customers, the general public, and our company.
- Our **rail network** remains the **guarantee of all rail transport performance in Germany: integrated, reliable, affordable**. The primary challenge for the Group Track Infrastructure division is to continue to capture the identified **optimization potential**. We aim to further increase our performance by successively implementing our "Netz 21" strategy. Moreover, the continued existence of the rail/wheel system as an **integrated system** in Germany enables us to capture its production- and development-related synergies.
- Our **internal service providers** add significant value for Deutsche Bahn customers and for the integrated rail system. They will **primarily offer rail-specific services** with a level of expertise and at prices that competitors cannot render in this form, and even win over non-Group customers to these services.

Capital Expenditures Program Continues at a High Level until 2007

To modernize the rail system and strengthen our market position, we will continue to **maintain a high level of capital expenditures** in the medium term. In total, we plan capital expenditures of some € 45 billion through the year 2007 within the scope of existing DB activities. With more than 90 % of its total volume, most of this program is focused on the Group Passenger Transport, Freight Transport, and Track Infrastructure divisions. We will **significantly reduce the average age of our rolling stock** and **improve the availability of the rail network**. The program will benefit both customers of our own Group transport companies and non-Group companies, as users of the DB Netz AG infrastructure. Combined with other productivity improvements, we are helping to lay the foundation for rail to gain a strong share of the forecasted market growth. We expect that the acquired **logistics activities** of the Stinnes Group will require additional capital expenditures that are **relatively minor** – we predict a volume of some € 2 billion by the end of 2007.

Success Depends on Effective Political Framework

Our future success remains dependent on the transportation policy framework, which is **increasingly defined by the European Union**. Our structures are in full harmony with EU regulations. We have been a **forerunner** in implementing this policy framework in countless areas in Germany: in **rail liberalization**, for example, Germany boasts a leading role in comparison with other European countries. Every operator is free to enter the market, and some 280 service providers currently compete on the German rail network. For our own prospects and those of other rail operators in Europe, and especially for the prospects of a Europe that is growing together, it is **essential** that the politicians in every European country achieve a **harmonization of their transportation framework** – both for rail transport and for other modes of transport. Major issues in intermodal competition include fair treatment in determining who pays for infrastructure costs as well as the taxation of energy consumption.

Stinnes Integration the Main Challenge in the Current Financial Year

Among the numerous programs and measures we are implementing, the integration of the Stinnes operations will be a particular focus in the current financial year, during which we will merge and optimize the competencies of the former Group Freight Transport division with the Stinnes/Schenker Transportation division. Once the working groups have developed the detailed, multistage concepts, we will implement the corresponding measures successively in the current year. Under these plans, Stinnes AG will at the same time become the management company for the new Group Transport and Logistics division – scheduled for the third quarter. The existing Group Freight Transport division and the transport unit of the former Stinnes Group will be merged here. We will investigate demerger options for the Brenntag and Interfer units, although we see no need for immediate action. The new target structure will thus integrate the specific competencies of the Schenker organization with the rail transport expertise of the Group Freight Transport division.

Outlook

Uncertain Outlook for Overall Economy and Transport Sectors

The global economy is extremely unstable at the start of the year 2003. The upswing that was expected in the second half of 2002 has yet to materialize. The future direction of the global economy, especially the euro zone and Germany, is greatly in doubt. The risk of a lasting destabilization of the entire Gulf region and its drastic impact on the global economy cannot be completely discounted. Developments in the mobility, transportation, and logistics sectors cannot escape these trends. Accordingly, the general forecasting uncertainty made accurate predictions of market developments impossible at the time this Annual Report went to press.

We Will Continue to Pursue Our "DB Campaign" Goals

In the current financial year, we will continue to implement our strategic refocusing within the programs that comprise our "DB Campaign – Restructuring, Performance, Growth". We expect renewed major gains from our "Fokus" restructuring program. At the same time, we will redouble our efforts in the performance area. We will also intensify our efforts to focus our corporate portfolio on attractive, high-growth business segments.

We expect competition to increase in both passenger and freight transport. We plan to maintain our position – and even improve it where possible – through our clear strategic focus and the realization of further optimization potential. In long-distance passenger transport, our successful supply optimization measures, the establishment of the new pricing and revenue management system, and the integration of the new Cologne–Rhine/Main line in the year under review all represent important steps that we expect will pay off in the current financial year. We intend to defend our market position in regional and urban transport with convincing services. We are moving forward in freight transport with our product campaign in full-train transport and the intensification of our combined rail/road transport activities, where we are especially benefiting from our strengthened position after the Schenker takeover. In freight transport, we will have to pay particular attention to the increasing internationalization of our competitors. We have to improve our competitiveness in international transport if we expect to gain from long-term growth trends. We expect the merger of our existing Group Freight Transport division with the Stinnes/Schenker activities – forming the new Group Transport and Logistics division – to give a major positive impetus to our market presence. We will continue to consistently pursue our modernization programs in the Group Track Infrastructure and Passenger Stations divisions. The emphasis in the Service area will lie on realizing further efficiency gains.

We will continue our capital expenditures and modernization program in the current financial year, as it reinforces the DB Group's efforts to get into shape for the future. The scheduled reduction in federal compensation for burdens inherited from the former Deutsche Reichsbahn (surplus personnel expenses and cost of materials), which were granted for the final time in the year 2002, amounts to € 443 million in the year 2002.

This financial year is the first full year of our ownership of the Stinnes Group, which has a major impact on key financial data of the DB Group. This primarily involves the revenue and profitability structure – Stinnes will be fully consolidated for the first time.

We will also actively contribute to key transport policy debates. Our emphasis here lies on intensified efforts to open European rail networks to international passenger and freight transport – in line with the infrastructure already created in Germany – as well as the reduction of the competitive disadvantages faced by rail transport, in order to level out the framework conditions among the various modes of transport.

Reliable Income Forecast for the Financial Year 2003 Not Possible

In addition to the long-term programs we are currently implementing, we have begun to initiate additional offsetting measures to compensate for the foreseeable burdens imposed by the current economic framework. In light of the sustained uncertainty, however, it is not currently possible to make a final forecast of revenues or income figures for the financial year 2003. Accordingly, we will delay our forecasts of the expected annual result until estimations of overall economic development have become sufficiently stable.

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.

Employees

- Trust-building program started in response to employee survey
- Focus on creating competitive, staff-focused employment conditions
- Group-wide labor market strengthened further in the year under review
- Intensified employee support creates foundation for becoming the “best railroad”

Employees Are the Decisive Success Factor in the Competition for Customers

We are faced with tough competition and have to render effective, high-quality services for our customers day in and day out. As a service enterprise, our employees' motivation, commitment, and competencies are decisive factors in winning new customers and setting ourselves apart from our competitors. Investments in our staff are crucial to the long-term success of our company. Accordingly, we once again devoted major resources to this area during the year under review, to respond to the **increasing market challenges** as well as the demands facing our company and its employees.

Our business is becoming more international. Our acquisition of Stinnes AG, along with our successful positioning in the logistics area, will have far-reaching effects. We see major potential in merging the expertise in our former Group Freight Transport division with the forwarding and logistics capabilities of the Stinnes Group.

The successful integration is at once a challenge and an opportunity, one which we will pursue aggressively and which will be given high priority in our human resources policy and programs.

Trust-Building Program Accompanies Enterprise Change Processes

A trust-building program, which we started jointly with the Transnet and GDBA unions and the Group works council in July 2002, directly addresses the results of our employee survey in 2001. Based on collaboration of the two sides of industry in an atmosphere of trust, this program aims to improve the motivation and strengthen the commitment of our employees through competitive employment conditions, advanced quality in personnel planning and training, and improved leadership.

As a direct consequence of the 2001 employee survey, we introduced a total of 4,600 specific improvement measures and programs in the areas of management, cooperation, and commitment, including 15 Group-wide and 117 division-wide programs, which produced positive overall results only one year after the survey.

Further Advancement of Employment Conditions

Our expressed enterprise goal, as well as a significant contribution towards the restructuring of Deutsche Bahn, is the **creation of competitive employment conditions** that are based on the needs of the market, our company, and our employees. We continued to develop our existing wage structures in the year 2002, with the emphasis on adjusting employment conditions to the demands of a competitive market. We made progress in modifying the Group collective agreement structure, with the conclusion of modern, flexible collective agreements (CA) such as the industry-wide agreement on working conditions, as well as the relaxation of working-time regulations (teleworking CA, semi-retirement CA, annual working-time CA) as the primary foundation of wage policy. Key factors in these developments were the joint declarations (the Cologne Declaration in 2000 and the Frankfurt Declaration in 2001) promoting the establishment of competitive employment conditions and job-saving measures, which Deutsche Bahn undersigned together with all labor organizations involved. They form the foundation for an employment alliance that rules out forced redundancies until the end of 2004.

Additional Prospects through Group-Wide Labor Market

We continued to develop our internal, Group-wide labor market during the year under review. We began redesigning personnel transfer processes in an initial major step. The establishment of JobService, a cross-company function that mediates and controls transfer processes, makes transfers more effective and more efficient within the Group-wide labor market, while the responsibilities of the individual Group divisions were increased. This measure aims to create seamless transitions from one job to another by professionalizing the Group-wide screening and qualification measures for employees threatened by job cuts, thus reducing the number of job-seekers to be handled by our placement agency DB Vermittlung GmbH. We have also optimized internal and external temporary employment through the establishment of DB Zeitarbeit GmbH as an independent company of the DB Group.

Major Boost to Management Development Programs

In the past year, refocusing on management development was a major component of our personnel policies. Our efforts concentrated on a systematic revision of the processes and instruments used to select, develop, and qualify managers and management trainees. To meet future market demands, we have to fully exploit the advantages of an integrated rail system. Our **new management academy** – DB Akademie GmbH located in the former Emperor's Station (Kaiserbahnhof) in Potsdam – which we founded in the year under review, will play a key role here. It will advance the management competencies of the Group's present and future executives, and at the same time help strengthen the common management methods and culture within the DB Group. All our training activities for our executives will be consolidated at the DB Akademie.

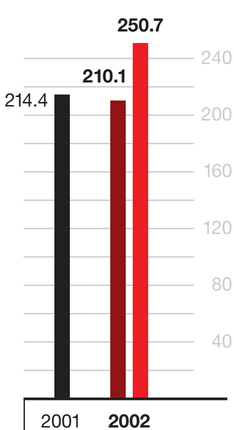
In parallel, we implemented a systematic annual process for management development, involving instruments such as the estimation of management potential, management conferences for validating said estimations, and feedback discussions. We also introduced a Group-wide "feedback for managers" program to improve management quality and cooperation between employees and their superiors. In addition, we began management training programs during the year under review, to strengthen the skills of our operations managers.

Competence Models Established for Future-Oriented Qualification

We continually adjust our education and career training courses in response to the changing skills required of our employees. A key task in this context was to define clear future job descriptions as the foundation for redesigning our education and career training programs, a task which we began in the year under review.

For this purpose, we created competence models and launched pilot projects for employee qualification programs to meet future demands. Following the definition of the target qualification profile, the actual competencies of an individual employee are compared with the target profile to determine the specific needs of an individual employee in terms of higher qualifications. In 2002, we established the **"Engine Drivers' Competence Model"**. In an attempt to achieve a uniform standard throughout Germany, we have also redesigned the education and career training courses for driving crews, including program contents, teaching methods, procedures to pinpoint advanced training needs, and tests and application methods of the acquired knowledge.

Effective Personnel Marketing and Strengthening the Bench



Employees (at year end)
in thousand

Relative change: +16.9%

DB pro forma
DB incl. Stinnes

Recruiting the best employees in order to become the best railroad is the objective of the DB Group personnel marketing function.

In order to be better prepared to face the challenges of the future, we consolidated our previously decentralized university recruiting efforts in a central department and intensified our activities in this area at the same time. This consolidation enables us to ensure that our average annual need for 700 university graduates, including some 450 engineers, as established through our requirements planning, can be satisfied through expert services. We were able to communicate the attractiveness of Deutsche Bahn as an employer more effectively through our uniform presence in the Internet, in job and image advertisements, and through increased transparency of the DB Group to potential candidates. In addition, we began in the year under review to intensify our **university recruiting** activities through presentations, round-table discussions, workshops, and seminars. This effort was focused on 23 target universities with which we collaborate. We were also able to enhance our presence at university student fairs. In January 2003, we staged for the first time our own, Group-wide recruiting event for graduate engineers, called "Full Steam Career", which was a great success.

Vocational Training — Safeguarding Our Future by Recruiting and Training the Best Possible DB Employees

With some 6,500 apprentices and trainees in more than 20 career paths at 43 DB sites, 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 its partner companies. The career paths offered by us range from office and service workers, engine drivers, or IT experts to specialist technicians, such as mechatronics engineers.

We were able once again to increase the number of new apprentices and trainees in 2002. The ratio of apprentices employed in regular positions after completion of their training also improved. As a consequence, we developed a Group-wide marketing program to recruit qualified candidates for 2003 and redesigned the process of subsequent employment of apprentices to make it more efficient. In particular, our web page **www.bahn.de/Azubi** proved to be a major success.

Occupational Health — Concrete Measures Implemented Successfully

Continuing our activities under the industrial health and safety program, which is designed to run until 2005, we were able to significantly reduce the time lost due to industrial accidents in 2002. This resulted in cost savings of € 11 million.

The large number of workshops conducted with officers and managers, as well as numerous on-site discussions about industrial safety reflect our enhanced commitment to increase our employees' awareness of self-protection. In this context, we issued new "Industrial Health and Safety Guidelines" for the DB Group. Based on our experience, we also established 10 important strategic goals for the DB Group to further reduce time lost due to accidents in 2003 and beyond.

In addition, our **"Group-Wide Accident Management System"** enabled us to investigate industrial accidents and accidents on the way to and from work by means of a standardized analysis for the whole Group. This helps us to better identify main causes of accidents and take the required corrective action.

Within the framework of the effective measures to increase industrial safety, which we had developed in previous years, the Group Track Infrastructure division, for instance, assigned top priority to the issue of increasing the safety at track worksites, where numerous accidents used to occur. Based on an in-depth analysis of such accidents, basic training courses were developed in a first step. They are aimed at improving the understanding and sense of responsibility of those in charge at a worksite. The workshops we conducted on topics such as “Identification of Causes of Industrial Accidents After the Fact” and “Application of Worksite Regulations” to increase the safety level in particular by various companies collaborating on a track worksite proved be to very effective. At the same time, we redesigned the processes for establishing safety plans. Priority is now given to technical systems, while safety measures depending on human individuals rank at the very end of the safety chain. In the Group Passenger Transport division, a newly established management system for staging passenger trains included industrial health and safety aspects from its very inception.

Promoting Social and Moral Commitment

Social responsibility and sustained moral development are the focus of many activities at Deutsche Bahn – activities we either undertake ourselves or support our staff’s endeavors. An important goal of our various activities and projects remains the promotion of moral courage and our active position against extremism and violence in any form. Our employees participate in a multitude of ways, such as volunteer work in social and political projects – a trend which we wholeheartedly support. Deutsche Bahn also continued to actively promote the social responsibility of our apprentices in 2002: every first-year apprentice participated in our **“Bahn Apprentices Against Hate and Violence” project**. Our company demonstrated its social and sociopolitical commitment in many ways. The **“Girls’ Day” program**, which introduces young girls to technical apprentice careers early on, is an example of Deutsche Bahn’s promotion of equal opportunity between men and women. Our **“Setting Signs – Integration by Example” project**, which we operate together with Stiftung der deutschen Wirtschaft (Foundation of the German Economy), is aimed at improving career chances among young immigrants.

Environmental Protection

- Specific primary energy consumption once again reduced during the year under review
- Constant decline in absolute CO_2 emissions from train traction since 1998
- High proportion of regenerative power generation in traction electricity mix
- Planned optimization of environmentally sound supply chain through combined effort with Schenker

The trend remained unbroken in 2002, although growth rates in the transport sector were below the levels of previous years due to the current economic climate: Transport volume continues to increase, and with it atmospheric carbon dioxide pollution. Until this problem can be resolved, the efficient use of energy and the reduction of direct and indirect CO_2 emissions will remain key benchmarks for comparing the environmental performance of the various modes of transport. By these standards, rail transport remains the frontrunner. As in previous years, Deutsche Bahn was able to achieve positive results in 2002.

Further Improvement in Overall Energy Efficiency

The decline in transport performance and the associated lower level of capacity utilization in passenger transport had a major impact on that divisions's specific energy consumption (kWh/pkm), which increased slightly by 1.7 % compared to the previous year. In the Freight Transport division, by contrast, we were once again able to reduce specific primary energy consumption (kWh/tkm), this time by a significant 6.6 %. Compared to 1990, we achieved a total reduction in specific primary energy consumption of 18.5 %, which is a major step towards our **goal** of **“25 % less”** by 2005, which we have defined as part of our Energy Conservation Program (ECP).

In both passenger and freight transport, we sensitized our locomotive engineers to driving in an energy-saving manner. As a supporting measure, all vehicles employed in long-distance transport were equipped with electricity meters. These meters will also be installed in local trains in the near future.

Energy Audits Help to Conserve Energy

To further enhance energy efficiency, our subsidiary DB Energie GmbH initiated transdivisional projects to conserve electricity, oil, natural gas, heat, and water and implemented the findings made in collaboration with its customers.

Activities in the non-transport sector focused on **energy audits** performed at the DB Group companies. The energy-efficiency of buildings and property was assessed in order to optimize energy consumption. In 2002, some 120 energy audits of Group companies were conducted and the identified energy conservation potential was captured. In addition, 18 contracting treaties were signed to optimize heat supply costs and improve the energy efficiency of the heating systems of suitable properties.

High Proportion of Environmentally Friendly Power Generation

Rail transport already demonstrates a high level of energy efficiency and its demand behavior encourages regenerative power generation more than most other industries. In 2002, hydroelectric power, generated for the most part by large-scale river power plants, accounted for 13 % of total traction power consumption. In addition, we supported the environmentally friendly generation of power from blast furnace gas produced in the steelmaking process. The total share of traction electricity from eco-friendly generation was about 20 %.

Climate Protection – Safeguarding Our Future

Deutsche Bahn has **already achieved another goal** set in the ECP: a **25% reduction** in specific CO_2 emissions. Compared to the previous year, we were able to cut specific CO_2 emissions in rail traffic by 3% in 2002. Between 1998 and 2002, we continually reduced annual absolute CO_2 emissions from train traction by a total of 1.5 million metric tons or some 17%. We are currently developing a successor program to ensure the lasting continuation of this process.

Deutsche Bahn can also report positive results of its energy efficiency and climate protection efforts for its stationary installations and premises. In 2002, the **photovoltaic solar power system integrated** in the roof of the new Berlin Central Station-Lehrter Station was commissioned. At a rated output of 189 kWp (kilowatts peak), this is one of the largest photovoltaic systems in Germany. We completed the deployment of a uniform energy management system at our heavy maintenance facilities, enabling us to consistently capture potential energy savings in this area.

Further Reduction in Rail Noise

To reduce noise exposure for people living close to railroad lines, measures were implemented in 2002 under our continuing noise abatement program.

The priority list drawn up in 1999 was initially extended in September 2001 to include 234 sections of our rail network. In August 2002, we added another 672 sections to this list, raising the total to 906 sections scheduled for noise abatement measures. All 234 sections added to the priority list in September 2001, as well as those included during the recent update, are now in the planning stage. In 2002, noise protection walls totaling about 20 km in length were erected. Planning is underway for more of these walls along an overall length of about 80 km. In addition, we have installed more than 20,000 sound-absorbing windows and carried out sound insulation work on a large number of roofs.

As part of our capital expenditures in the rail network, we undertake precautionary measures to minimize noise pollution. We dedicated € 23 million to such efforts in 2002, on 12 projects involving the construction of new railroad lines or major modifications of existing ones.

We also employ methods to reduce noise emissions right at the source: the rail-wheel contact surface. This is done by special track maintenance under our so-called **“Specially Monitored Track”** program. Our acoustic protection program also includes funding for sound absorption measures on old steel bridges.

Composite brake shoes (“C shoes”), which prevent roughening of the wheel treads and lower noise levels directly at the source, reduce rolling noise by about 9 dB. 1,048 new freight cars were equipped with these new brake shoes in the year under review. In the future, all new freight cars ordered by DB Cargo will be equipped with C shoes.

New Environment Management System

Our new Environment Management System is designed to further augment the current implementation of our environmental protection policies and to support senior executives in integrating environmental concerns with their core business processes. **DB Group Environmental Documentation** provides the basis for this effort. The entire new Environment Management System is custom-tailored to the Group's business processes, linking the various elements involved to form a feedback loop for continuous improvement. The foremost objectives are:

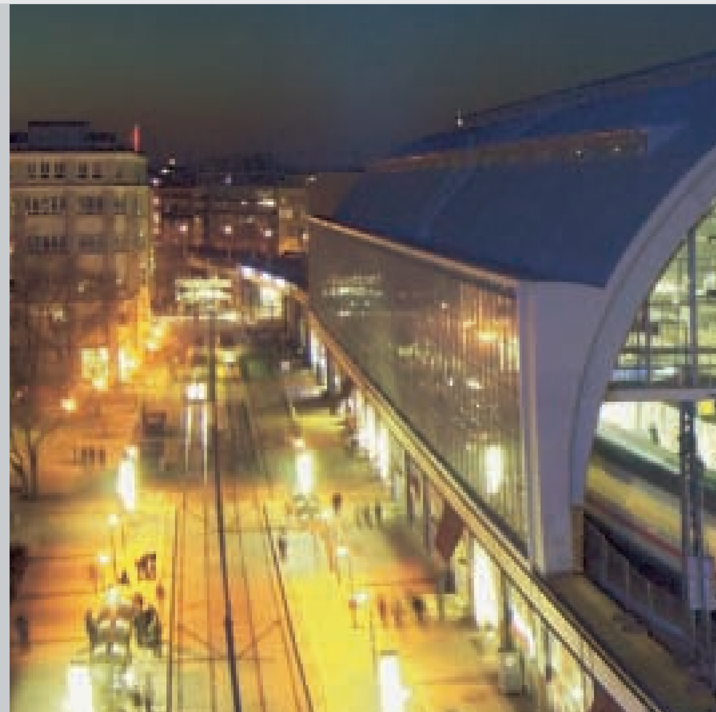
- Defining binding Group standards for environmental protection to safeguard our competitive ecological advantage while taking operational requirements and economic criteria into account.
- Clearly assigning environment-related tasks, responsibilities, and competencies and documenting our corporate organization in order to maintain legal certainty in environmental issues.
- Optimizing concerted action in the field of Group environmental protection and codifying jointly identified best practices within the framework of our "DB Campaign" strategy.

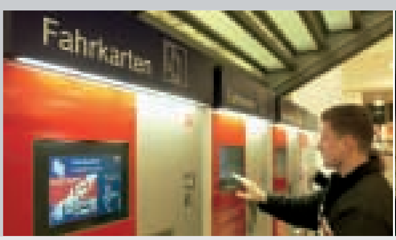
Following the certification of ten maintenance facilities to the globally recognized ISO EN 14001, which governs environmental management systems, and to the EU Eco-Management and Audit Scheme EMAS II in the past, the Chemnitz maintenance facility and the Bremen workshop were certified to ISO EN 14001 in 2002. The Environmental Management System at DB Cargo AG was audited for compliance with ISO 9001 and 14001 and certified as an integrated management system for the first time in 2002.

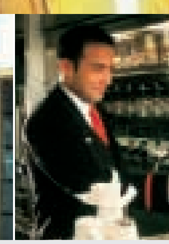
Environmentally Sound Logistics Chain

By taking over the Stinnes Group, Deutsche Bahn has expanded its range of services beyond sheer rail transport services. In Schenker, a Stinnes subsidiary, Deutsche Bahn has found a partner who is expressly committed to environmental protection and energy conservation. This is evidenced, for example, by Schenker's "Green Logistics" service, which aims to integrate ecological aspects into logistics processes. The Ecomap and Ecolog planning tools enable users to clearly identify the environmental burdens resulting from various transport activities and develop logistics solutions optimized by cost, shipping time, and environmental impact. By identifying the optimum means of freight transport in each case, both Schenker and Deutsche Bahn will be able to respect environmental concerns even more effectively in the future.

Customer Focus in Passenger Transport







Riding the Bahn once again became a bit more attractive in the year 2002: lower prices, faster connections, more comfort – and not only on our trains, but also at our growing number of DB Lounges. We introduced numerous measures during the year under review, targeted at meeting specific customer requests. We replaced our pricing system, which many had deemed obsolete, with a new one: with lower prices over longer distances, family-friendly fares, and combinable discounts – making tickets cheaper for millions of our customers. And easier: We have significantly expanded our ticketing activities and now offer our customers seven ways to a ticket, two of which – the fast, convenient vending machines and our Web site – continue to grow in popularity. In addition to the BahnCard, which is now less expensive and can be combined with other discounts for the first time, we successfully introduced a second card: “bahn.comfort” for our frequent travelers, who now enjoy additional services. Separate counters are available exclusively for bahn.comfort cardholders, giving them their tickets more quickly and speeding them along on their journey. Once on the train, they simply seek out the specially-reserved seating area that is available on all long-distance passenger trains.

We also continue to invest in the modernization of our fleet in order to increase on-board comfort even

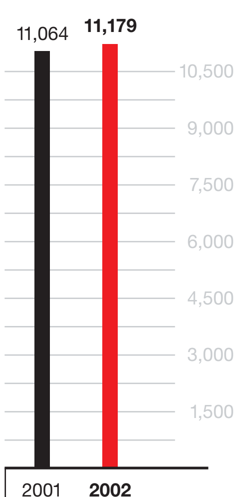
further. This applies in equal measure to both long-distance transport and regional and urban transport. Riding the train means turning travel time into working time and arriving at your destination better prepared – or maybe more relaxed. However, people don't have as much time as they used to on many routes: the new timetable implemented in December 2002 was not only synchronized with other European timetables and optimized with our partners, it also included the new Cologne–Rhine/Main line. This new line reduces journey times by an hour between the greater Cologne region, the Rhine/Ruhr area, and the Rhine/Main or Rhine/Neckar area.

Several measures we implemented in the past continue to prove their use, such as the services synchronized between our long-distance trains, which travel under white livery, and our solid red local passenger trains. The effective interaction that results – along with excellent junctions to other modes of transport – gives our customers exactly what they want: fundamental, uncomplicated mobility. Accordingly, we will continue our persistent course of further improvements aimed at meeting this overreaching goal.

Passenger Transport

- Numerous improvements for our customers: new prices, a new timetable, and new connections
- Difficult economic environment and supply streamlining result in a 6.2 % drop in transport performance to 69.8 billion pkm
- Operating income after interest slightly below the previous year's level

in € million		2002	2001	Change in %
Transport performance	million pkm	69,848	74,455	– 6.2
External revenues				
DB Reise&Touristik		3,378	3,457	– 2.3
DB Regio		7,801	7,607	+ 2.6
Total		**11,179**	**11,064**	+ 1.0
Intra-Group revenues		911	885	+ 2.9
Divisional revenues		**12,090**	**11,949**	+ 1.2
Operating income after interest				
DB Reise&Touristik		57	124	– 54.0
DB Regio		168	116	+ 44.8
Total		**225**	**240**	– 6.3
Gross cash flow				
DB Reise&Touristik		425	483	– 12.0
DB Regio		769	714	+ 7.7
Total		**1,194**	**1,197**	– 0.3
Gross capital expenditures				
DB Reise&Touristik		489	424	+ 15.3
DB Regio		1,353	1,160	+ 17.1
Total		**1,847**	**1,584**	+ 16.6
Employees as of Dec 31				
DB Reise&Touristik		27,013	27,360	– 1.3
DB Regio		44,024	45,454	– 3.1
Total		**71,037**	**72,814**	– 2.4



External revenues Passenger Transport
in € million

Relative change: +1.0%

Passenger Transport – Focus on the Customer

The year 2002 was characterized by an austere general framework for passenger transport. Unfavorable external influences – the weak economy, increasing unemployment, declining consumer spending, and the "once in a century" floods in eastern Germany – together with effective supply streamlining resulted in a 6.2% drop in our transport performance to 69,848 million passenger kilometers (pkm). In light of the numerous service improvements and our earnings performance, however, we were able to close the books on the 2002 financial year with an overall positive result:

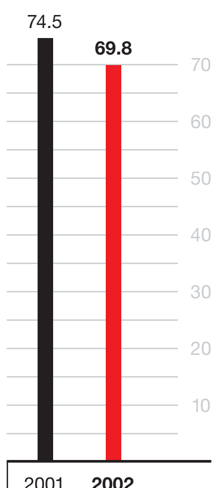
Major factors in maintaining **operating income after interest** at € 225 million, which represents a minor decline of € 15 million, were the consistent focus of our services on consumer demand and the implementation of several key restructuring measures. The commencement of regular service on the new Cologne–Rhine/Main line has cut journey times drastically on domestic and international routes. A major step towards becoming a customer-focused railroad was the **introduction of our new pricing and revenue management system** for long-distance transport.

The previous multitude of competing offers was eliminated, making the pricing system much clearer and more straightforward. Moreover, a large portion of our passengers now enjoys **cheaper ticket prices**. With the introduction of the **new timetable on December 15, 2002**, we continued to optimize our services according to market focus and economic aspects: poorly frequented, underperforming connections have been discontinued, and in exchange new connections – regional, national, and international – have been added to our offerings.

In **local transport** we were able to **conclude key long-term contracts** for the provision of synchronized transport services, based on the additional funds allocated to the German states following the amendment to the Regional Restructuring Act.

Other important measures in the year 2002 included the successful implementation of our new distribution channel concept, the **expansion of online sales for major customers and BahnCard holders**, and the introduction of **bahn.comfort**, our frequent traveler program.

The Long-Distance Transport (DB Reise&Touristik) and Regional and Urban Transport (DB Regio) units in detail:



Total rail passenger transport performance
in billion pkm

Relative change:	– 6.2 %
DB R&T:	– 6.1 %
DB Regio:	– 6.2 %

Long-Distance Transport Unit

The adverse economic environment and the third consecutive year of decline in the overall passenger transport sector (–1.5 %) left its mark on our Long-Distance Transport unit for the first time in the year under review. Focusing our services on market demand (with the MORA P program), we discontinued several poorly frequented, underperforming connections in the previous year. As a consequence of the associated reduction in the number of long-distance train kilometers, in addition to the weak demand mentioned above, transport performance in long-distance rail passenger transport amounted to 33.2 billion pkm, a decline of 6.1% compared to the previous year's figure.

In the core business of DB Reise&Touristik AG – scheduled daytime services (our products ICE, EC/IC, IR/D trains) – we were nearly able to match last year's high transport performance by the ICE product family with a performance of 15.3 billion pkm, despite overall declines in the passenger transport market. In contrast, transport performance of our EC/IC and IR/D train product segments declined by a total of 10.8 % due to a combination of both demand-side and supply-side factors, to 9.2 billion pkm (EC/IC) and 5.6 billion pkm (IR/D train), respectively. Train kilometers declined by 12.0 %.

Changes in Equity Investments

With the aim of further increasing our market and customer focus by consolidating competencies and resources, we completed the transfer of DB Reise&Touristik AG's night train and car carrier activities to our DBAutoZug GmbH subsidiary in the year under review. Effective January 1, 2002, DBAutoZug GmbH now operates all car carrier and night passenger travel services for the DB Group as an independent railroad company.

The "On-Train Service" business unit previously run by Mitropa AG was transferred to DB Reise&Touristik AG (for daytime transport) and to the DBAutoZug subsidiary DB European RailService GmbH (for nighttime transport) effective July 1, 2002. The organizational merger of On-Train Service products with train attendants to create the new "On-Board Service" area gives us a strong, consistent market presence. Our new **catering and service concept** in passenger transport is aimed at increasing customer satisfaction.

Forecasts Surpassed Despite Difficult Market Environment

External revenues in the financial year 2002, at € 3,378 million, were slightly less than in the previous year (–2.3 %). This primarily reflects developments at the management company, DB Reise&Touristik AG, which achieved external revenues of € 2,726 million, nearly a 3% drop from the comparable figure in the previous year (adjusted for structural changes). The ICE business segment increased its contribution to revenues in line with the trend in its transport performance; ICE traffic, with external revenues of € 1,389 million (+3.1%) now accounts for 51% of external divisional revenues (previous year: 45.4 %). External revenues of the EC/IC and IR/D train product segments declined by 2.8 % to € 810 million and by 15.4 % to € 422 million, respectively, due to adjustments in supply.

External revenues of our affiliated companies rose significantly compared to the previous year, to € 652 million, particularly as the result of structural changes. Especially noteworthy is DBAutoZug GmbH, which completed its first successful financial year as an independent railroad company in car carrier and night passenger transport, generating external revenues of € 208 million and reporting a transport performance of 1.7 billion pkm. Revenue trends at Mitropa AG were substantially influenced by the transfer of the "On-Train Service" business unit to DB Reise&Touristik AG in mid-year: external revenues amounted to € 163 million, some 23% less than in the previous year.

The Long-Distance Transport unit earned **operating income after interest** in the amount of € 57 million, a drop of almost 54% compared to the previous year's figure, which was particularly due to DB Reise&Touristik AG. Negative revenue trends played a major role here, as did the reduction in federal compensation for burdens resulting from German reunification by a further € 25 million. Nonetheless, our aggressive cost management program combined with an increase in other operating revenues enabled us to beat the forecasts by a wide margin. At € 425 million, **gross cash flow** of the Long-Distance Transport unit was 12.0 % below the previous year's value.

As of December 31, 2002, the Long-Distance Transport unit employed a **staff** of 27,013. The slight decline of 1.3 % is due to productivity increases as well as supply streamlining.

Fleet Rejuvenation Still Focus of Capital Expenditures

Gross capital expenditures, at € 489 million, were 15.3 % higher than the previous year's level. As in previous years, the major focus of our capital expenditures program was the rejuvenation of rolling stock at DB Reise&Touristik AG, in which we invested € 418 million. Apart from the procurement of additional ICE T and ICE 3 high-speed trains, we continued our comprehensive modernization program for locomotive-hauled passenger trains.

Other major focuses of capital expenditures under our modernization program included additions to and the new construction of maintenance facilities, as well as the enhancement of our IT systems.

Most Significant New Timetable Since the Start of High-Speed Traffic in 1991

The full integration of the new Cologne–Rhine/Main line into the ICE network on December 15, 2002, marked the most significant change in our timetable since the start of high-speed traffic in Germany in 1991. It reduced journey times significantly, by almost an hour, on many ICE routes along the north-south corridor. At the same time, this high-speed route also strengthens the position of long-distance traffic in international transport – two new ICE lines now extend all the way to Amsterdam and Brussels. With the route parameters defined exclusively for high-speed traffic for the very first time, the new ICE 3 trains deployed on this line travel at **speeds of up to 300 km/h**.

In the new timetable, the ICE family takes the lead in quantity for the first time in addition to quality: in future, it will account for 57 % of all kilometers traveled by long-distance DB trains.

On Track to Becoming a Modern Mobility Service Provider

The introduction of our new pricing and revenue management system represented a major breakthrough in pricing system design and load management for long-distance transport. Operating our load management system involves calculating and optimizing seat contingents for several thousand trip segments each day. Our new system is the most advanced of its kind in rail passenger transport.

Our new pricing system was supplemented in the year under review by a targeted expansion of our information and distribution channels, which now offer our customers up to **7 ways to a ticket**. No other company offers its customers so many ways to get information and buy tickets: DB ReiseZentrum (travel centers) in 750 stations, some 3,800 travel agencies with a DB license and another 1,000 independent agencies; plus 3,000 touch-screen self-service ticketing machines with integrated timetable information. As part of our phone travel service, our customers can obtain timetable information for local and long-distance transport free-of-charge and around the clock, through our modern interactive voice response system. The new, premium hotline number 11861 has been set up for personalized information and ticket bookings at our call centers. In the Internet, our Web presence at www.bahn.de now offers more than just timetable information – BahnCard holders can book their tickets online, pay by credit card, and print them out themselves on their home PCs. Our last-minute passengers can continue to purchase tickets on the train (at a small surcharge) on long-distance routes.

We also introduced **bahn.comfort**, our new service program for regular passengers with annual purchases of more than € 2,000. bahn.comfort also offers many other exclusive services for our customers free-of-charge, such as special seat contingents, specially reserved bahn.comfort seating sections (even for passengers without reservations), separate counters in large DB travel centers, and access to our DB Lounges.

Regional and Urban Transport Unit

Transport performance in DB Regio rail traffic followed the weak overall economic environment and general market trends, dropping by 6.2 % compared to the previous year to 36.7 billion pkm. The bus unit was able to clearly outperform the overall market, increasing its transport performance to 9.1 billion pkm (+0.5 billion pkm).

Positive Revenue and Income Trends

External revenues increased by 2.5 % compared to the previous year, to € 7,801 million. One factor in this satisfying development was an increase in ticketing revenues by the rail division of more than 2.4 % compared to the previous year, to € 2,247 million. Price increases implemented in early 2002 and modifications to individual offers, such as the “Happy Weekend Ticket”, also played a role. Moreover, service orders from the states increased by 2.8 % during the same period to € 4.429 million.

The bus division achieved external revenues of € 1,049 million, an increase of 1.7 % over the previous year.

Building on positive trends in external revenues and the successful implementation of our cost reduction programs, we were able to increase our **operating income after interest** by an impressive € 52 million to € 168 million – despite declining special burden compensation from the federal government. At € 769 million, **gross cash flow** was 7.7 % above the previous year’s figure.

In total, the Regio unit employed a **staff** of 44,024 as of December 31, 2002. The decline of 1,430 employees compared to the previous year reflects productivity improvements resulting from the consistent implementation of our restructuring program.

The repositioning process we began in the year 2000, along with the related regional restructuring of DB Regio AG – streamlining administration and shifting entrepreneurial responsibility to the regions – continued on schedule during the year under review.

Modernization of the Vehicle Fleet Continued

Gross capital expenditures increased by 17.1% in comparison to the previous year to € 1,358 million – of which € 1,128 million was spent on new rolling stock. Our capital expenditures in rolling stock were focused on procuring modern rail cars and double deck coaches – important elements in making local rail transport more attractive for our customers. Within our program for modernizing the S-Bahn (metro) fleets, we commissioned a total of 135 new S-Bahn multiple units for the Berlin, Munich, Rhineland, and Rhine-Main metropolitan areas. The procurement of 62 electric rail cars, 55 rail cars with tilting technology, and 100 lightweight-construction rail cars was another visible step in the required modernization of our fleet. Other capital expenditures in the year under review included the purchase of new busses, the modernization of our light maintenance facilities, and the expansion of our vending technology.

Intensifying Competition in Local Transport

The amendments to German public procurement regulations that came into force in October 2002 stipulated that transport contracts can generally be concluded without a prior competitive tender. Based on this framework, we were able to conclude long-term transport contracts with the states of Thuringia, Brandenburg, and Lower Saxony (January 2003).

Overall competitive pressure is increasing in regional transport. In the coming years, the ordering organizations will tender a large portion of the total market volume. Some 12.9 million train-path kilometers (tpkm) were tendered in 2002 alone. We have won 55 % of all transport volumes tendered to date (71.1 million tpkm). Most recently, DB Regionalbahn Westfalen and DB Regionalbahn Rhein-Ruhr were able to win the "Border Triangle", "Sauerland Network", and "Haard Line" tenders. In particular, the Haard Line tender represented the first competitive tender of RE (RegionalExpress) services in the electrified network in North Rhine-Westphalia.

To compensate for current and future losses in market share in local rail passenger transport, we will intensify our engagement in public road passenger transport (PRPT). With its total volume of more than € 14.9 billion, the PRPT sector is almost twice as large as the market for local rail passenger transport. The increasing number of tenders will also increase future competitive pressures in this sector. By participating in bid tenders and designing integrated transport concepts for conurbations through strategic partnerships with municipal operators, we aim to increase our current market share of 7 % significantly and permanently in the coming years.

Successful Entrance to the Swedish Public Transit Market

The founding of DB Regio Sverige AB, Stockholm/Sweden, in the third quarter of 2002 marked our entry into the international public transit segment. In future, our Swedish subsidiary will render train kilometers in the amount of 2 million tpkm annually on the metro network in Stockholm.

Supplementary Acquisitions in Equity Investments Improve our Position

In the first quarter of 2002, DB Regio AG purchased 50 % of the shares of Bayerische Oberlandbahn GmbH from Connex Regionalbahn GmbH. This company renders regional transport services in the southeast Munich region in the amount of 1.6 million tpkm annually.

Within the framework of our program for promoting mid-sized companies, the business units SüdostBayernBahn, Kurhessenbahn, Erzgebirgsbahn, and Oberweißbacher Berg- und Schwarzatalbahn were transferred from DB Regio AG to DB RegioNetz Verkehrs GmbH (RNV) in the second quarter of 2002. The necessary infrastructure has been leased from DB Netz AG by DB RegioNetz Infrastruktur GmbH (RNI). DB RegioNetz Verkehrs GmbH achieved train kilometers of over 8.4 million tpkm in financial 2002.

We also continued to expand our equity holdings in smaller bus companies in the year under review, in order to strengthen our bus unit.

Our Focus for 2003: Continued Restructuring Program and New Opportunities

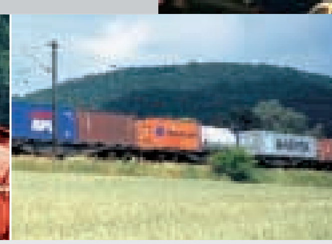
The primary strength of our Group Passenger Transport division is its ability to offer integrated local and long-distance services. Increasing tender competition in local transport and the market entry of initial competitors in long-distance transport, however, are clear signs that we have to intensify our restructuring programs even more in order to defend our market position.

We will continue to improve upon the coordination and integration of local and long-distance transport services. We expect significant growth potential in the urban transport segment, which is in a nascent stage of opening. We also see excellent opportunities for contributing our competency in managing transport companies and for developing and implementing integrated transport concepts.

In long-distance transport, we implemented several important measures in the year under review that will take effect in the current financial year: the integration of the new Cologne–Rhine/Main line in the German and European timetables, the introduction of our new pricing system, and our new service concept.

Concurrent with qualitative improvements and supply streamlining – which will also involve major purchases of new rolling stock for domestic and international transport in future – we will intensify our cost-cutting efforts in both local and long-distance transport. Major programs are already being implemented – supplemented by additional measures we initiated in the current financial year, in light of the visibly weak economic development. Accordingly, we feel we are well prepared to deal with the increasing numbers of new market entrants – in long-distance transport as well: both intramodal competitors and new intermodal competitors such as low-cost airlines.

Advances in Freight Transport



The increasing concentration of enterprises on their core competencies and the ongoing process of European integration are boosting overall demand for freight transport in the long term. Demands on forwarders and carriers are growing: reliable shipping times, high transport security, domestic and international connections, flexible services, and, of course, competitive prices. While overall transport volumes are increasing, their structural composition is also changing; we have to respond to these trends in order to capitalize on the systemic strengths of rail and continue to develop them. Especially from a business standpoint, we have to streamline some of our services – even as we continue to strengthen our position in promising growth areas.

One example of this is our successful restructuring in single freight car transport, with a simultaneous improvement in performance, which enables us to operate more cheaply and more punctually in a system that is now much simpler overall. At the same time, we are defining clear services such as our product campaign in full-train transport, and are improving our increasingly important international transports. After all, the major advantages of an integrated rail system can only truly unfold over long – and therefore international – distances. We now have to offer a high-value transport and supply chain throughout Europe in the interests of our customers. We have to create the proper interfaces wherever we can mesh our services more effectively with others'. Therefore, we are working with other rail-

roads, as well as forwarders, in numerous collaborations aimed at further improving product quality.

Our superb market shares in promising transport segments are clear proof that our services are getting better. After all, the numerous car manufacturers that ship their finished products by rail – not to mention the necessary input materials – can't all be wrong. Safe, calculable, and reliable transport, combined with freight cars and "timetables" designed especially for shippers' specific needs, are convincing arguments indeed.

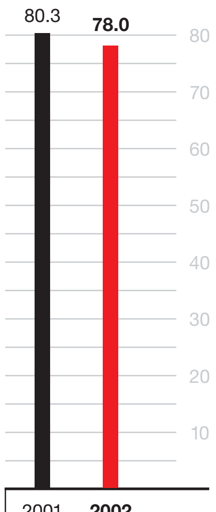
We will continue to pursue our restructuring and modernization course in freight transport with further optimization of our services, structures, and processes. Moreover, our focus on high-growth transport segments involves intensifying our contact with end-customers, who will enjoy an even wider range of services in future. Building on the progress achieved to date in the current Group Freight Transport division, the successful integration of the Stinnes Group – and especially Schenker, its global logistics service provider – to form the new Group Transport and Logistics division (from the fall of 2003) will represent another major step forward. In an extremely competitive market environment, we are meshing our complementary competencies to set a clear sign: that we see significant potential for achieving further improvements in customer benefit and for winning an above-average share of projected future growth in the transport and logistics sectors.

Freight Transport

- Restructuring process continued ahead
- Freight transport performance dropped by 2.9 % to 78 billion tkm
- Successful launch of full-train product campaign
- Operating income after interest increased to € 47 million

in € million		2002	2001[1]	Change in %
Transport performance	million tkm	77,981	80,348	– 2.9
External revenues		3,710	3,849	– 3.6
Intra-Group revenues		574	615	– 6.7
Divisional revenues		**4,284**	**4,464**	– 4.0
Operating income after interest		47	17	+ 176.5
Gross cash flow		235	159	+ 47.8
Gross capital expenditures		371	321	+ 15.6
Employees as of Dec 31		29,399	32,278	– 8.9

[1] DB Verkehrsbaulogistik GmbH, which was previously assigned to the Group Freight Transport division, is now part of the Group Track Infrastructure division. The previous year's figures have been adjusted to facilitate comparability.



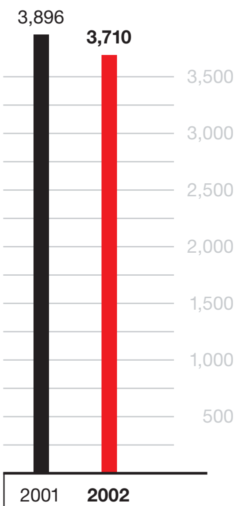
Total rail freight transport performance
in billion tkm

Relative change: – 2.9 %

Freight Transport: Restructuring Process Made Good Headway

We continued to implement rigorous restructuring measures in the Group Freight Transport division during the year under review, which was made all the more difficult by the fact that the economic environment remained weak. The sluggish economy, historic high flood levels in eastern Germany, and the failure of the forecasted economic recovery to materialize in the second half of 2002, together with the adjustments of our services offered, resulted in a **decline in transport performance** by 2.9 % to 77,981 million ton kilometers (tkm). Although this decline was sharper than anticipated as a consequence of our streamlined product range, it is in line with the overall slowdown felt by all modes of transport.

Viewed by individual companies, the decline is largely attributable to the slow business of DB Cargo AG, with a drop in transport performance by 2.7 % to 72,423 million tkm. Transports decreased in the segments of petroleum products, coal imports, building materials, vehicles, finished and semi-finished goods, and cereals and feedstuff. German raw steel production remained unexpectedly firm at an output of about 45 million tons, which was to the benefit of DB Cargo AG.



External revenues Freight Transport
in € million

Relative change: – 3.6 %

Transports of forestry products, machines, fabricated metal products, and chemical products showed a positive development.

Restructuring by streamlining our product range in order to increase economic efficiency in single freight car transport (MORA C project) was the key factor for the decline in transport performance at DB Cargo AG, accounting for 2.0 % of the downturn. The floods in eastern Germany, which reached record levels, reduced transport performance by another 0.5 %. Like DB Cargo AG, our subsidiaries Railion Benelux (–3.7 % to 3,691 Mio. tkm) and Railion Denmark (–9,5 % to 1,867 Mio. tkm) also suffered from the slow economy.

Faced with declining transport performance, the continuing strong competitive pressure, and decreasing transport margins, we took early and effective counter-measures in the form of cost-cutting programs, including the successful implementation of various "Fokus" projects. As a result, we managed to **improve our operating income after interest** from € 17 million in the previous year to € 47 million in 2002, although external revenues dropped by 3.6 % to € 3,710 million in the same period. Process optimization led to a **headcount** reduction to 29,399 as of December 31, 2002, which is 9.4 % less than the previous year's figure. In line with the improved operating income after interest, **gross cash flow** increased significantly by 40.3 % to € 223 million.

Modernization of the Vehicle Fleet Continued

Bringing our rolling stock up to date in a sustained effort and taking advantage of enhanced standardization are key objectives of our multiyear capital expenditures program. Highlights of this program include efficient electric locomotives, some of them equipped with multi-system technology, and the acquisition of freight cars specifically designed to meet our customers' requirements. Total **gross capital expenditures** amounted to € 371 million in the year under review, a 15.6 % increase on the previous year.

MORA C – Paving the Way to Future Growth

Despite the current weakness of the German and the global economic activity, significant growth in freight traffic is forecasted for all modes of transport in the long term. Because road transport capacity problems are foreseeable, rail transport will have a key competitive position. In response to these challenges, we have optimized our production processes in single freight car transport with a view to sustained economic efficiency and less complexity. We significantly reduced the number of freight traffic service points operated by DB Cargo to above 1,400, with far more remaining than initially proposed. At the same time, we implemented additional, alternative service concepts in close coordination with our customers, including 30 cooperation agreements with non-Group rail companies. We also launched a successor project in the year under review to further increase the efficiency of our internal production processes.

Launch of Full-Train Product Campaign

We also made sustained progress in the area of "performance", another strategic focus of Deutsche Bahn. This includes our full-train product campaign with easily recognizable products and clearly defined services. This product campaign is designed to reconcile our customers' demands for tailor-made solutions with our need to design production processes that are standardized and planable.

Our product range is like a kit containing various modules to chose from: there are standardized basic components available that can be combined into a product tailored to meet the customer's specific requirements. As a first step, we have implemented this concept in full-train traffic. The distinguishing features of our "Plantrain", "Variotrain", and "Flextrain" products are regularity of service and flexibility in placing orders. As a general rule, rates for regularly recurring transports that allow long-term planning are more favorable than rates for irregular services that have to be rendered at short notice.

We will develop additional service modules in the coming years in order to increase the service level of these new basic product components. This system will also be implemented in single freight car transport. Our strategic goal is to develop products that are increasingly tailored to meet the specific demands of various industry sectors.

Focus Remains on Optimization of International Freight Transport

The pace of change in the freight transport markets has been increasing in recent years: Customers demand uniform, high-performance transportation and logistics services throughout Europe. Today, more than 50 % of our freight transports are cross-border services, and medium- and long-term forecasts predict above-average growth rates for the international freight market segment. In view of this growth potential, rail's inherent strengths in medium- and long-distance traffic, and the nascent opening of European rail networks by regulatory authorities, we are continually strengthening our position in this market.

We are working at full steam to ensure consistent service products in international transport. In addition to our capital expenditures in multi-system locomotives, such as the BR 185 and the BR 189 series, our activities focus on the multilateral or bilateral harmonization of operating processes with rail companies in neighboring countries.

Providing a consistently high level of quality from a single source is a key success factor in international freight transport. Our Railion joint venture (shares: DB AG 92%, Dutch railroad NS Groep N.V. 6%, Danish DSB 2%; companies involved: DB Cargo AG, Railion Benelux N.V., Railion Denmark A/S) marks the formation of the first European freight transport provider setting this quality standard. A case in point are our transport services for many car manufacturers. They include the "Othello" logistics supply trains for Opel, carrying OEM products and components to Opel's manufacturing sites throughout Europe on a daily basis. Almost 95% of Opel's material transports in Europe is shipped by rail now.

Railion remains open to new partners. In addition, we are building a network of partnerships across Europe with small and medium-sized companies specialized in specific segments or regions. We launched several cooperative projects together with BLS Cargo AG of Bern, Switzerland, in which DB Cargo AG took a 20% interest in the year under review. These projects cover a wide range of issues, including the linking of the IT systems, joint product development, and cross-border traction, and provide for an integrated process chain also in cross-border traffic in the future.

Transalpine traffic – in particular via the Brenner route – is an important corridor for Deutsche Bahn in international freight transport. By entering into the international BrennerRailCargo (BRC) alliance with Trenitalia (TI), the Italian partner, and Rail Cargo Austria (RCA), DB Cargo AG intends to attract more freight traffic across the Brenner to the rails. First and foremost, the quality of rail transport must be raised to a level that meets our customers' requirements in order to improve the attractiveness of rail transport over road haulage.

Increasing deregulation in European transport markets has already changed collaboration among rail companies significantly. The appearance of new players in the market may be expected to fuel this change. Horizontal and vertical cooperation scenarios, equity investments, and acquisitions will lead to major changes in the rail transport market. With the Railion joint venture, our network of partners, and the advantages gained with the acquisition of Stinnes, we are well positioned to achieve growth in the international rail transport markets.

Combined Rail/Road Transport is Picking up Steam

Combined rail/road transport is particularly successful in international freight traffic, with transport performance increasing by about 5% from year to year. However, enhancing its economic efficiency remains a key issue. Therefore, we are working hard on improving the quality, productivity, and punctuality in our combined rail/road transport business unit, which still operates at a loss. At the same time, we further strengthened our position by entering into collaborative agreements and investing in participating interests, and we also intensified our contact with direct customers, e.g. by acquiring shares in Kombiverkehr GmbH & Co. KG of Frankfurt/Main and in Hangartner AG, a shipping agency of Aarau/Switzerland, and by increasing our stockholding in Euroshuttle A/S of Copenhagen/Denmark. We were also able to enhance our presence in the important seaport hinterland transport market. In order to participate in the growth in this segment, we formed joint ventures with local marine terminal operators in Europe. Together with Contship Italia S.p.A. of Milan/Italy, DB Cargo AG established the MarCo Maritime Container Services S.p.A. joint venture in Milan/Italy. This holds good prospects for a sustained increase in seaport hinterland transports via Italy to Central Europe. We improved our links to marine shipping via the Northern ports when Hamburger Hafen- und Lagerhaus-Aktiengesellschaft (HHLA), the largest container terminal operator at the Hamburg seaport, became a partner of Transfracht International Gesellschaft für kombinierten Güterverkehr mbH (TFGI) of Frankfurt/Main, which handles our seaport hinterland transports. With Conliner, DB Cargo AG rounded off its European seaport hinterland traffic operations. Set up following the acquisition of TFGI B.V. (Transfracht International B.V.), Conliner Transport Services B.V. markets multiport hinterland transport operations to and from Rotterdam and Antwerp.

Stinnes Acquisition a “Win-Win Situation”

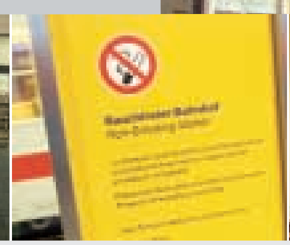
The acquisition of Stinnes AG in the year under review opens up new opportunities for Deutsche Bahn’s freight transport operations. This is due to the strong international position of the Stinnes/Schenker organization in European overland transport, which will also speed up and expand the international sea and air freight business. With the new possibility of using existing marketing organizations, a sustained increase in the reloading ratio may be expected, which will lead to improved economic efficiency in international transport operations.

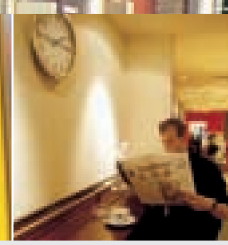
The integration of the Stinnes organization with our product portfolio will enable us to offer our customers extended value chains and a wider range of logistics service packages. Despite the fact that we joined forces with Stinnes, the companies of this Group division will continue to cooperate also with other shipping agencies. In the Group Freight Transport division, we are currently implementing the effective integration of the Stinnes organization.

Our Focus for 2003: Continuation of our Restructuring Efforts and Integration of Stinnes

At present, the forecasts for the economic environment are pessimistic and fraught with risks. Therefore, and due to the absence of positive impetus for the economy, the volume growth for which we laid the foundation in the year under review is unlikely to occur in 2003. We will focus our activities in the current year primarily on strengthening our market position, streamlining our processes, and increasing our productivity. Beyond this, we will continue with our optimization effort in the Railion joint venture and the integration of our current Freight Transport division’s activities with the Transportation division (Schenker) of Stinnes to form our new Group Transport and Logistics division. To this effect, we will reorganize the operations of Stinnes AG, which will become the management company.

More Attractive Passenger Stations





Arrive, depart, change trains – or shop, meet friends, and hang out? The needs of our customers, whether travelers or people who simply want to partake of the numerous services available at our passenger stations, are as varied as the challenges we face in the ongoing station modernization. Our passenger stations are the hubs of the various Deutsche Bahn mobility services, but also places where people change to other modes of transport. Optimized links with private cars, bikes, the subway, metro, or tram, busses, and even planes. Or perhaps even by foot, because travelers are already in the center of town? At the same time, our passenger stations are also shopping centers and places to meet, many with a wide variety of available services on offer. And due to their central location, they often play a major role in characterizing the appearance of towns and communities.

Our “DB Campaign” strategy includes numerous measures – both major and minor – aimed at getting our passenger stations into shape. In addition to our extensive capital expenditures program earmarked for modernization, expansion, and new construction, our emphasis lies on information, service, safety, and cleanliness. This requires a continued high level of capital expenditures – with visibly more attractive

stations benefiting our customers through the numerous construction and expansion projects completed during the year under review.

At the same time, we have initiated a variety of measures aimed at achieving clear improvements for our customers through relatively simple means. Nor are our efforts devoted solely to our larger passenger stations: we are making a special effort to get our smaller and medium-sized stations into shape.

Our focus lies on measures that are instantly recognizable by our customers and that make their sojourns in our stations much more enjoyable. In particular, these measures are aimed at improving the outward appearance of the stations and increasing visitor comfort, as well as functional elements such as more effective signposting and traveler information.

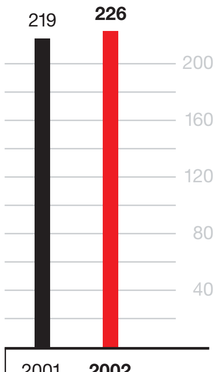
We have made significant progress in the past several years, as our winning all the top places in a pan-European train station test proves. But we still have a lot to do – both for ourselves and in partnership with the respective cities, towns, and communities.

Passenger Stations

- Capital expenditures increased by 28.8 %
- 3-S program focusing on service, safety, and station cleanliness further expanded
- Immediate action program increases the attractiveness of our small and medium-sized passenger stations
- Stations ranked on top 7 places in independent pan-European passenger station test
- Clearly negative operating income after interest due to special charges

in € million	2002	2001	Change in %
External revenues	226	219	+ 3.2
Intra-Group revenues	584	589	– 0.8
Divisional revenues	**810**	**808**	+ 0.2
Operating income after interest	– 218	6	–
Gross cash flow	– 88	126	–
Gross capital expenditures	591	459	+ 28.8
Employees	5,309	5,193	+ 2.2

Passenger Stations – Calling Cards of Our Company, the Cities, and the Regions



External revenues Passenger Stations
in € million

Relative change: + 3.2 %

Our stations are not only crucial links in the mobility chain for some 1.7 billion passengers annually, they are also market places and meeting places for more than 2.4 billion visitors. They all partake of a wide range of services and shopping facilities. Our passenger stations are calling cards not only for Deutsche Bahn, but also for the cities and regions they serve.

The Group Passenger Stations division is responsible for managing the technical operations of a total of 5,580 active stations throughout our transport infrastructure as well as the commercially utilized space in some 2,900 station buildings. Whereas our stations represent operational units for our customers, the division carries out its activities in two business units: traffic stations and rentals. The **traffic station 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 **rentals business unit** is broader, encompassing all visitors instead of just passengers; in this area, Deutsche Bahn aims to optimize rentals of commercial station space to leaseholders, whose products and services in turn further increase the attractiveness of the stations.

Comprehensive Measures Have Increased the Attractiveness of Our Passenger Stations

As in previous years, we implemented a wide variety of measures to enhance the attractiveness of our passenger stations in 2002. An essential element in this effort was the continuation of our 3-S program focusing on service, safety, and station cleanliness. We control individual activities in this context from 23 so-called "3-S centers". We continued our **"Safe Station"** project jointly with the Group company DB Services Sicherheitsdienste GmbH and the Federal Border Guard. We collaborate closely with local governments to make railway stations and their surroundings safe and to keep them safe.

The **Cleanliness Program** we launched in 2001 enabled us to significantly increase the proper appearance of our passenger stations as perceived by the public at large. Surveys showed that our customers appreciate our efforts, which contributed to a more positive image. Our **"Smoke-Free Station" project**, which we had introduced at 63 major passenger stations by the end of 2002 and which restricts smoking to designated smoking areas, met with overwhelming public response. We will continue our cleanliness program in 2003 and expand our ban on smoking to further passenger stations.

Considering the average age of our buildings, our capital expenditures program is of major importance. **Gross capital expenditures** increased significantly by 28.8 % to € 591 million in the year under review. Having concluded several large-scale projects in the previous year, expenditures in the year under review were focused more on medium-sized projects, especially in the traffic stations business unit. Significant amounts were invested in the north-south link of the Berlin hub, the Frankfurt Airport Station, the traffic station components of the so-called "railway station package", several stations along the construction line 4/S13 Cologne–Düren–Aachen, the Cologne-Bonn Airport link, S-Bahn (metro) stations on the Rhine-Neckar, the Rhine/Main/Rodgau lines and the Berlin Gesundbrunnen station. Upon the completion of construction or renovation projects, the rail stations Darmstadt, Fürstenwalde, Ganderkesee, Cologne-Deutz, Limburg South, Lüneburg, Montabaur, and Siegburg/Bonn were commissioned or reopened along with 13 stations between Delmenhorst and Hesepe.

We also carried out select projects within the framework of our so-called "railway station package" (Bahnhofspaket) – which entails lease-financed expansion and modernization programs at 26 different stations. In the year under review, we completed or reopened another seven stations, including those at Bremen, Hamburg-Dammtor, Mainz, Mannheim, Nuremberg, Oberstdorf, and Oldenburg. Three more "package stations" are still in the planning stage. The modernization of five other stations under the railway station package program was canceled, however, following the reassessment of the overall economic efficiency of the planned measures. After all, 21 stations still remain part of the railway station package.

The findings of a **pan-European passenger station test** conducted by the ADAC, Germany's leading automobile association, in spring 2002 show that we are steering the right course with our modernization program. Our seven stations covered in this test took places one through seven, with **Frankfurt Central Station** ranking as the overall winner. The decision to renovate the roof of this station was made in 2002.

Immediate Action Program Started to Accelerate Modernization

An **immediate action program** was started in mid-2002 to meet customer demand for the comprehensive and nation-wide modernization of small and medium-sized passenger stations. This program will be continued beyond the year under review. We are intensifying our dialog with public authorities to speed up implementation and to ensure contributions to financing the program. The objectives are to improve the outward appearance of railroad stations and to optimize the mobility chain. With our so-called **RenoVier method**, we employ simple means to enhance the attractiveness of railroad stations: a new blue-and-white signposting system, a fresh coat of paint, optimized furnishings, and bright, pleasant station lighting. Further, we build new or upgrade existing passenger waiting areas in order to optimize the mobility chain. Our immediate action program is designed to increase our customers' satisfaction and improve the quality of time spent at our stations. More than 300 stations were modernized in 2002. The immediate action program was another burden on earnings in the year under review.

Slow Economy and Special Charges Affected Operating Income

Divisional revenues of the **Group Passenger Stations division** grew by a modest 0.2 % to € 810 million in 2002. About 72 % of divisional revenues was generated by intra-Group companies (€ 584 million). **External revenues** generated from non-Group transport companies, tenants, and leaseholders rose by 3.2 % to € 226 million.

The contribution of the traffic stations business unit to total revenues was some € 563 million (previous year: € 552 million) – primarily from business with the Group Passenger Transport division. Additional revenues resulted from travel-related services, such as luggage lockers and station parking. The share of revenues in the traffic stations business unit generated from non-Group transport companies decreased by 4.5% compared to the previous year. Revenues in the rental and leasing segment amounted to € 247 million, an increase of 5.5 % over the previous year's figure. We were also able to increase the external rental of commercial space: some 794,000 square meters of commercial space were rented out to external customers, with a focus on optimization in terms of business and tenant type in our real estate holdings, which further improved profitability per unit area.

Income development in the year under review was also affected by the weak economy, special charges, and provisions for risks. Lagging demand in the retail sector resulted in the insolvency of large leaseholders, which in turn increased the necessity of valuation adjustments. Moreover, several of our construction projects encountered delays. We were also affected by the structural crisis in the building industry, in addition to suffering longer-than-expected waits to obtain crucial approvals. Bankruptcy proceedings were instituted against some prime contractors, while others were on the brink of insolvency, which resulted in significant delays in the completion of building projects and thus in a loss of rental income. In addition, we increased our risk provisions for the above reasons and in light of updated figures of several large-scale projects, which was another burden on earnings. Further burdens resulted from our decisions made in respect of the buybacks from the station package program and the start of the immediate action program to accelerate modernization. Due to the above effects in combination with increased depreciation and interest expenses associated with our capital expenditures program, **operating income after interest** amounted to € –218 million, a significant decrease from the previous year.

Because the increase in depreciation and interest expense could not offset the burdens on income, also **gross cash flow** dropped from € 126 million in the previous year to € –88 million in 2002.

Strategic Development of our Organizational Structure

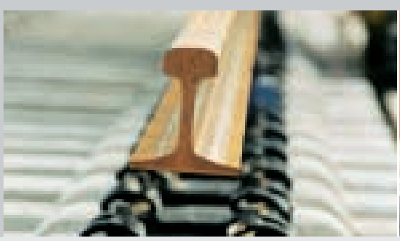
In order to strengthen our business performance, we continued to develop and optimize our organizational structure in the year under review. Focusing more on our regional positioning, we defined seven regions with the objective of further expanding our competence throughout the area. These changes will begin to pay off in 2003 and result in shorter decision-making chains. At the same time, we relocated the headquarters of DB Station&Service AG to Berlin. The number of **employees** increased by 116 to 5,309 as of December 31, 2002. This was primarily due to the transfer of certain engineering services previously rendered by DB Services Technische Dienste GmbH.

As part of the Group-wide consolidation of DB's construction planning, project management, and supervision activities under the roof of DB ProjektBau GmbH, DB Station&Service AG will also transfer its activities in this area in 2003 and will focus on its contracting function in future.

Our Focus for 2003: Continuation of the Restructuring Process

In the current financial year, we will continue our extensive efforts to enhance the attractiveness of our passenger stations. This will again involve a high level of capital expenditures. Considering that our passenger stations have a significance that goes above and beyond our Group's own interests, we will continue our dialog with public authorities at the federal, state, and municipal level to harness all forces in support of our modernization program.

Infrastructure Modernization



No matter how impressive the technological development of the vehicles, the infrastructure is the decisive factor for speed. Its quality is the primary determinant of how quickly and comfortably our customers reach their destinations. At the same time, by modernizing our rail network, we are creating the foundation for rail to gain an increasing share of forecasted growth in mobility and transport markets.

For us, modernization implies a wide variety of tasks, from countless individual maintenance projects and minor renovations, expansions, and new construction to major projects. The effective management of all these projects depends on several success factors: competency, reliable partners in industry, precise planning and implementation of the numerous individual steps, and secure financing. Many of our modernization measures deliver immediate benefits for our customers. The minor inconveniences caused by other measures are a sign of improvements to come.

In 2002, capital expenditures by our Group infrastructure divisions – Track Infrastructure and Passenger Stations – were the highest ever since the start of the

rail reform process. The modernization of our existing network and renovations of small and medium-sized stations have also reached record levels. We achieved several major milestones in the year 2002. The commissioning of the new Cologne–Rhine/Main line marked the completion of our largest single capital expenditures project to date. Another major project – Berlin Central Station – also made crucial progress, enabling us to switch over to the newly laid tracks on time. This was a major milestone in the preparations for Germany's hosting of the Soccer World Cup in 2006. In time for the commencement of this major event, trains will roll through the station both along the east-west corridor and underground along the north-south link. This will speed up many journeys through Berlin, just as the new Cologne–Rhine/Main line now saves travelers almost an hour.

All of this gives our passengers more time to enjoy the stations – whether shopping at the wide range of stores, enjoying a snack at the bistro, or reading a good book in the DB Lounge.

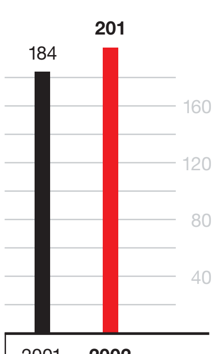
Track Infrastructure

- Restructuring program continues on schedule
- Capital expenditures increased significantly to € 6,754 million
- New European timetable implemented and new Cologne–Rhine/Main line commissioned
- Challenges of severe flood damage in eastern Germany coped with successfully
- Operating income after interest of € –529 million – as planned – still negative

in € million		2002	2001[1]	Change in %
Operating performance – rail	million tpkm	967	984	– 1.7
External revenues		201	184	+ 9.2
Intra-Group revenues		3,750	3,676	+ 2.0
Divisional revenues		**3,951**	**3,860**	+ 2.3
Operating income after interest		– 529	– 206	–
Gross cash flow		554	695	– 20.3
Gross capital expenditures		6,754	4,433	+ 52.4
Employees		49,499	51,106	– 3.1

[1] DB Verkehrsbaulogistik GmbH, which was previously assigned to the Group Freight Transport division, is now part of the Group Track Infrastructure division. The previous year's figures have been adjusted to facilitate comparability.

Track Infrastructure – Modernization Continues on Schedule



External revenues Track Infrastructure
in € million

Relative change: +9.2 %

The excellent performance of the 35,804-kilometer rail network (at year-end) operated by our subsidiary DB Netz AG is the foundation for the economic success of both Group and non-Group rail companies. DB Netz AG compiles and coordinates the timetables, and organizes safe and reliable rail operations. In compliance with EU Directive 91/440, DB Netz AG gives all licensed rail companies **non-discriminatory access** to the railway infrastructure. Usage and billing are based on a **transparent train-path pricing system**. As a result, the Deutsche Bahn rail network has more non-Group users than any other domestic rail system in Europe. In addition to the companies of the DB Group, DB Netz AG counts some **260 non-Group rail companies among its customers**.

During the year under review, we made significant progress towards our declared restructuring and modernization goals – both capital expenditures and the number of construction sites reached record levels. We also reached important milestones on our way to the network of the future, including the seamless introduction of the new European timetable, the successful commissioning of the new Cologne–Rhine/Main line, and further modernization of our command and control technology.

Successful Introduction of the New European Timetable

The introduction of the new timetable on December 15, 2002, marked the first time that all European railroads implemented new, coordinated timetables simultaneously. For DB Netz AG, this involved the successful synchronization of more than 46,000 train-path requests and the construction of the corresponding train-paths. The increasing share of traffic from non-Group customers once again proved the increasing attractiveness of rail transport.

Repeated Increase in External Revenues

In line with increased demand from non-Group customers, **external revenues** of the Group Track Infrastructure division rose year-on-year by 9.2 % to € 201 million (including train-path revenues, facility revenues with non-Group rail companies, and logistics services for construction site supply). The share of train-path revenues in overall external revenues amounted to € 160 million, an increase of 18.5 % over the previous year.

Divisional revenues, including services rendered for other Group divisions, increased by 2.3 % to € 3,951 million. 81 % of divisional revenues came from train-path revenues, 13 % from logistics services for construction site supply, and 6 % from rents and leases on marshalling yards and storage sidings, along with other services. As a result of the supply adjustments implemented by the Group Passenger Transport and Freight Transport divisions, total demand declined slightly during the year under review, by 1.7 % to 967 million train-path kilometers (tpkm).

Extensive Advances in Restructuring Process

Based on the Trilateral Agreement signed in 2001 (with the Federal Ministry of Finance and the Federal Ministry of Transport, Building and Housing), we have been able to successively increase our capital expenditures to the required long-term level. In line with the German government's transportation policy, our aim is to improve the quality of the rail network – and its capacity, where the demand arises. As a result of our intensified planning and construction activities, which we began in the previous year, we were able to fully commit the funding supplied by the federal government during the year under review. Our ongoing capital expenditures and modernization programs are creating the foundation for directing a large portion of forecasted traffic growth to the rails.

Gross capital expenditures increased by € 2,321 million (52.4 %) to € 6,754 million during the year under review. DB Netz AG has assumed a wide-ranging scope of activities as a result of the reorganization of rail telematics completed between the DB Group and Arcor AG & Co. (investment volume: € 940 million). Rail telematics within the DB Group are operated by DB Telematik GmbH, a business unit that is managed directly by DB AG. Adjusted for this factor, the majority of capital expenditures are aimed at improving the quality of the existing infrastructure. Accordingly, **60 % of capital expenditures were allocated to the existing network**, a focus that will continue over the medium term. Some 40 % of our capital expenditures were directed at new and expansion projects, in accordance with the federal government's rail requirements planning ("Bedarfsplan Schiene"). Major projects included the Nuremberg–Ingolstadt–Munich line, with expenditures of some € 442 million, and the completion of the new Cologne–Rhine/Main line, which received some € 406 million.

As a consequence of our intensified restructuring efforts, the number of active construction sites has reached a record level, currently more than 800. Construction on the existing network means working while the trains keep rolling, which can unfortunately cause temporary disturbances to rail traffic. In some cases, the lines to be renovated even have to be shut down completely during construction work, as this allows us to reduce construction times and costs substantially. In 2002, for example, two such line construction sites were completed: between Gießen and Frankfurt/Main and between Hildesheim and Großgleidingen.

Impairments by Landslides and Severe Flooding

Natural disasters posed unique challenges during the year under review. At the start of the year, heavy rains followed by frost caused massive rockslides on the left-hand Rhine route between Koblenz and Mainz. As a consequence, this line had to be closed intermittently until mid-summer in order to secure the steep cliff walls. While long-distance trains could be detoured via the right-hand Rhine route, some regional traffic had to be replaced by busses. The effects of closing this highly frequented line were felt throughout the entire DB network.

The severe flooding that plagued much of eastern Germany in August also caused heavy damage to Deutsche Bahn facilities. Particularly hard-hit was the rail infrastructure in Saxony and Saxony-Anhalt. We suffered extreme damage in the greater Dresden area, along the Elbe, and in the valleys of the Weißeritz, Mulde and Müglitz rivers. The track infrastructure here was either totally destroyed and washed away or heavily damaged at numerous sites. Some 400 kilometers of track were affected in Saxony and Saxony-Anhalt alone. Heavy damage was sustained by 130 kilometers of track embankment, 94 bridges – ten of which were completely destroyed, 250 switches, and 25 interlockings. We were forced to shut down some twenty regional and long-distance lines, at least temporarily. In most cases, we were able to develop replacement timetables at short notice. By consolidating our planning and construction resources, we quickly managed to reestablish the most important regional and long-distance connections – if provisionally at first. The estimated cost of repairing the damage, including sensible related measures, amounts to some € 850 million in the Group Track Infrastructure division. The federal government has pledged reimbursement for nearly all of the damage.

Income Affected by Modernization Initiative and Transfer of Telecommunications Facilities

Our modernization program once again temporarily increased the burden on income, due to higher depreciation charges and increased maintenance expenses. In addition, special charges were incurred compared to the previous year – primarily higher interest payments and depreciation charges – due to the purchase of rail-specific telecommunication facilities and licenses from Arcor DB Telematik GmbH. Accordingly, **operating income after interest,** at € –529 million, was far less than the previous year's figure (€ –207 million). **Gross cash flow** also fell by € 139 million to € 554 million. However, the analysis of revenue trends needs to take into account that special burden compensation from the federal government was once again reduced by € 196 million. Such compensation was disbursed for the final time during the year under review. In sum, the productivity increases and cost reductions we achieved through our "Fokus" program could not fully compensate for the above factors. Nonetheless, our improved productivity is reflected in a renewed decline in **headcount** to 49,499 as of December 31, 2002, or 5 % below the previous year's figure.

"Netz 21" Strategy – Sustained Enhancement of the Existing Network

We continued to implement specific components of our "Netz 21" strategy during the year under review. The long-term aims of "Netz 21" are to significantly improve the performance of the rail infrastructure, to increase availability of rail lines, to reduce costs, and to shorten journey times for passengers and cargo. In light of the capital expenditures volumes required to achieve these goals, our strategy is dependent on secure federal funding in the medium term. "Netz 21" is intended to segregate faster-moving from slower services, which will improve overall traffic flow and enable better utilization of our lines. To achieve these goals, the rail network is divided into three different, customer-focused segments: priority network, performance network, and regional network.

- The **priority network**, a component of the long-distance and conurbation network, links conurbations and will in future comprise a distance of some 10,000 kilometers – around 3,500 kilometers for high-speed traffic, around 4,500 kilometers for slower traffic, and around 2,000 kilometers for S-Bahn (metro) traffic.
- The **performance network**, the second component of the long-distance and conurbation network, will comprise some 12,000 kilometers 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 "RegioNetze", will comprise some 13,000 kilometers of rails serving passenger and freight traffic.

"Netz 21" is aimed at providing rail companies with sufficient capacity for future transport developments. By segregating traffic, DB Netz AG can supply rail companies with more train paths, enabling them to respond more effectively and more flexibly to customer demands. In addition, the deployment of modern technology – especially in the command and control area – is intended to make rail operations more flexible and capture additional streamlining potential.

New Cologne – Rhine/Main Line Commissioned

A key component of our "Netz 21" strategy, the new Cologne – Rhine/Main line – which is dedicated exclusively to passenger trains – was commissioned on July 25, 2002, following comprehensive testing and trial runs. ICE 3 trains began operating between Cologne and Frankfurt on August 1, 2002, initially every two hours; hourly connections commenced in September. We fully integrated the line in the new timetable that took effect on December 15, 2002. Trains now travel at regularly scheduled top speeds of 300 km/h for the very first time in Germany. The journey between the Cologne and Frankfurt conurbations now takes only 75 minutes, nearly an hour less than before.

The 177-kilometer line is the fourth completely new line that Deutsche Bahn has commissioned since 1991. It plays a critical role for passenger transport in Germany and also represents the backbone of a European high-speed route from London, Amsterdam or Brussels to southern Germany and beyond.

Precision Work at Berlin Central Station

Our Berlin hub/Berlin Central Station-Lehrter Station project, which proceeded on schedule, marked another important milestone in the reorganization of the rail infrastructure in Berlin. The new Berlin Central Station was connected to Berlin local and long-distance traffic in June 2002. This major technical and logistical feat was planned meticulously and executed precisely. Once all work is complete, by the Soccer World Cup in 2006, traffic over the important north-south link will also roll through the new Berlin Central Station.

Modernization of Command and Control Technology

Modern command and control technology, combined with electronic interlockings, is an important component of our "Netz 21" strategy. During the year under review, DB Netz AG continued to roll out our multiyear capital expenditures program for electronic interlockings. In total, we commissioned 22 modern interlockings involving total capital expenditures of some € 500 million. These interlockings are operated almost exclusively from seven operation centers located throughout Germany, which monitor, plan, and control all traffic on the connected lines. They will allow us to make rail operations even more efficient in the future.

GSM-R Project Continues on Schedule

The Global System for Mobile Communications-Rail (GSM-R), currently being implemented at Deutsche Bahn, is one of the largest digital cellular networks for rail operations in the world. In the coming years, this innovative technology will integrate all existing radiocommunication services, including the maintenance radio system, radio links for stations, and ground-train radio links. A harmonized European standard for mobile voice and data radiocommunication, GSM-R will promote the technological integration among the European rail networks. Our capital expenditures for our GSM-R network of some 25,000 km are exemplary in Europe and will enable a wide range of applications for operations control, diagnostics, and service systems. The installation of the GSM-R network continued on schedule in 2002 – the 1,000th base station was commissioned in September. The new Cologne–Rhine/Main line already uses this new technology exclusively.

“RailNetEurope” Agreement Intensifies European Collaboration

In addition to our capital expenditures programs, we are also increasing interoperability through coordination with other European infrastructure operators. In September 2002, one project promoted by the International Union of Railways (UIC) became reality: the rail network operators of nearly all EU countries, plus those from Norway, Hungary, and Switzerland, signed the far-reaching “RailNetEurope” cooperation agreement in Berlin. The agreement aims to both simplify and stimulate cross-border rail traffic in Europe.

Common marketing and sales structures were agreed upon, which will make it easier to organize the international usage of individual country rail networks. RailNetEurope governs the joint sales of available train paths. The agreement, however, does not supersede network access stipulations defined on an individual country basis.

Our Focus for 2003: Continuation of Modernization Process

We will continue on our modernization course during the current financial year. To this effect, capital expenditures will be sustained at a high level. We expect our ongoing programs aimed at increasing productivity to result in further reductions in our production costs.

Service Area

- Clear business unit structure established for Group service providers
- Major jump in revenues by 25.1 % to € 219 million
- Operating income after interest increased to € 141 million

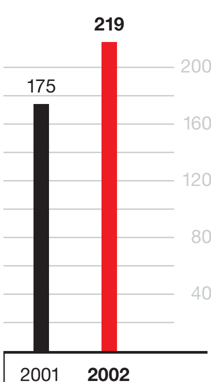
in € million	2002	2001	Change in %
External revenues	219	175	+ 25.1
Intra-Group revenues	3,727	2,973	+ 25.4
Divisional revenues	**3,946**	**3,148**	+ 25.3
Operating income after interest	141	124	+ 13.7
Gross cash flow	426	350	+ 21.7
Gross capital expenditures	369	282	+ 30.9
Employees as of Dec 31	29,839	25,251	+ 18.2

Group Service Providers Consolidated in Service Area

In addition to our Group divisions, our core business also includes several directly managed business units. Since the beginning of the year under review, these units have been responsible for conducting our activities in rail-specific telematics (DB Telematik GmbH), project construction (DB ProjektBau GmbH), energy (DB Energie GmbH), general services/facility management (DB Services GmbH), and IT (DB Systems GmbH), as well as services in the car rental/fleet management area (DBFuhrparkService GmbH). In light of the increasing importance of these service providers to both Group and non-Group customers, these units have been reported separately as the Service area since the publication of our Interim Report January – June 2002. Due to the supporting nature of its primary functions, the Service area is dominated by Group customers. The establishment of this business unit structure has enabled us to reap tremendous efficiency gains as the result of consolidation effects. Moreover, the service expertise we have concentrated in these units is tailored specifically to market demands. At the same time, our service providers benefit from the clear profile they can now present to non-Group customers under the umbrella of the DB Group.

A prime example of the capabilities of these business units is DB Energie, which not only consolidates energy management activities for the DB Group, but also sells energy to other railroad operators and even advises non-Group customers on energy-related matters. DB Telematik and DB ProjektBau are other units essential to the further development of our rail activities. DB Telematik, for example, is the driving force behind the rollout of our GSM-R network – a platform that is unifying the previous individual systems and improving European interoperability at the same time. DB ProjektBau is the result of the Group-wide consolidation of builder functions for planning, project management, and construction management that we completed during the year under review. In the current financial year, it is managing around 7,000 projects with total capital expenditures of some € 5.5 billion – making it one of the largest project managers in Europe. Whereas the services described above are only indirectly discernable by our customers, the manifold services performed by the DB Services group were clearly visible in the year under review – such as the cleanliness program of our Group Passenger Stations division and the activities associated with our "Safe Station" program.

Revenue and Income Surpass Previous Year's Figures



External revenues Service
in € million

Relative change: + 25.1 %

In the year under review, **divisional revenues** of the Service area increased significantly by 25.3 % to € 3,946 million (previous year: € 3,148 million). We achieved positive growth in our activities with both Group and non-Group customers. Nonetheless, our customer structure continues to be dominated by intra-Group customers, who accounted for € 3,727 million or 95 % of revenues. With revenues of € 1,328 million (previous year: € 1,290 million; +2.9 %), DB Energie GmbH made the biggest contribution to overall divisional revenues, followed by the DB Services group with € 835 million (previous year: € 814 million; +2.6 %) and DB Systems GmbH with € 723 million (previous year: € 712 million; +1.5 %). The increase compared to the previous year is primarily due to the integration of DB Telematik GmbH. Revenues from non-Group customers were earned mainly by DB Energie GmbH (with € 63 million), the DB ProjektBau group subsidiary Deutsche Eisenbahn-Consulting GmbH (with € 43 million), the DB Services group (with € 47 million), and DB Telematik GmbH (with € 43 million).

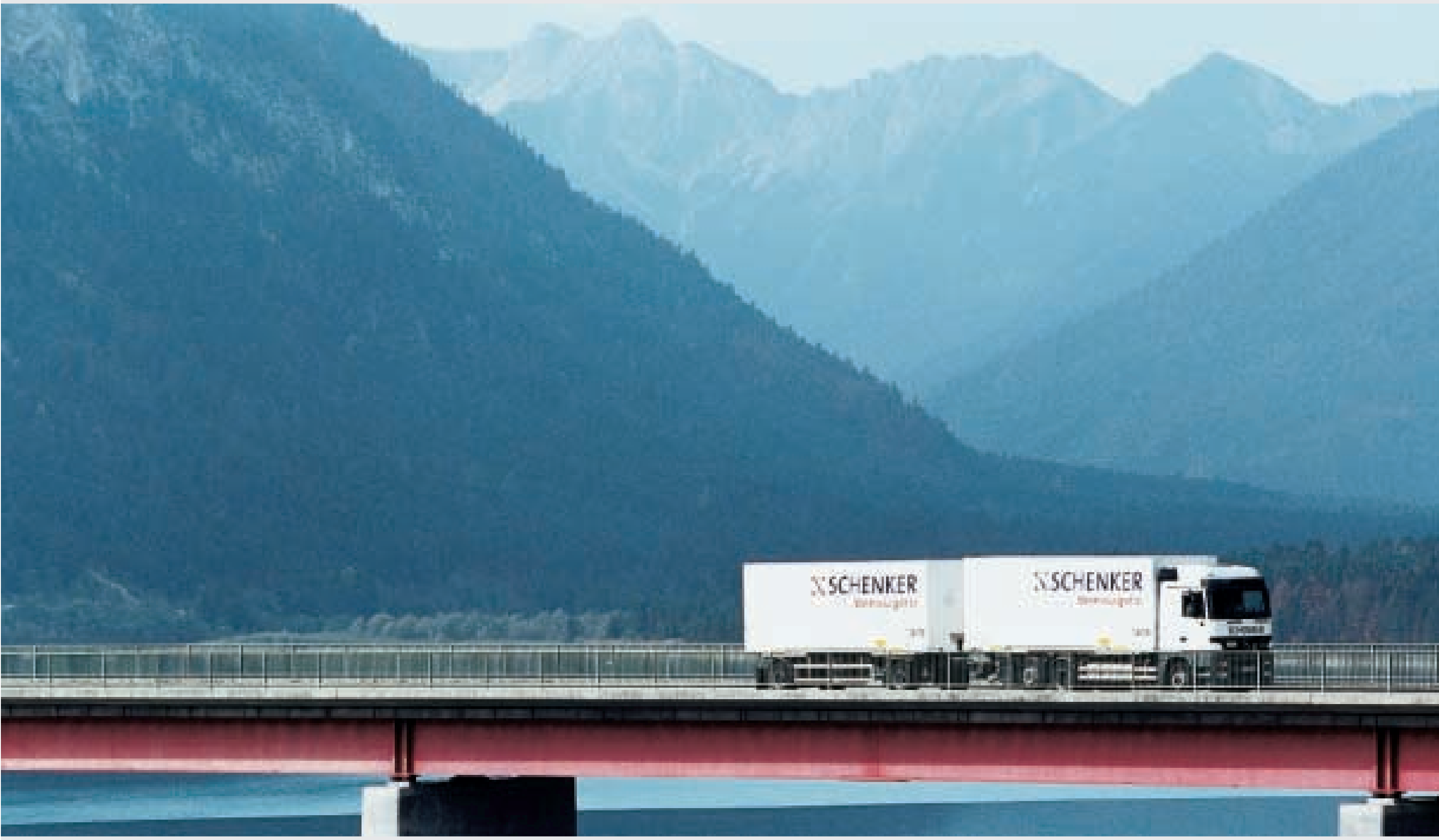
In line with its increase in revenues, the Service area also boosted its **operating income after interest** by 13.7 % to € 141 million. **Gross cash flow** increased to € 426 million (previous year: € 350 million), in association with increased depreciation.

The further development of the business units was accompanied by an increase in **gross capital expenditures**, from € 282 million to € 369 million.

Our Focus for 2003: Intensified Restructuring Efforts

The service providers consolidated in our Service area make a sustained contribution to the competitiveness of both Group and non-Group companies. The requirements of both Group and non-Group customers and the challenges they face in their respective sectors, combined with overall market pressure, place tremendous demands on the performance of the service providers that we have grouped together in this area. To answer these demands, we began a comprehensive program at the start of the current financial year that is aimed at increasing efficiency in this area even further, to achieve gains along our entire value chain.

Stinnes



- Stinnes group had a good financial year 2002
- Only the contribution margin from the fourth quarter is included in the Deutsche Bahn consolidated financial statements
- Leading position in logistics boosts Deutsche Bahn's effort to get into shape for the future
- Conclusion of organizational merger to form Group Transport and Logistics division scheduled for the third quarter of 2003

in € million	Included in DB consolidated financial statements 2002	Development of Stinnes Group in financial 2002 2002	2001	Change in %
External revenues	2,920	11,762.0	12,304.1	– 4.4
thereof Transportation division	(1,613)	(6,225.1)	(2,033.7)	+ 1.7
Internal operating profit	–	166.9	251.8	– 33.7
Operating income after interest	22	–	–	–
thereof Transportation division	(20)	–	–	–
Gross cash flow	115	–	–	–
thereof Transportation division	(59)	–	–	–
Gross capital expenditures	119	288.3	247.9	+ 16.3
thereof Transportation division	(35)	(147.9)	(132.2)	+ 11.9
Employees as of Dec 31	40,618	44,320	42,714	+ 3.8
thereof Transportation division as of Dec 31	(29,769)	(33,224)	(31,644)	+ 5.0

Stinnes – Powerful New Logistics Competencies in the DB Group

The purchase of Stinnes AG now gives us a leading position in the logistics sector. Its Transportation division (Schenker group) makes Stinnes one of the leading companies in European land transport. At the same time, the company also has a strong international position in air and sea freight. The other two divisions – the Chemicals division (Brenntag group) is an international leader in chemicals logistics and the Materials division (Interfer group) focuses its activities in the areas of steel trading and commodities/materials logistics – are also well-positioned, although we plan to divest these two divisions in the medium term. In the financial year 2002, Stinnes focused its divisions even more on the demands of its customers and the markets. A major provider of logistics services, Stinnes employed a staff of 44,320 as of December 31, 2002 (equivalent to 40,618 full-time positions in terms of DB-comparable figures). Some two-thirds of all employees work outside of Germany.

Near the end of 2002, the Transportation division (Schenker) signed a contract for the purchase of Joyau, a French logistics group. With revenues of some € 250 million and around 2,500 employees at 53 sites, Joyau is one of France's leading logistics service providers and will be included in our consolidated financial statements from 2003 onwards. With this move, Schenker France has multiplied its capacity and customer ties and now belongs to the top tier of logistics service providers in France.

To round out its German network, Schenker purchased Anterist+Schneider GmbH, Saarbrücken, which runs a high-capacity logistics center in Saarbrücken along with other sites in Rhineland-Palatinate, Saxony, and eastern France.

The Chemicals division (Brenntag) significantly expanded its product and service portfolio in Brazil through its purchase of Fenil Química Ltda., São Paulo. Brenntag also extended its eastern European network through its acquisition of Manti Co., Sofia/Bulgaria. Within Germany, Brenntag established a joint venture for the sale and distribution of industrial chemicals with Wilhelm E. H. Biesterfeld GmbH & Co. KG at the end of 2002.

Worsening Economic Conditions in Financial 2002

Stinnes was confronted with unfavorable development of its relevant markets in the year under review. The market for European overland transport was characterized by a sustained economic downturn and increasing consolidation among its competitors – especially in Germany and Scandinavia. Growth forecasts in Eastern Europe also failed to meet expectations. This weak economic framework also had a powerful impact on volumes in the air freight sector, which is only slowly recovering from the after-effects of September 11, 2001. In particular, export volumes from the U.S. failed to match the previous year's level. In the European air freight sector, the moderate growth forecasts for the last quarter of 2002 proved to be accurate. Export volumes from Asia are developing well. In sea freight, volumes in export routes from Europe and Asia grew above expectations in the past financial year. In contrast, freight volumes from North America declined significantly.

The global economic downturn also resulted in lower overall demand for chemicals products. In particular, the U.S. chemicals distribution sector was characterized by intense competition in 2002. Revenues in Latin America were affected by the unstable political climate. However, lower selling prices in Western Europe resulted in a decline in revenue by value.

Market conditions in the Materials division continued to be characterized by weak demand and intense pricing competition for steel products and steel logistics services in financial 2002. Nonetheless, pricing levels in several product areas have seen positive impetus in the past few months.

Positive Income Development in Financial 2002

In the financial year 2002, **external revenues** of the Stinnes Group declined by 4.4 % compared to the previous year's value, to € 11,762 million, due primarily to drops in freight rates and declining raw materials prices. The international share of revenues increased to 71.2 % (previous year: 69.9 %), confirming the trend of recent years. In particular, strong growth of the Nordic Stinnes subsidiaries in European land transportation has increased "Other Europe's" share of Stinnes' external revenues. In contrast, North America's share of external revenues declined, due among other factors to a weaker U.S. dollar. Our Group consolidated financial statements only include Stinnes revenues from the fourth quarter (€ 2,920 million).

On the positive side, declining freight rates and cost prices meant Stinnes was able to purchase external services and raw materials more cheaply, resulting in a slight increase in gross profit compared to the previous year's level to € 3,336 million (previous year: € 3,311 million; fourth quarter: € 843 million, +1.7 % compared to previous year).

Internal operating profit, the measure Stinnes uses for tracking purposes (which largely corresponds to the DB Group's operating income after interest), amounted to € 167 million in the financial year 2002, failing to match the previous year's record result (€ 252 million; fourth quarter: € 22.0 million, –65.7 % compared to previous year). It must be noted, however, that the previous year's figure was given a boost of € 13 million through the stock price-related release of provisions for Stinnes' stock-option program; in contrast, the sharp rise in Stinnes' stock price due to the takeover reduced income by € 102 million through additions to provisions (fourth quarter: € 33.3 million). Adjusted for this factor, internal operating profit from the previous year was topped by 12.7 %. This significant improvement is due primarily to positive developments in the Chemicals and Transportation divisions.

Only Stinnes' income from the fourth quarter was included in our consolidated income statement. Our **operating income after interest** thus includes a contribution margin of € 22 million, which was earned mainly by the Transportation (fourth quarter: € 20 million) and Chemicals (fourth quarter: € 18 million) divisions. In contrast, the Materials division suffered an operating loss in the fourth quarter, as did other Stinnes operations including the Stinnes holding company. **Gross cash flow** for the fourth quarter of 2002 amounted to € 115 million.

Broad Capital Expenditures to Strengthen Market Position

Stinnes' capital expenditures amounted to € 366 million in the past year, a significant jump from the previous year's level (€ 267 million). This is due to an increase in investments in financial assets in addition to an increase in gross capital expenditures (in properties and intangible assets). During the year under review, **gross capital expenditures** amounted to € 288 million (previous year: € 248 million), the vast majority of which was directed at the new construction, expansion, or modernization of operating sites. Capital expenditures abroad amounted to 59 % of total capital expenditures in the year 2002. The DB Group consolidated financial statements only include the fourth quarter, with gross capital expenditures of € 119 million.

At 51 % of the total, the Transportation division remained the focus of gross capital expenditures, as in the previous year. In the financial year 2002, Stinnes built or expanded logistics centers and freight handling facilities in Canada (Brampton), Germany (Dortmund, Schweinfurt, Wuppertal), Finland (Kouvola), Estonia (Tallinn), and Austria (Hörsching). The Chemicals division received 39 % of gross capital expenditures; expenditures in the Materials area were applied primarily to the new site in Bremen.

Investments in financial assets amounted to € 77 million (previous year: € 20 million). The Transportation division was the focus here as well, with € 57 million or 74 % of the total.

Transportation Division: Effective Cost Management

The Transportation division, with its Schenker group, operates almost 1,100 offices in major economic centers around the globe, making it one of the leading providers of integrated logistics services. Schenker offers its industrial and trade customers a wide spectrum of services in overland transport and air/sea freight, as well as comprehensive logistics solutions and global supply chain management from a single source.

Schenker started the past financial year with cautious expectations: there was no sign of a rapid global economic recovery, and tighter security regulations were expected for the transport sector. Schenker initiated a strict cost management system in early 2002 in response to this situation.

In the first six months of 2002, Schenker was not only able to match the previous year's internal operating profit, but also increase it – even as revenues declined by 3.8 %. In the second six months of the year, the slowly recovering economies in the U.S. and Asia helped Schenker boost volumes, especially in air and sea freight from and to Asia. This growth is not completely reflected in revenues (+ 1.7 %) and gross profit (+2.7 %), however, due to sustained pricing pressure and the increasing value of the euro over the course of the year. Operating income for the year 2002, at € 109 million (fourth quarter: € 19 million), failed to match the previous year's level (€ 128 million) due to the increased proportional costs of the stock-option program. Adjusted for this effect, the previous year's figure was topped significantly, by 21.4 %.

Development of the European Land Transportation Unit

In a market characterized by a sustained economic downturn and ever-increasing consolidation of the supply side, the European Land Transportation unit held its ground. Unit revenues grew by 3.8 % in 2002, to € 3,551 million (fourth quarter: € 940 million).

The international Schenker subsidiaries in Germany and Scandinavia, which were particularly affected by the weak local economies, made gains in their already strong market position. This growth is a clear sign of customer appreciation of Schenker's high service quality in the transport segment, especially the availability of transparent information systems that are custom-tailored to our customers' needs and are increasing in importance to our major customers. Schenker Germany enjoyed revenue growth of 6.2 %. The Nordic region (Sweden, Norway, Denmark) even managed to top this figure, with 6.4 % growth. Because the Nordic market is especially dependent on business with key accounts, however, and the intensive pricing competition in this segment, growth in gross profit failed to match revenue growth.

Growth forecasts in Eastern Europe also failed to meet expectations, but the region still boasts major growth potential. Schenker benefits from having its own subsidiaries in all important countries in the region, which are all holding their own thanks not least to their integration in our powerful pan-European network. The Schenker Eastern region (Finland, Baltic states, Poland, Russia) had revenue growth of around 1%. In the Southeast region (Austria, Hungary, Czech Republic, Greece, Turkey), growth in the Eastern European countries was able to compensate for declining revenues in Austria.

Operating income of the European Land Transportation Unit, at € 72 million (fourth quarter: € 16 million), failed to match the previous year's figure (€ 91 million) due to the increased cost of the stock-option program incurred by the takeover; adjusted for this factor, internal operating profit increased by 4.7 % over the previous year's value. In the Central Europe region (Great Britain, Benelux nations, France, Spain, Italy, Switzerland), the successful reorganization measures implemented by several international subsidiaries accounted for a significant increase in income compared to the previous year, but much more potential still lies in these core Western European countries. The acquisition of the French Joyau Group is an important step towards strengthening our position in this region.

Improved Result of Air and Sea Freight Unit

Recovery in the global **air freight** sector remained slow through the course of 2002. In particular, export volumes from the U.S. failed to match the previous year's level. The sector was plagued by excess freight capacity; prices stabilized in the fourth quarter at low levels. In the European air freight sector, the moderate growth forecasts for the last quarter proved to be accurate. The first capacity bottlenecks appeared in individual routes. Export volumes from Asia developed nicely. In routes to Europe, however, typically strong seasonal business in the fourth quarter dropped below the previous year's level due to weak consumer demand. Inner-Asian air freight recorded the highest growth rates in this region.

In **sea freight**, volumes on export routes from Europe and Asia grew above expectations in the past financial year. There was a shortage of freight capacity on these routes, so that it was possible for shipping companies to increase freight rates several times. Exports from North America declined considerably, and freight rates reached an extremely low level. Exports to South America also continued to remain at a low level. In Europe, most of the sea freight operations were concentrated on Germany and other countries with major European ports. The subsidiaries in Belgium and the Netherlands achieved above-average (in some areas double-digit) growth rates in their gross profit.

We were very pleased with the earnings performance of the Air and Sea Freight Unit. Compared to the previous year, it boosted gross profit by 4.1% to € 732 million (fourth quarter: € 184 million) and internal operating profit by a total of 13.5% to € 66 million (fourth quarter: € 11 million); adjusted for the effects of the stock option program, internal operating profit even increased by 35.4%.

In Europe, the strong performance in Germany and in some Eastern European countries more than offset the weaker performance of the Nordic countries and some Western European countries.

The improvement achieved in the internal operating profit was particularly impressive in the American Region, where the previous year's internal operating profit had been severely burdened by the terrorist attacks of September 11, 2001. The U.S. subsidiary responded to this situation by adopting a set of measures that included not only necessary cost adjustments but also targeted sales efforts. This positive development in this region was supported by our Canadian subsidiary's steadily increasing volumes. Despite the difficult economic situation prevailing in Central and South America, the Latin American subsidiaries matched – and in some cases even surpassed – their internal operating profits of the previous year.

In the Asia-Pacific region, the strong performance was also reflected by the earnings contributions. Nearly all the national subsidiaries in this region surpassed their performance of the previous year, some of them by a wide margin. Special mention should be made here of the subsidiaries in Hong Kong and Singapore as well as our Korean subsidiary, which achieved excellent results through the Soccer World Cup.

Chemicals Division: Excellent Development under Difficult Conditions

The Chemicals division (Brenntag group) supplies industrial and specialty chemicals to the processing industry and supports its customers and suppliers by providing customized logistics and outsourcing solutions. For the chemical industry, Brenntag is an efficient distribution partner with a high degree of market competence and a closely meshed network of logistics locations. Brenntag continued to make progress in the expansion of this network.

In a difficult macroeconomic environment, internal operating profit of the Chemicals division (Brenntag) for financial 2002 reached € 104 million (fourth quarter: € 19 million), 1.8 % less than the previous year's value; adjusted for the change in provisions for stock options, the figure is 23.7 % higher than in the previous year. At the same time, Brenntag strengthened its market position by means of acquisitions and strategic partnerships. The global economic slowdown reduced overall demand for chemical products. This led to declining prices and volumes. In particular, the U.S. chemicals distribution sector was characterized by intense competition in 2002. In addition, the parity of the US dollar to the Euro deteriorated in 2002, which was another reason why Brenntag failed to match its previous year's sales.

Nevertheless, Brenntag slightly increased its gross profit relative to the previous year. This was achieved, inter alia, by an expansion of higher-margin products and services in the mixing and blending segment and by consolidating the procurement of industrial chemicals at a supraregional level (global sourcing). The integration of Holland Chemical International (HCI), which had been acquired in December 2000, was successfully completed in spring 2002. The synergies achieved from this integration amounted to double-digit millions of Euros. Consistent cost management also helped increase Brenntag's profitability.

Materials Division: Tougher Competition in a Difficult Economic Environment

Our Materials division (Stinnes Interfer) sells a broad range of steel products and raw materials as well as related services. Stinnes Interfer is the leading manufacturer-independent steel logistics company in Germany. The income figures for the Materials division remained below the figures from the previous year (internal operating profit: € 4 million; previous year: € 21 million), even after adjusting for the effects of the stock option program (fourth quarter: € – 0.3 million). The Steel unit continued to face weak demand. In some product segments, however, there have been positive signs in the past few months with regard to pricing. Lower demand and more intense pricing competition had a negative impact, so that the countermeasures initiated in the past could do no more than mitigate the decline in earnings. In order to counteract this development, Interfer introduced additional measures – above and beyond the restructuring program initiated at the end of 2001 – designed to streamline its product and service portfolio and reduce its costs.

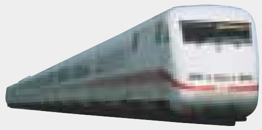
Our Focus for 2003: Further Development and Comprehensive Integration into the DB Group

In the course of financial 2003, we will merge the activities of our existing Group Freight Transport division and Stinnes/Schenker to form the **new Group Transport and Logistics division**. Our objectives are to develop innovative, intermodal logistics solutions; capture cost and price advantages through efficient, integrated transport solutions; and a common, pan-European range of logistics services from a single source. The new Group division will house the following business units:

- **"Freight Logistics"** will primarily offer end-customer transport and logistics services in the rail area.
- **"Schenker"** is focused on industrial and trade customers. It operates internationally in procurement, manufacturing, and distribution logistics. Within this framework, it will offer sea freight, air freight, and overland transport – including rail transport services – along with integrated logistics solutions.
- **"Intermodal"** will offer multimodal transport chains in national and international traffic together with other operators – primarily for container shipments.
- **"Railion"** renders and sells rail transport services for forwarders. Its customers include both the previous clients of our Group Freight Transport division and other carriers with a service profile that is predisposed to rail transport. This business unit groups together the international subsidiaries DB Cargo AG, Railion Benelux N.V., and Railion Denmark A/S.

The integration process, which involves a wide variety of different measures, is proceeding in line with our expectations. We will investigate economically sensible divestment options for the Chemicals and Materials divisions.

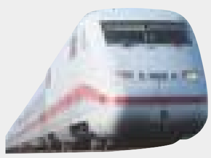
ICE 1
(EMU[1])



Manufacturer	Consortium: ABB, AEG, Siemens, Thyssen-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, 2002	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.

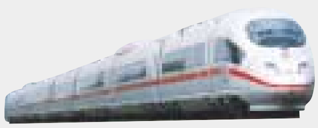
ICE 2
(EMU[1])



Manufacturer	Consortium leaders: Siemens, Adtranz
Commissioning	1996
Output	4,800 kW
Max. speed	280 km/h
Seats	368
Stock as of Dec 31, 2002	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.

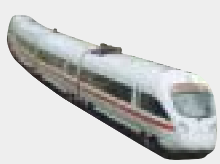
ICE 3
(EMU[1])



Manufacturer	Consortium leaders: Siemens, Adtranz
Commissioning	from 2000
Output	8,000 kW
Max. speed	330 km/h
Seats	441 (BR 403)/431 (BR 406)
Stock as of Dec 31, 2002	50 (37/13)

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 13 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.

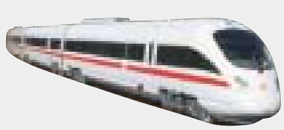
ICE T
(EMU[1])



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, 2002	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, 2002	19

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, 2002	145

The BR 101 (101 series) is a four-axled general-purpose locomotive for fast IC 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, 2002	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 long distance passenger transport as well as for the fast IC traffic services and can be operated with driving trailers thanks to its push-pull capability.

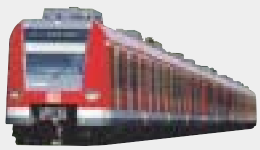
[1] EMU = electric multiple unit
[2] DMU = diesel multiple unit

IC driving trailer
(Bpmbdzf 297/296)

Manufacturer	PFA Weiden
Commissioning	1996 – 1999
Max. speed	200 km/h
Seats	51
Stock as of Dec 31, 2002	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.

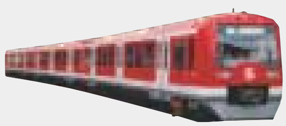
BR 423
(EMU[1])



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, 2002	256

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. It is currently used in the Düsseldorf, Stuttgart, Munich, and Frankfurt areas.

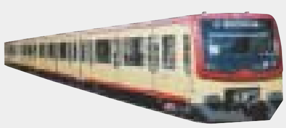
BR 474
(EMU[1])



Manufacturer	Consortium leaders: Alstom, Adtranz, LHB
Commissioning	1997 – 2001
Output	920 kW
Max. speed	100 km/h
Seats/standing room	208/306
Stock as of Dec 31, 2002	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.

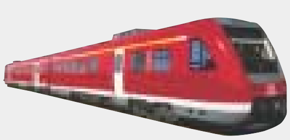
BR 481
(EMU[1])



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, 2002	408 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 – 2002
Output	2 x 560 kW
Max. speed	160 km/h
Seats	146
Stock as of Dec 31, 2002	153

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, Bavaria, North Rhine-Westphalia, Saarland, and Lower Saxony.

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, 2002	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, 2002	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”

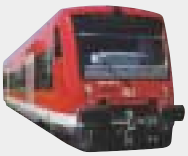
(DMU[2])

Manufacturer	Bombardier, Talbot
Commissioning	1998
Output	2 x 505 kW
Max. speed	120 km/h
Seats	161
Stock as of Dec 31, 2002	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 – 2002
Output	2 x 257 kW
Max. speed	120 km/h
Seats	71
Stock as of Dec 31, 2002	53

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, 2002	626

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

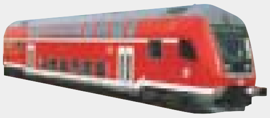
(electric locomotive)

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

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 have been 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, 2002	(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, 2002	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 4,200 buses belonging to DB and 8,700 buses belonging to subcontractors are in service for DB’s 30 regional bus companies. Bus services are provided on a network of routes covering some 151,000 km and comprising some 4,050 routes.

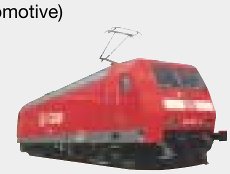
[2] DMU = diesel multiple unit

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, 2002	496

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.

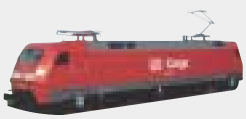
BR 145
(electric locomotive)



Manufacturer	Adtranz
Commissioning	1998 – 2000
Output	4,200 kW
Max. speed	140 km/h
Starting tractive effort	300 kN
Stock as of Dec 31, 2002	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.

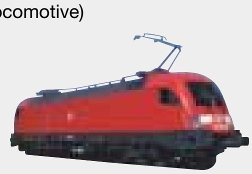
BR 152
(electric locomotive)



Manufacturer	Siemens, Krauss-Maffei
Commissioning	1997 – 2001
Output	6,400 kW
Max. speed	140 km/h
Starting tractive effort	300 kN
Stock as of Dec 31, 2002	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.

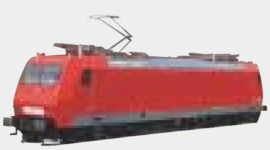
BR 182
(electric locomotive)



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, 2002	25

The new BR 182 has initially been 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, 2002	97

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, 2002	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, 2002	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.

Consolidated Financial Statements

Consolidated Balance Sheet

on December 31, 2002

Assets

in € million	Note	Dec 31, 2002	Dec 31, 2001
A. Fixed assets			
Intangible assets	(5)	540	125
Properties	(5)	38,329	34,930
Financial assets	(5)	906	735
		39,775	**35,790**
B. Current assets			
Inventories	(6)	1,515	992
Accounts receivable and other assets	(7)	4,347	3,890
Securities	(8)	0	348
Cash and cash equivalents		271	363
		6,133	**5,593**
C. Prepayments and accrued income	(9)	115	**579**
		46,023	**41,962**

Equity and Liabilities

in € million	Note	Dec 31, 2002	Dec 31, 2001
A. Equity			
Subscribed capital	(10)	2,150	2,150
Capital reserves	(11)	3,921	5,310
Retained earnings	(12)	0	1,045
Balance sheet loss	(13)	– 464	– 134
Minority interests	(14)	101	65
		5,708	**8,436**
B. Special items for investment grants	(15)	**0**	**2**
C. Special reserve items with equity portion	(16)	**12**	**14**
D. Provisions	(17)	**14,834**	**14,302**
E. Liabilities	(18)	**24,548**	**18,285**
F. Accruals and deferred income	(19)	**921**	**923**
		46,023	**41,962**

Consolidated Statement of Income

January 1 through December 31, 2002

in € million	Note	2002	2001
Revenues	(23)	18,685	15,722
Inventory changes		– 147	65
Other internally produced and capitalized assets		2,362	1,748
Overall performance		**20,900**	**17,535**
Other operating income	(24)	2,830	2,406
Cost of materials	(25)	– 9,546	– 7,108
Personnel expenses	(26)	– 8,387	– 7,487
Depreciation		– 2,434	– 2,162
Other operating expenses	(27)	– 3,358	– 3,282
		5	**– 98**
Investment income	(28)	46	2
Net interest	(29)	– 489	– 313
Income before taxes		**– 438**	**– 409**
Income taxes	(30)	– 30	3
Income after taxes		**– 468**	**– 406**
Minority interests in profits		15	11
Minority interests in losses		0	0

Consolidated Statement of Cash Flows

January 1 through December 31, 2002

in € million	Note	2002	2001
Income before taxes		**– 438**	**– 409**
Depreciation of properties[1]		2,434	2,162
Changes to pension provisions		56	33
Cash flow before taxes		**2,052**	**1,786**
Depreciation/write-back on financial assets		– 34	8
Changes to other provisions		– 498	– 315
Changes in special items		– 4	– 3
Gains/losses from disposal of properties[1]		– 264	– 121
Gains/losses from disposal of financial assets and (partial) divestiture of consolidated companies		– 31	– 106
Changes to current assets (excl. cash and cash equivalents)		2,588	– 1,408
Changes to other liabilities (excl. financial debt)		307	489
Income taxes		– 30	3
Cash flow from business activities		**4,086**	**333**
Proceeds from disposal of properties[1]		750	897
Payments for purchase of properties[1]		– 10,116	– 7,303
Proceeds from investment grants		4,254	3,656
Proceeds from additions to interest-free loans from the federal government		686	924
Repayments of interest-free loans to the federal government		– 284	– 293
Proceeds from disposal of financial assets and (partial) divestiture of consolidated companies		60	66
Payments for purchase of financial assets and (partial) acquisition of consolidated companies		– 2,644	– 35
Investing activities		**– 7,294**	**– 2,088**
Income payments to minority shareholders		– 10	– 14
Proceeds from long-term Group financing		390	294
Proceeds/payments from short-term Group financing		– 40	31
Proceeds from sale-and-lease-back		0	178
Proceeds from issuing bonds and new loans and commercial paper		2,786	1,239
Repayments of bonds and loans		– 10	– 4
Financing activities		**3,116**	**1,724**
Net increase (decrease) in cash		**– 92**	**– 31**
Cash and cash equivalents, beginning of year	(32)	363	394
Cash and cash equivalents, end of year	(32)	**271**	**363**

[1] Including intangible assets

Deutsche Bahn Group: Consolidated Fixed Assets Schedule

	Acquisition and manufacturing costs						
in € million	Balance at Jan 1, 2002	Exchange rate differences	Changes to companies consolidated	Additions	Transfers	Disposals	Balance at Dec 31, 2002
Intangible assets							
1. Licences, patents, trademarks, and similar rights	445	– 1	69	445	8	– 12	954
2. Advance payments	9	0	2	6	– 4		13
	454	**– 1**	**71**	**451**	**4**	**– 12**	**967**
Properties							
1. Land, leasehold rights, and buildings including buildings on land owned by others							
a) Land and leasehold rights	5,090	– 3	273	38	– 14	– 108	5,276
b) Commercial, office, and other buildings	2,456	– 10	1,317	234	136	– 71	4,062
c) Permanent way formation and structures	7,216	0	0	216	2,098	– 11	9,519
	14,762	**– 13**	**1,590**	**488**	**2,220**	**– 190**	**18,857**
2. Track infrastructure, signaling and control equipment	10,090	0	0	883	32	– 70	10,935
3. Rolling stock for passenger and freight transport	12,591	2	25	944	618	– 344	13,836
4. Technical equipment and machinery other than No. 2 or 3	849	– 14	494	79	17	– 42	1,383
5. Other equipment, operating and office equipment	1,887	– 4	864	302	238	– 262	3,025
6. Advance payments and construction in progress	5,300	0	75	2,208	– 3,129	254	4,708
	45,479	**– 29**	**3,048**	**4,904**	**– 4**	**– 654**	**52,744**
Financial assets							
1. Investments in affiliated companies	2	0	20	25	3	– 1	49
2. Loans to affiliated companies	6	0	2	1	1	0	10
3. Investments in associated companies	241	0	45	25	– 3	– 15	293
4. Investments in related companies	452	0	19	2	0	– 2	471
5. Loans to associated and related companies	3	0	1	4	– 1	0	7
6. Long-term securities	0	0	9	0	0	0	9
7. Other loans	7	0	41	0	0	– 11	37
	711	**0**	**137**	**57**	**0**	**– 29**	**876**
Total fixed assets	**46,644**	**– 30**	**3,256**	**5,412**	**0**	**– 695**	**54,587**

Accumulated depreciation								Book value	
Balance at Jan 1, 2002	Exchange rate differences	Changes to companies consolidated	Depreciation	Write-backs	Transfers	Disposals	**Balance at Dec 31, 2002**	**Balance at Dec 31, 2002**	Balance at Dec 31, 2001
– 329	0	– 48	– 65	3	0	12	– 427	527	116
0	0	0	0	0	0	0	0	13	9
– 329	**0**	**– 48**	**– 65**	**3**	**0**	**12**	**– 427**	**540**	**125**
– 8	0	– 17	– 101	0	0	1	– 125	5,151	5,082
– 519	3	– 506	– 116	0	– 3	34	– 1,107	2,955	1,937
– 944	0	0	– 694	0	0	2	– 1,636	7,883	6,272
– 1,471	**3**	**– 523**	**– 911**	**0**	**– 3**	**37**	**– 2,868**	**15,989**	**13,291**
– 3,780	0	0	– 677	0	0	39	– 4,418	6,517	6,310
– 3,881	– 1	– 19	– 903	0	0	216	– 4,588	9,248	8,710
– 422	8	– 334	– 92	0	2	32	– 806	577	427
– 995	2	– 595	– 395	0	1	249	– 1,733	1,292	892
0	0	– 2	0	0	0	0	– 2	4,706	5,300
– 10,549	**12**	**– 1,473**	**– 2,978**	**0**	**0**	**573**	**– 14,415**	**38,329**	**34,930**
0	0	– 8	– 1	0	0	0	– 9	40	2
– 6	0	– 1	0	0	0	0	– 7	3	0
49	0	0	– 3	39	0	0	85	378	290
– 19	0	– 12	0	0	0	0	– 31	440	433
0	0	0	0	0	0	0	0	7	3
0	0	0	0	0	0	0	0	9	0
0	0	– 7	– 1	0	0	0	– 8	29	7
24	**0**	**– 28**	**– 5**	**39**	**0**	**0**	**30**	**906**	**735**
– 10,854	**12**	**– 1,549**	**– 3,048**	**42**	**0**	**585**	**– 14,812**	**39,775**	**35,790**

Notes

for the Financial Year 2002

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 **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 include 216 domestic and 299 international subsidiaries in which Deutsche Bahn AG has direct or indirect holdings amounting to more than 50 % of the voting capital, as well as three 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.

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

104 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:

Companies Included in the Consolidated Financial Statements:

	2002
Additions	
Shares acquired	383
Inclusion for the first time	3
	386
Disposals	
Mergers within the Group	3
Other disposals	1
	4
Balance	**382**

The additions result primarily from the shares acquired in the Stinnes Group.

Associated Companies:

	2002
Additions	
Shares acquired	17
Formation	1
	18
Disposals	
Sales	1
Sales of shares	2
Reallocation to “Companies included in the consolidated financial statements”	2
Liquidation	1
	6
Balance	**12**

The differences arising from first-time consolidation were offset in capital reserves and 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 expenditure after the reference date of the Group opening balance sheet.

In cases where capital is consolidated as of the time of acquisition, the acquisition costs of participations are offset against the pro-rata shares of equity capital they account for at the respective point in time. Differences arising in the process are apportioned as capital reserves or retained earnings without this affecting the operating result, as these differences are essentially in the nature of goodwill. In the year under review, this also applies to the goodwill amounts reported for the subgroup of the Stinnes Group. 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 two 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, 2002 or for a financial year ending in the course of financial year 2002 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 euros 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. Differences in accounting or valuation methods occurring in some isolated cases were analyzed in the process of first-time consolidation, but were not found to have any major effects. Therefore, these differences in accounting or valuation methods were not adjusted.

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 cost less scheduled depreciation, where applicable. Write-downs for asset impairment are recognized if recovery of the carrying amounts is no longer to be expected.

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

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

	Years
Software, other licences	5
Permanent way structures, tunnels, bridges	75
Track infrastructure	20 – 25
Buildings and other constructions	10 – 50
Land improvements	8 – 20
Signaling equipment	20
Telecommunications equipment	5 – 20
Rolling Stock	15 – 30
Ships	20 – 25
Other technical equipment, machinery, and vehicles	3 – 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 € 2,000; other than that, properties up to an individual value of € 410) 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 the lower of acquisition cost or market price.

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

Pension provisions are carried as liabilities at their going-concern value in accordance with Section 6a of the German Income Tax Act (EStG). As in previous years, the calculations are based on the 1998 mortality tables of Prof. 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. On the basis of actuarial expert opinions, the pension provisions of the Stinnes Group are calculated using the projected unit credit method and cover all pension and similar obligations.

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 are accounted for 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 130 and 131.

The **investment grants** received in the financial year 2002 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 € 601 million (previous year: € 975 million) and were recognized in **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 2002, while they were recognized under acquisition and manufacturing costs in previous years.

Write-downs for impairment of property, plant and equipment – primarily due to values of rolling stock and real estate being affected by a change of use or changes in urban development – amounted to € 163 million (previous year: € 129 million) in financial 2002. The write-down of the new Cologne–Rhine/Main line (€ 609 million) is shown in the Depreciation column of the Consolidated Fixed Assets Schedule. Because the provisions that had been set up in this amount in previous years for the risks involved in this project could be offset, this write-down did not affect income. As a result, depreciation in the financial year 2002 amounted to € 2,434 million.

Write-ups of **financial assets** in the amount of € 39 million (previous year: € 8 million) relate exclusively to an adjustment of investment income from associated companies using the equity method. The write-downs of € 5 million in the past financial year are largely due to holdings in associated companies, whereas write-downs in the previous year (€ 15 million) affected primarily related companies.

6 Inventories

in € million	2002	2001
Raw materials and manufacturing supplies	549	491
Unfinished products, work in progress	422	483
Finished products and goods	529	12
Advance payments to suppliers	15	6
Total	**1,515**	**992**

€ 563 million of the increase in inventories is accounted for by the acquisition of the Stinnes Group.

Valuation adjustments in the amount of € 294 million (previous year: € 286 million) were made to take into account the strict lower of cost or market value principle as well as marketability discounts (excluding the Stinnes Group).

7 Accounts Receivable and Other Assets

in € million	2002	of which with a remaining term of more than one year	2001
Trade receivables	2,947	22	1,137
Receivables due from affiliated companies	37	0	1
Receivables due from companies in which a participating interest is held	64	0	122
Other assets	1,299	331	2,630
Total	**4,347**	**353**	**3,890**

Value adjustments for accounts receivable and other assets (excluding the Stinnes Group) amounted to € 338 million (previous year: € 320 million).

The main elements of **"Other assets"** are tax receivables and a claim against the Federal Railroad Fund (BEV) under the "Trilateral Agreement" for the transfer of real estate. In 2001, "Other assets" included short-term cash investments of € 1,775 million.

8 Securities

The securities reported under current assets in the previous year consisted exclusively of fungible securities because they had been set aside as a general operating reserve.

9 Prepayments and Accrued Income

Prepayments and accrued income amounting to € 115 million (previous year: € 579 million) include a discount of € 57 million (previous year: € 52 million); € 58 million (previous year: € 21 million) mainly involve deferred charges for financing, insurance premiums, and rents and leases. In the previous year, they also included advance payments in connection with the implementation of the new digital cellular communications network GSM-R (€ 506 million).

10 Subscribed Capital

Subscribed capital amounts to € 2,150 million. Equity capital is subdivided into 430,000,000 no-par value bearer shares. The shares are held entirely by the Federal Republic of Germany.

11 Capital Reserves

Capital reserves in the amount of € 1,389 million were offset against retained earnings, which were otherwise negative. Accordingly, an amount of € 3,921 million (previous year: € 5,310 million) was reported as of December 31, 2002.

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 companies included.

in € million	2002	2001
Retained earnings carried forward to January 1	1,045	1,269
Balance sheet profit carried forward to January 1	– 134	– 5
Changes in equity and liabilities-side differences resulting from consolidation	– 7	11
Changes in assets-side differences resulting from consolidation	– 2,247	48
Transfers to minority interests	5	4
Changes resulting from foreign currency translation	– 32	1
Consolidated net loss for the year	– 468	– 406
Earnings attributable to minority interests	– 15	– 11
Retained earnings and balance sheet profit as of December 31	**– 1,853**	**911**
Posted as balance sheet loss	464	134
Negative retained earnings offset against capital reserves	1,389	0
Retained earnings as of December 31	**0**	**1,045**

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	2002	2001
Adjustment items on the equity and liabilities side	101	65
Adjustment items on the assets side	0	0
Total	**101**	**65**

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

15 Special Items for Investment Grants

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

16 Special Reserve Items with Equity Portion

in € million	2002	2001
In accordance with Section 281 HGB:		
Reserves in accordance with Section 3 (2) ZonenRFG[1]	2	3
Reserves in accordance with Section 4 FördergebietsG[2]	10	11
Total	**12**	**14**

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

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

Gains of € 2 million (previous year: € 3 million) from writing back special reserve items with equity portion are included in "Other operating income". Allocations to special reserve items with equity portion (year under review and previous year: € 0 million) are reported under "Other operating expenses".

17 Provisions

in € million	2002	2001
Provisions for pensions and similar liabilities	914	508
Tax provisions	516	372
Provisions for deferred taxes	1	0
Other provisions	13,403	13,422
Total	**14,834**	**14,302**

After adjustment for changes in the scope of consolidation, € 56 million (previous year: € 33 million) were transferred to **provisions for pensions and similar liabilities** in the financial year 2002. € 362 million of the provisions for pensions are attributable to the Stinnes Group.

Other provisions consisted of the following:

in € million	2002	2001
Personnel-related commitments	1,341	1,071
of which attributable to Stinnes	(303)	–
Restructuring charges	1,671	2,141
of which attributable to Stinnes	(0)	–
Inherited environmental liabilities	2,663	2,620
of which attributable to Stinnes	(90)	–
Reconveyance obligations	309	324
of which attributable to Stinnes	(0)	–
Other risks	7,419	7,266
of which attributable to Stinnes	(498)	–
Total	**13,403**	**13,422**

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.

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, guarantees, as well as for contingent liabilities arising from deliveries and services not yet invoiced, and
- Possible reclamation of grants.

18 Liabilities

in € million	2002	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	2001
Interest-free loans	7,726	783	1,780	5,163	7,324
Bonds	7,068	42	2,074	4,952	5,419
Liabilities due to banks	1,584	541	282	761	73
Advance payments received for orders	562	236	100	226	316
Trade accounts payable	2,707	2,665	42	0	1,557
Bills of exchange payable	5	5	0	0	0
Liabilities due to affiliated companies	12	12	0	0	0
Liabilities due to companies in which a participating interest is held	1,975	42	324	1,609	1,758
Other liabilities	2,909	2,401	449	59	1,838
of which tax liabilities	(177)	(177)	(0)	(0)	(78)
of which social security liabilities	(154)	(154)	(0)	(0)	(100)
Total	**24,548**	**6,727**	**5,051**	**12,770**	**18,285**
of which subject to interest	(11,051)				(6,993)

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.

In addition to bonds and liabilities due to banks, **interest-bearing liabilities** also include the interest-bearing elements of liabilities due to companies in which a participating interest is held as well as other interest-bearing liabilities.

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 € 1,899 million (previous year: € 1,501 million).

The increase in **other liabilities** is due almost exclusively to the issue of short-term interest-bearing commercial paper in the amount of € 500 million.

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

- Liabilities due to EUROFIMA, which have to be secured pursuant to EUROFIMA's memorandum of association by assignment of railroad equipment (rolling stock).
- Liabilities due to banks in the amount of € 7 million (previous year: € 1 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 € 921 million (previous year: € 923 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	2002	2001
Liabilities from the drawing and endorsement of bills	2	0
Liabilities from guarantees	244	231
Liabilities from the provision of collateral for third-party liabilities	55	159
Total	**301**	**390**

Contingent liabilities from the **provision of collateral for third-party liabilities** concern liabilities of the Federal Railway Fund to EUROFIMA European Company for the Financing of Railway Rolling Stock, Basle/Switzerland. Loans extended by EUROFIMA to the Federal Railway 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 process, they were transferred to various companies within the Deutsche Bahn Group – primarily to DB Reise&Touristik AG, DB Regio AG, and DB Cargo AG.

21 Other Financial Commitments

in € million	2002	2001
Purchase order commitments for capital expenditures	6,815	5,614
Outstanding contributions	353	349
Commitments under rental, leasing, and other debt obligations with external parties	4,450	4,132
Euro currency on hand for sub-frontloading	0	56
Total	**11,618**	**10,151**

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, 2002) by due date.

in € million	Nominal value	Net present value at 7.5%
Lease payments		
due within 1 year	288	277
due within 1 to 5 years	931	757
due after 5 years	942	529
Total	**2,161**	**1,563**

Leasing plays only a minor part in the financing of necessary business assets. During the financial year 2002, lease payments totaled € 128 million (previous year: € 115 million).

in € million	Nominal value	Net present value at 7.5%
Rental and other external-party liabilities		
due within 1 year	422	408
due within 1 to 5 years	1,093	891
due after 5 years	774	352
Total	**2,289**	**1,651**

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 basic financial instruments and total **financial debt** as of December 31, 2002 are listed in the following table, with nominal amounts and book values being equivalent:

	Currency	Residual maturity in years	Nominal interest rate in %	Book value 2002 in € million
Unlisted bonds:				
DB AG, total	JPY, USD	8.7–9.5		67
DB Finance B.V., total	HKD, JPY, CHF	9.5–9.8		126
Total				**193**
DB Finance B.V. bonds:				
Bond 1997 – 2007	DEM	4.8	5.750	511
Bond 1998 – 2003 [1]	DEM	max. 0.3	1.125	42
Bond 1998 – 2008	DEM	5.4	5.000	767
Bond 1999 – 2009	EUR	6.5	4.785	1,350
Bond 2000 – 2010	EUR	7.5	6.000	1,000
Bond 2001 – 2006	DEM	4.0	4.500	31
Bond 2001 – 2006	CHF	3.7	3.375	265
Bond 2001 – 2008	DKK	5.8	5.250	54
Bond 2001 – 2008	SEK	5.8	5.500	42
Bond 2001 – 2008	NOK	5.8	7.000	50
Bond 2001 – 2013	EUR	10.9	5.125	750
Bond 2002 – 2007	CHF	4.4	3.250	512
Bond 2002 – 2007	USD	4.6	4.500	604
Bond 2002 – 2008	CHF	6.0	3.000	170
Bond 2002 – 2012	EUR	9.6	5.375	500
Bond 2002 – 2008	USD	5.0	FRN	76
Bond 2002 – 2006	USD	3.8	FRN	51
Bond 2002 – 2006	EUR	3.8	FRN	100
Total				**6,875**
EUROFIMA loans:				
Loan 1995 – 2005 [2]	DEM	2.7	4.750	7
Loan 1995 – 2005	CHF	2.7	4.750	27
Loan 1996 – 2006	DEM	3.9	6.000	256
Loan 1997 – 2009	DEM	7.0	5.625	256
Loan 1999 – 2009	EUR	6.8	5.750	400
Loan 2000 – 2014	EUR	11.8	5.970	219
Loan 2001 – 2014	EUR	11.7	5.410	300
Loan 2002 – 2012	EUR	9.6	FRN	34
Loan 2002 – 2012	EUR	9.6	FRN	400
Total				**1,899**
Liabilities due to banks:				
Note loan 1998 – 2008	DEM	5.3	5.310	51
Loan 2000 – 2016	EUR	13.7	FRN	200
Loan 2001 – 2022	EUR	19.7	FRN	200
Other liabilities	EUR			1,133
Total				**1,584**
Commercial Paper:				**500**
Total financial debt				**11,051**

[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 Deutsche Bahn Group is not exposed to any currency risk from these transactions. An amount of € 583 million of the total financial debt has a residual maturity of up to one year. € 541 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 € 2.1 billion as of December 31, 2002, to cover short-term liquidity requirements. Deutsche Bahn AG had drawn on none of these credit lines as of December 31, 2002.

B. Financial Derivatives

Financial derivatives are used to hedge against interest rate or currency exposures in connection with financial transactions and operative business of the Deutsche Bahn Group. Each individual deal corresponds to an on-balance sheet item or an anticipated exposure (bonds, loans, commercial paper, or import transactions conducted by Stinnes). Speculative transactions are not permitted. 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.

Deutsche Bahn is increasingly meeting its refinancing needs in currencies outside the euro area. As a rule, these positions are immediately converted to euro-denominated liabilities to exclude any foreign exchange risk. An exception are funds borrowed locally by the Stinnes Group. Derivatives for fuel were purchased to hedge against price risks in commodity markets.

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 relatively 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. Deutsche Bahn AG conducted various hedging transactions to secure prices for purchasing diesel fuel. Swaps and options were used in these transactions.

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 were 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 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[1)]

in € million	2002	2001
Total notional value	**6,763**	4,403
Performance of valuation units:		
Fair market value of derivatives	– 27	– 57
Change in the fair market value of underlying transactions	– 222	8
Total	**– 249**	**– 49**

1) € 41 million of the total notional value of interest rate derivatives having a fair market value of € –4 million are accounted for by Stinnes. Changes in the fair market values of the underlying transactions are not shown.

On December 31, 2002, the portfolio of interest rate derivatives consisted almost exclusively of interest rate swaps with a remaining term of more than one year. The change in the fair market value of the underlying transactions resulted from the decline in interest rates over the course of the past year.

Notional and Fair Market Values of Currency Derivatives[1)]

in € million	2002	2001
Total notional value	**963**	0
Performance of valuation units:		
Fair market value of derivatives	– 7	0
Change in the fair market value of underlying transactions	14	0
Total	**7**	**0**

1) € 569 million of the total notional value of currency derivatives having a fair market value of € 7 million are accounted for by Stinnes. Changes in the fair market values of the underlying transactions are not shown.

As of December 31, 2002, existing contracts to offset foreign exchange risks consisted primarily of currency futures contracts with a remaining term of less than one year. For the most part, these transactions are accounted for by the Stinnes Group.

Notional and Fair Market Values of Commodity Derivatives

in € million	2002	2001
Total notional value (diesel fuel in t)	**648,000**	894,000
Performance of valuation units:		
Fair market value of derivatives	– 2	– 11
Change in the fair market value of underlying transactions	0	0
Total	**– 2**	**– 11**

As of December 31, 2002, the portfolio of commodity derivatives consisted primarily of contracts with a remaining term of up to one year.

Credit Risk Involved in Interest Rate, Currency, and Commodity Derivatives

in € million	2002	2001
Credit risk, interest rate, currency, and commodity derivatives	**197**	**54**

The increase in credit risk in comparison to the previous year is due to an expansion of hedging activities.

The single biggest risk, i.e. a risk of default by a specific counterparty, amounts to € 38 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 A2.

Notes to the Consolidated Income Statement

23 Revenues

The breakdown of revenues totaling € 18,685 million (previous year: € 15,722 million) by business segment is shown in the Segment Information [Notes (33) and (34)].

24 Other Operating Income

in € million	2002	2001
Services to external parties and sale of materials	762	615
Rents and leases	185	213
Other operating income	822	750
Gains on sales of properties and (partial) divestiture of consolidated companies	435	391
Income from the release of provisions	516	345
Gains on the reversal/recovery of write-downs/write-offs of receivables	101	82
Income from the release of special reserve items with equity portion	2	3
Other income unrelated to accounting period	7	7
Total	**2,830**	**2,406**

25 Cost of Materials

in € million	2002	2001
Cost of raw materials, supplies, and merchandise	2,895	2,007
of which attributable to Stinnes	(1,006)	–
Cost of services purchased	4,084	2,718
of which attributable to Stinnes	(1,096)	–
Maintenance expenses	2,746	2,705
Subtotal (gross cost of materials)	**9,725**	**7,430**
Federal government contributions	– 179	– 322
Total	**9,546**	**7,108**

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 were provided in accordance with Article 2 Section 22 (1) No. 3 German Railroad Restructuring Act. They were 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 were reduced from year to year in proportion to the forecast decrease in the additional cost of materials, and were granted for the final time in the year 2002.

26 Personnel Expenses

in € million	2002	2001
Wages and salaries		
for employees	5,547	5,079
for civil servants assigned		
Payments to the Federal Railroad Fund IAW Article 2 Section 21 (1) (2) German Railroad Restructuring Act	1,453	1,432
Ancillary remuneration paid directly	75	66
	7,075	**6,577**
Compulsory social security contributions, pensions and similar benefits, and support payments		
for employees	1,272	1,156
for civil servants assigned (payments to the Federal Railroad Fund IAW Article 2 Section 21 [1] [2] German Railroad Restructuring Act)	304	270
	1,576	**1,426**
of which for pensions and similar benefits	(699)	(635)
Subtotal (gross personal expenses)	**8,651**	**8,003**
Contributions by the Federal Railroad Fund	– 264	– 516
Total	**8,387**	**7,487**

Grandfathering allowances paid have been offset against provisions for restructuring charges.

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 but on leave of absence. The previous year's figure was adjusted to facilitate comparability.

The **contributions by the Federal Railroad Fund (BEV)** were made in accordance with Article 2 Section 21 (5) No. 1 German Railroad Restructuring Act. They were 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 were reduced from year to year in proportion to the forecast decrease in personnel expenses, and were granted for the final time in the year 2002.

27 Other Operating Expenses

in € million	2002	2001
Rents and leases	654	604
Fees and dues	124	116
Miscellaneous operating expenses	2,184	2,208
Losses on the disposal of fixed assets	141	164
Expenses relating to set-up of allowances for and write-off of accounts receivable	247	186
Expenses relating to allocations to special reserve items with equity portion	0	0
Other expenses unrelated to accounting period	8	4
Total	**3,358**	**3,282**

€ 58 million (previous year: € 51 million) of **miscellaneous operating expenses** are attributable to “Other taxes”.

28 Investment Income

in € million	2002	2001
Income from participating interests	7	7
of which from affiliated companies	(1)	(0)
Income from associated companies	47	15
Transfer of losses	– 3	– 5
Write-down of investments	– 5	– 15
Total	**46**	**2**

29 Net Interest

in € million	2002	2001
Income from other securities and long-term loans	0	0
of which from affiliated companies	(0)	(0)
Other interest and similar income	143	95
of which from affiliated companies	(0)	(0)
Interest and similar expenses	– 632	– 408
of which from affiliated companies	(0)	(0)
Total	**– 489**	**– 313**

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 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.

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.

		2002	2001
Net income	in € million	– 483	– 417
Number of shares outstanding		430,000,000	430,000,000
Earnings per share	**in €**	**– 1.12**	**– 0.97**

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.

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 core business of the Deutsche Bahn Group is now classified according to the Group's four Group divisions and six directly managed business units as well as the recently acquired Stinnes Group:

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

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

The **Service** business segment comprises the Group's six directly managed business areas: DB Energie, DBFuhrparkService, DB ProjektBau, DB Services, DB Systems, and DB Telematik. Because the figures of this business segment are reported separately for the first time (in 2001, they were reported under "Other operating entities"), the previous year's figures were restated accordingly.

Following the acquisition of the majority holding in **Stinnes AG**, the Stinnes subgroup was included in the consolidated financial statements for the first time, and is therefore reported here as a separate segment. We intend to integrate its transportation business activities with the activities shown under the Group Freight Transport division to form our new Group Transport and Logistics division in the financial year 2003. With its transport business area, Stinnes holds a leading position in European overland transport as well as in the global sea and air freight business. Because we plan to divest the chemicals (Brenntag) and materials (Interfer) business areas in the medium term, their financial data is not shown separately in the following. A performance overview of these business areas can be obtained from Stinnes' own annual report.

The **previous year's figures** for the Group Freight Transport and Track Infrastructure divisions were **restated for better comparability** because the shares in DB Verkehrsbaulogistik GmbH previously held by DB Cargo AG were transferred to DB Netz AG as of January 1, 2002. Therefore, the financial data of DB Verkehrsbaulogistik GmbH is included in the Group Track Infrastructure division.

Segment information by geographical regions has been deemed unnecessary because – excluding Stinnes – 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. Notwithstanding the extensive international presence of Stinnes, the fact that it is consolidated only on a pro-rata basis also speaks against a segmentation by region. Stinnes publishes its own annual report, which also contains segment information by region.

34 Financial Data by Segment

in € million	External Revenues 2002	External Revenues 2001	Intra-Group Revenues 2002	Intra-Group Revenues 2001	Divisional Revenues 2002	Divisional Revenues 2001	Depreciation 2002	Depreciation 2001
Passenger Transport								
DB Reise&Touristik	3,378	3,457	313	313	3,691	3,770	347	336
DB Regio	7,801	7,607	598	572	8,399	8,179	493	520
Total	11,179	11,064	911	885	12,090	11,949	840	856
Freight Transport	3,710	3,849	574	615	4,284	4,464	166	148
Passenger Stations	226	219	584	589	810	808	98	90
Track Infrastructure	201	184	3,750	3,676	3,951	3,860	855	750
Service	219	175	3,727	2,973	3,946	3,148	271	230
Stinnes	2,920	–	0	–	2,920	–	66	–
of which Transportation (Schenker)	(1,613)	–	(0)	–	(1,613)	–	(32)	–
Other Operating Entities/ Consolidation Effects	230	231	733	666	963	897	131	88
DB Group	**18,685**	**15,722**	**10,279**	**9,404**	**28,964**	**25,126**	**2,427**	**2,162**

[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, or to the Service segment or Stinnes, i.e. operations allocated within the new management structure to the divisions “Other” or “Participating Interests” including the operations of the Group holding company Deutsche Bahn AG.

- **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 Track Infrastructure and Passenger Stations divisions with the Group Passenger Transport and Freight Transport divisions. Internal transfer prices of intra-Group revenues are invoiced at the same conditions that apply to external customers.

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

	Operating Income after Interest		Gross Cash Flow		Capital Employed		Total Assets		Gross Capital Expenditures		Employees[1] as of Dec 31	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	57	124	425	483	3,123	2,978	4,651	4,778	489	424	27,013	27,360
	168	116	769	714	4,970	4,628	8,029	7,827	1,358	1,160	44,024	45,454
	225	240	1,194	1,197	8,093	7,606	12,680	12,605	1,847	1,584	71,037	72,814
	47	17	235	159	1,642	1,602	3,271	3,093	371	321	29,399	32,278
	– 218	6	– 88	126	2,313	1,966	2,976	2,727	591	459	5,309	5,193
	– 529	– 206	554	695	11,531	9,604	21,214	18,612	6,754	4,433	49,499	51,106
	141	124	426	350	1,437	1,257	3,023	2,327	369	282	29,839	25,251
	22	–	115	–	3,389	–	4,986	–	119	–	40,618	–
	(20)	–	(59)	–	(1,499)	–	(2,721)	–	(35)	–	(29,769)	–
	– 142	– 385	84	– 223	2,023	6,614	– 2,127	2,598	– 57	31	24,989	27,729
	– 454	**– 204**	**2,520**	**2,304**	**30,428**	**28,649**	**46,023**	**41,962**	**9,994**	**7,110**	**250,690**	**214,371**

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

- **Operating income after net interest** is an adjusted operating result after net interest but before taxes that is used as an internal control tool for operating activities.

- **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.

- To provide for better comparability within the DB Group and over time, the number of employees has been restated in terms of full-time employees. Part-time employees working less than a regular, full-time employee year are accounted for on a pro-rata basis.

Supplemental Information

35 Employees

	2002 Annual average	2002 As of Dec 31	2001 Annual average	2001 As of Dec 31
Wage and salary earners	172,831	200,077	164,726	161,374
Civil servants assigned	51,927	50,613	54,420	52,997
Subtotal	**224,758**	**250,690**	**219,146**	**214,371**
Apprentices	6,935	8,551	8,804	9,091
Total	**231,693**	**259,241**	**227,950**	**223,462**

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"). With the inception of phase II of the rail reform process, they work for the various 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, Querschied
AMEROPA-Reisen GmbH, Bad Homburg v. d. H.
Autokraft GmbH, Kiel
Bayern Express Omnibus GmbH, Munich
Bayern Express & P. Kühn Berlin GmbH, Berlin
BBH BahnBus Hochstift GmbH, Paderborn
Bodensee-Schiffsbetriebe GmbH, Konstanz
BRN Busverkehr Rhein-Neckar GmbH, Ludwigshafen
BRS Busverkehr Ruhr-Sieg GmbH, Meschede
BTT BahnTank Transport GmbH, Mainz
BVO Busverkehr Ostwestfalen GmbH, Bielefeld
BVR Busverkehr Rheinland GmbH, Düsseldorf
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 Projekt Verkehrsbau GmbH, Berlin
DB ProjektBau GmbH, Berlin
DBProjekte Süd GmbH, Stuttgart
DB Regionalbahn Rheinland GmbH, Cologne
DB Regionalbahn Rhein-Ruhr GmbH, Essen
DB Regionalbahn Westfalen GmbH, Münster (Westphalia)
DB RegioNetz Infrastruktur GmbH, Frankfurt/Main
DB RegioNetz Verkehrs GmbH, Frankfurt/Main
DB Rent GmbH, Frankfurt/Main
DB Sechste Vermögensgesellschaft GmbH, Berlin
DB Services GmbH, Berlin
DB Services Immobilien GmbH, Frankfurt/Main
DB Services Nord GmbH, Hamburg
DB Services Nordost GmbH, Berlin
DB Services Sicherheitsdienste GmbH, Frankfurt/Main
DB Services Süd GmbH, Munich
DB Services Südost GmbH, Leipzig
DB Services Südwest GmbH, Frankfurt/Main
DB Services Technische Dienste GmbH, Berlin
DB Services West GmbH, Cologne
DB ServiceStore Systemführungs GmbH, Frankfurt/Main
DB Systems GmbH, Erfurt
DB Telematik 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 (Danube)
DB ZugBus Westfalen Holding GmbH, Münster (Westphalia)

Deutsche Bahn Gleisbau GmbH, Duisburg
Deutsche Eisenbahn-Reklame GmbH, Kassel
Deutsche Gleis- und Tiefbau GmbH, Berlin
Deutsche Touring Gesellschaft mbH, Frankfurt/Main
DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH, Bad Homburg
Friedrich Müller Omnibusunternehmen GmbH, Schwäbisch Hall
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
Mitteldeutsche Eisenbahn GmbH, Schkopau
MOS Mobile Oberbauschweißtechnik GmbH, Berlin
NVO Temme Nahverkehr Ostwestfalen GmbH, Halle (Westphalia)
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 Allgäu GmbH (RVA), Oberstdorf
Regionalverkehr Kurhessen GmbH (RKH), Kassel
Regionalverkehr Oberbayern GmbH, Munich
RMV Rhein-Mosel Verkehrsgesellschaft mbH, Koblenz
RSW Regionalbus Saar-Westpfalz GmbH, Saarbrücken
RVE Regionalverkehr Euregio Maas-Rhein GmbH, Aachen
RVN Regionalverkehr Niederrhein GmbH, Wesel
RVS Regionalbusverkehr Südwest GmbH, Karlsruhe
S-Bahn Berlin GmbH, Berlin
S-Bahn Hamburg GmbH, Hamburg
S-Bahn München GmbH, Munich
SBG SüdbadenBus GmbH, Freiburg
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 (Westphalia)
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	2002	2001
Total Management Board emoluments	5,085	4,694
Emoluments of former Management Board members	1,374	995
Pensions provisions for former Management Board members	12,717	10,971
Total Supervisory Board emoluments	232	224
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 232–235.

38 Events After the Balance Sheet Date

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

Berlin, April 14, 2003

Deutsche Bahn AG
The Management Board

Independent Auditor's Report

The Consolidated Financial Statements were 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, 2002. 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 14, 2003

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Kämpfer)	(Jäcker)
Wirtschaftsprüfer	Wirtschaftsprüfer

Pro Forma Consolidated Financial Statements

To facilitate comparability with the previous year's figures, we have added pro forma consolidated financial statements that show the development of the DB Group including the addition of the financial assets of Stinnes AG, but prior to consolidation.

Because the auditors have not inspected the figures below, no audit certificate has been issued.

Pro Forma Consolidated Balance Sheet Excluding Stinnes Group

on December 31, 2002

Assets

in € million	Note	Dec 31, 2002	Dec 31, 2001
A. Fixed assets			
Intangible assets	(5)	514	125
Properties	(5)	36,817	34,930
Financial assets	(5)	3,306	735
		40,637	**35,790**
B. Current assets			
Inventories	(6)	952	992
Accounts receivable and other assets	(7)	2,386	3,890
Securities	(8)	0	348
Cash and cash equivalents		173	363
		3,511	**5,593**
C. Prepayments and accrued income	(9)	83	**579**
		44,231	**41,962**

Equity and Liabilities

in € million	Note	Dec 31, 2002	Dec 31, 2001
A. Equity			
Subscribed capital	(10)	2,150	2,150
Capital reserves	(11)	5,310	5,310
Retained earnings	(12)	449	1,045
Balance sheet loss	(13)	– 464	– 134
Minority interests	(14)	56	65
		7,501	**8,436**
B. Special items for investment grants	(15)	**0**	**2**
C. Special reserve items with equity portion	(16)	**12**	**14**
D. Provisions	(17)	**13,498**	**14,302**
E. Liabilities	(18)	**22,304**	**18,285**
F. Accruals and deferred income	(19)	**916**	**923**
		44,231	**41,962**

Pro Forma Consolidated Income Statement Excluding Stinnes Group

January 1 through December 31, 2002

in € million	Note	2002	2001
Revenues	(23)	15,765	15,722
Inventory changes		– 147	65
Other internally produced and capitalized assets		2,362	1,748
Overall performance		**17,980**	**17,535**
Other operating income	(24)	2,751	2,406
Cost of materials	(25)	– 7,444	– 7,108
Personnel expenses	(26)	– 7,903	– 7,487
Depreciation		– 2,384	– 2,162
Other operating expenses	(27)	– 3,035	– 3,282
		– 35	**– 98**
Investment income	(28)	47	2
Net interest	(29)	– 478	– 313
Income before taxes		**– 466**	**– 409**
Income taxes	(30)	– 16	3
Income after taxes		**– 482**	**– 406**
Minority interests in profits		12	11
Minority interests in losses		0	0

Pro Forma Consolidated Cash Flow Statement Excluding Stinnes Group

January 1 through December 31, 2002

in € million	Note	2002	2001
Income before taxes		**– 466**	**– 409**
Depreciation of properties [1]		2,384	2,162
Changes to pension provisions		42	33
Cash flow before taxes		**1,960**	**1,786**
Depreciation/write-back on financial assets		– 37	8
Changes to other provisions		– 464	– 315
Changes in special items		– 4	– 3
Gains/losses from disposal of properties [1]		– 253	– 121
Gains/losses from disposal of financial assets and (partial) divestiture of consolidated companies		– 30	– 106
Changes to current assets (excl. cash and cash equivalents)		2,434	– 1,408
Changes to other liabilities (excl. financial debt)		453	489
Income taxes		– 16	3
Cash flow from business activities		**4,043**	**333**
Proceeds from disposal of properties [1]		711	897
Payments for purchase of properties [1]		– 10,036	– 7,303
Proceeds from investment grants		4,254	3,656
Proceeds from additions to interest-free loans from the federal government		686	924
Repayments of interest-free loans to the federal government		– 284	– 293
Proceeds from disposal of financial assets and (partial) divestiture of consolidated companies		40	66
Payments for purchase of financial assets and (partial) acquisition of consolidated companies		– 2,750	– 35
Investing activities		**– 7,379**	**– 2,088**
Income payments to minority shareholders		– 10	– 14
Proceeds from long-term Group financing		393	294
Proceeds/payments from short-term Group financing		– 37	31
Proceeds from sale-and-lease-back		0	178
Proceeds from issuing bonds and new loans and commercial paper		2,806	1,239
Repayments of bonds and loans		– 6	– 4
Financing activities		**3,146**	**1,724**
Net increase (decrease) in cash		**– 190**	**– 31**
Cash and cash equivalents, beginning of year	(32)	363	394
Cash and cash equivalents, end of year	(32)	**173**	**363**

[1] Including intangible assets

Deutsche Bahn Group: Consolidated Fixed Assets Schedule Excluding Stinnes Group

	Acquisition and manufacturing costs						
in € million	Balance at Jan 1, 2002	Exchange rate differences	Changes to companies consolidated	Additions	Transfers	Disposals	Balance at Dec 31, 2002
Intangible assets							
1. Licences, patents, trademarks, and similar rights	445	0	1	437	8	– 10	881
2. Advance payments	9	0	0	6	– 3	0	12
	454	**0**	**1**	**443**	**5**	**– 10**	**893**
Properties							
1. Land, leasehold rights, and buildings including buildings on land owned by others							
a) Land and leasehold rights	5,090	0	9	29	– 14	– 96	5,018
b) Commercial, office, and other buildings	2,456	0	18	215	109	– 45	2,753
c) Permanent way formation and structures	7,216	0	0	216	2,098	– 11	9,519
	14,762	**0**	**27**	**460**	**2,193**	**– 152**	**17,290**
2. Track infrastructure, signaling and control equipment	10,090	0	0	883	32	– 70	10,935
3. Rolling stock for passenger and freight transport	12,591	2	25	944	618	– 344	13,836
4. Technical equipment and machinery other than No. 2 or 3	849	0	6	68	13	– 24	912
5. Other equipment, operating and office equipment	1,887	0	18	269	223	– 208	2,189
6. Advance payments and construction in progress	5,300	0	2	2,201	– 3,084	246	4,665
	45,479	**2**	**78**	**4,825**	**– 5**	**– 552**	**49,827**
Financial assets							
1. Investments in affiliated companies	2	0	2,505	0	1	– 1	2,507
2. Loans to affiliated companies	6	0	0	0	0	0	6
3. Investments in associated companies	241	0	10	23	– 1	– 9	264
4. Investments in related companies	452	0	0	2	0	– 0	454
5. Loans to associated and related companies	3	0	0	4	0	0	7
6. Long-term securities	0	0	0	0	0	0	0
7. Other loans	7	0	0	0	0	0	7
	711	**0**	**2,515**	**29**	**0**	**– 10**	**3,245**
Total fixed assets	**46,644**	**2**	**2,594**	**5,297**	**0**	**– 572**	**53,965**

Accumulated depreciation								Book value	
Balance at Jan 1, 2002	Exchange rate differences	Changes to companies consolidated	Depreciation	Write-backs	Transfers	Disposals	Balance at Dec 31, 2002	Balance at Dec 31, 2002	Balance at Dec 31, 2001
– 329	0	0	– 63	3	0	10	– 379	502	116
0	0	0	0	0	0	0	0	12	9
– 329	**0**	**0**	**– 63**	**3**	**0**	**10**	**– 379**	**514**	**125**
– 8	0	0	– 101	0	0	0	– 109	4,909	5,082
– 519	0	– 4	– 104	0	– 3	14	– 616	2,137	1,937
– 944	0	0	– 694	0	1	2	– 1,635	7,884	6,272
– 1,471	**0**	**– 4**	**– 899**	**0**	**2**	**16**	**– 2,360**	**14,930**	**13,291**
– 3,780	0	0	– 677	0	– 2	41	– 4,418	6,517	6,310
– 3,881	– 1	– 19	– 903	0	– 1	217	– 4,588	9,248	8,710
– 422	0	0	– 82	0	2	19	– 483	429	427
– 995	0	– 6	– 369	0	3	206	– 1,161	1,028	892
0	0	0	0	0	0	0	0	4,665	5,300
– 10,549	**– 1**	**– 29**	**– 2,930**	**0**	**0**	**499**	**– 13,010**	**36,817**	**34,930**
0	0	0	0	0	0	0	0	2,507	2
– 6	0	0	0	0	0	0	– 6	0	0
49	0	0	– 2	39	0	0	86	350	290
– 19	0	0	0	0	0	0	– 19	435	433
0	0	0	0	0	0	0	0	7	3
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	7	7
24	**0**	**0**	**– 2**	**39**	**0**	**0**	**61**	**3,306**	**735**
– 10,854	**– 1**	**– 29**	**– 2,995**	**42**	**0**	**509**	**– 13,328**	**40,637**	**35,790**

Pro Forma Notes
for the Financial Year 2002

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 **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 include 126 domestic and 29 international subsidiaries in which Deutsche Bahn AG has direct or indirect holdings amounting to more than 50 % of the voting capital, as well as three 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.

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

32 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:

Companies Included in the Consolidated Financial Statements

	2002
Additions	
Shares acquired	23
Inclusion for the first time	3
	26
Disposals	
Mergers within the Group	3
Other disposals	1
	4
Balance	**22**

Associated Companies

	2002
Additions	
Formation	1
Disposals	
Sales	1
Sales of shares	2
Reallocation to “Companies included in the consolidated financial statements”	2
Liquidation	1
	6
Balance	**– 5**

The differences arising from first-time consolidation were recognized 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 expenditure after the reference date of the Group opening balance sheet.

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

The same principles apply to the accounting of equity in net earnings of associated companies. Although two 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, 2002 or for a financial year ending in the course of financial year 2002 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 euros 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 cost less scheduled depreciation, where applicable. Write-downs for asset impairment are recognized if recovery of the carrying amounts is no longer to be expected.

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

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

	Years
Software, other licences	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 € 2,000; other than that, properties up to an individual value of € 410) 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 6a of the German Income Tax Act (EStG). As in previous years, the calculations are based on the 1998 mortality tables of Prof. 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 are accounted for 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 166 and 167.

The **investment grants** received in the financial year 2002 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 € 601 million (previous year: € 975 million) and were recognized in **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 2002, while they were recognized under acquisition and manufacturing costs in previous years.

Write-downs for impairment of property, plant and equipment – primarily due to values of rolling stock and real estate being affected by a change of use or changes in urban development – amounted to € 163 million (previous year: € 129 million) in financial 2002. The write-down of the new Cologne–Rhine/Main line (€ 609 million) is shown in the Depreciation column of the Consolidated Fixed Assets Schedule. Because the provisions that had been set up in this amount in previous years for the risks involved in this project could be offset, this write-down did not affect income. As a result, depreciation in the financial year 2002 amounted to € 2,384 million.

Write-ups of **financial assets** in the amount of € 39 million (previous year: € 8 million) relate exclusively to an adjustment of investment income from associated companies using the equity method. The write-downs of € 3 million in the past financial year are largely due to holdings in associated companies, whereas write-downs in the previous year (€ 15 million) affected primarily related companies.

6 Inventories

in € million	2002	2001
Raw materials and manufacturing supplies	507	491
Unfinished products, work in progress	417	483
Finished products and goods	13	12
Advance payments to suppliers	15	6
Total	**952**	**992**

Valuation adjustments in the amount of € 294 million (previous year: € 286 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	2002	of which with a remaining term of more than one year	2001
Trade receivables	1,237	22	1,137
Receivables due from affiliated companies	7	0	1
Receivables due from companies in which a participating interest is held	58	0	122
Other assets	1,084	272	2,630
Total	**2,386**	**294**	**3,890**

Value adjustments for accounts receivable and other assets amounted to € 338 million (previous year: € 320 million).

The main elements of **"Other assets"** are tax receivables and a claim against the Federal Railroad Fund (BEV) under the "Trilateral Agreement" for the transfer of real estate. In 2001, "Other assets" included short-term cash investments of € 1,775 million.

8 Securities

The securities reported under current assets in the previous year consisted exclusively of fungible securities because they had been set aside as a general operating reserve.

9 Prepayments and Accrued Income

Prepayments and accrued income amounting to € 83 million (previous year: € 579 million) include a discount of € 57 million (previous year: € 52 million); € 26 million (previous year: € 21 million) mainly involve deferred charges for financing, insurance premiums, and rents and leases. In the previous year, they also included advance payments in connection with the implementation of the new digital cellular communications network GSM-R (€ 506 million).

10 Subscribed Capital

Subscribed capital amounts to € 2,150 million. Equity capital is subdivided into 430,000,000 no-par value bearer shares. The shares are held entirely by the Federal Republic of Germany.

11 Capital Reserves

Capital reserves amounted to € 5,310 million as of December 31, 2002.

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 companies included.

in € million	2002	2001
Retained earnings carried forward to January 1	1,045	1,269
Balance sheet profit carried forward to January 1	– 134	– 5
Changes in equity and liabilities-side differences resulting from consolidation	– 7	11
Changes in assets-side differences resulting from consolidation	– 429	48
Transfers to minority interests	3	4
Changes resulting from foreign currency translation	1	1
Consolidated net loss for the year	– 482	– 406
Earnings attributable to minority interests	– 12	– 11
Retained earnings and balance sheet profit as of December 31	**– 15**	**911**
Posted as balance sheet loss	464	134
Retained earnings as of December 31	**449**	**1,045**

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	2002	2001
Adjustment items on the equity and liabilities side	56	65
Adjustment items on the assets side	0	0
Total	**56**	**65**

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

15 Special Items for Investment Grants

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

16 Special Reserve Items with Equity Portion

in € million	2002	2001
In accordance with section 281 HGB:		
Reserves in accordance with Section 3 Abs. 2 ZonenRFG[1]	2	3
Reserves in accordance with Section 4 FördergebietsG[2]	10	11
Total	**12**	**14**

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

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

Gains of € 2 million (previous year: € 3 million) from writing back special reserve items with equity portion are included in “Other operating income”. Allocations to special reserve items with equity portion (year under review and previous year: € 0 million) are reported under “Other operating expenses”.

17 Provisions

in € million	2002	2001
Provisions for pensions and similar liabilities	552	508
Tax provisions	434	372
Provisions for deferred taxes	0	0
Other provisions	12,512	13,422
Total	**13,498**	**14,302**

After adjustment for changes in the scope of consolidation, € 42 million (previous year: € 33 million) were transferred to **provisions for pensions and similar liabilities** in the financial year 2002.

Other provisions consisted of the following:

in € million	2002	2001
Personnel-related commitments	1,038	1,071
Restructuring charges	1,671	2,141
Inherited environmental liabilities	2,573	2,620
Reconveyance obligations	309	324
Other risks	6,921	7,266
Total	**12,512**	**13,422**

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.

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	2002	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	2001
Interest-free loans	7,726	783	1,780	5,163	7,324
Bonds	7,068	42	2,074	4,952	5,419
Liabilities due to banks	724	271	1	452	73
Advance payments received for orders	560	234	100	226	316
Trade accounts payable	1,742	1,700	42	0	1,557
Liabilities due to affiliated companies	5	5	0	0	0
Liabilities due to companies in which a participating interest is held	1,972	39	324	1,609	1,758
Other liabilities	2,507	2,052	408	47	1,838
of which tax liabilities	(100)	(100)	(0)	(0)	(78)
of which social security liabilities	(109)	(109)	(0)	(0)	(100)
Total	**22,304**	**5,126**	**4,729**	**12,449**	**18,285**
of which subject to interest	(10,191)				(6,993)

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 € 1,899 million (previous year: € 1,501 million).

The increase in **other liabilities** is due almost exclusively to the issue of short-term interest-bearing commercial paper in the amount of € 500 million.

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

- Liabilities due to EUROFIMA, which have to be secured pursuant to EUROFIMA's memorandum of association by assignment of railroad equipment (rolling stock).
- Liabilities due to banks in the amount of € 0 million (previous year: € 1 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 € 916 million (previous year: € 923 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	2002	2001
Liabilities from the drawing and endorsement of bills	0	0
Liabilities from guarantees	193	231
Liabilities from the provision of collateral for third-party liabilities	55	159
Total	**248**	**390**

Contingent liabilities from the **provision of collateral for third-party liabilities** concern liabilities of the Federal Railway Fund to EUROFIMA European Company for the Financing of Railway Rolling Stock, Basle/Switzerland. Loans extended by EUROFIMA to the Federal Railway 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 process, they were transferred to various companies within the Deutsche Bahn Group – primarily to DB Reise&Touristik AG, DB Regio AG, and DB Cargo AG.

21 Other Financial Commitments

in € million	2002	2001
Purchase order commitments for capital expenditures	6,748	5,614
Outstanding contributions	353	349
Commitments under rental, leasing, and other debt obligations with external parties	3,746	4,132
Euro currency on hand for sub-frontloading	0	56
Total	**10,847**	**10,151**

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, 2002) by due date.

in € million	Nominal value	Net present value at 7.5%
Lease payments		
due within 1 year	157	152
due within 1 to 5 years	566	459
due after 5 years	737	402
Total	**1,460**	**1,013**

Leasing plays only a minor part in the financing of necessary business assets. During the financial year 2002, lease payments totaled € 128 million (previous year: € 115 million).

in € million	Nominal value	Net present value at 7.5%
Rental and other external-party liabilities		
due within 1 year	419	405
due within 1 to 5 years	1,093	891
due after 5 years	774	352
Total	**2,286**	**1,648**

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 basic financial instruments and total **financial debt** as of December 31, 2002 are listed in the following table, with nominal amounts and book values being equivalent:

	Currency	Residual maturity	Nominal interest rate in %	Book value 2002 in € million
Unlisted bonds:				
DB AG, total	JPY, USD	8.7–9.5		67
DB Finance B.V., total	HKD, JPY, CHF	9.5–9.8		126
Insgesamt				**193**
DB Finance B.V. bonds:				
Bond 1997 – 2007	DEM	4.8	5.750	511
Bond 1998 – 2003 [1]	DEM	max. 0.3	1.125	42
Bond 1998 – 2008	DEM	5.4	5.000	767
Bond 1999 – 2009	EUR	6.5	4.785	1,350
Bond 2000 – 2010	EUR	7.5	6.000	1,000
Bond 2001 – 2006	DEM	4.0	4.500	31
Bond 2001 – 2006	CHF	3.7	3.375	265
Bond 2001 – 2008	DKK	5.8	5.250	54
Bond 2001 – 2008	SEK	5.8	5.500	42
Bond 2001 – 2008	NOK	5.8	7.000	50
Bond 2001 – 2013	EUR	10.9	5.125	750
Bond 2002 – 2007	CHF	4.4	3.250	512
Bond 2002 – 2007	USD	4.6	4.500	604
Bond 2002 – 2008	CHF	6.0	3.000	170
Bond 2002 – 2012	EUR	9.6	5.375	500
Bond 2002 – 2008	USD	5.0	FRN	76
Bond 2002 – 2006	USD	3.8	FRN	51
Bond 2002 – 2006	EUR	3.8	FRN	100
Total				**6,875**
EUROFIMA loans:				
Loan 1995 – 2005 [2]	DEM	2.7	4.750	7
Loan 1995 – 2005	CHF	2.7	4.750	27
Loan 1996 – 2006	DEM	3.9	6.000	256
Loan 1997 – 2009	DEM	7.0	5.625	256
Loan 1999 – 2009	EUR	6.8	5.750	400
Loan 2000 – 2014	EUR	11.8	5.970	219
Loan 2001 – 2014	EUR	11.7	5.410	300
Loan 2002 – 2012	EUR	9.6	FRN	34
Loan 2002 – 2012	EUR	9.6	FRN	400
Total				**1,899**
Liabilities due to banks:				
Note loan 1998 – 2008	DEM	5.3	5.310	51
Loan 2000 – 2016	EUR	13.7	FRN	200
Loan 2001 – 2022	EUR	19.7	FRN	200
Other liabilities	EUR			273
Total				**724**
Commercial Paper:				**500**
Total financial debt				**10,191**

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 Deutsche Bahn Group is not exposed to any currency risk from these transactions. An amount of € 313 million of the total financial debt has a residual maturity of up to one year. € 271 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 € 2.1 billion as of December 31, 2002, to cover short-term liquidity requirements. Deutsche Bahn AG had drawn on none of these credit lines as of December 31, 2002.

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, commercial paper, etc.). Speculative transactions are not permitted. 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.

Deutsche Bahn is increasingly meeting its refinancing needs in currencies outside the euro area. These positions are immediately converted to euro-denominated liabilities to exclude any currency risk. Derivatives for fuel were purchased to hedge against price risks in commodity markets.

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 relatively 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. Deutsche Bahn AG conducted various hedging transactions to secure prices for purchasing diesel fuel. Swaps and options were used in these transactions.

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 were 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 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	2002	2001
Total notional value	**6,722**	4,403
Performance of valuation units:		
Fair market value of derivatives	– 23	– 57
Change in the fair market value of underlying transactions	– 222	8
Total	**– 245**	**– 49**

As of December 31, 2002, the portfolio of interest rate derivatives consisted almost exclusively of interest rate swaps with a remaining term of more than one year. The change in the fair market value of the underlying transactions resulted from the decline in interest rates over the course of the past year.

Notional and Fair Market Values of Currency Derivatives

in € million	2002	2001
Total notional value	**394**	0
Performance of valuation units:		
Fair market value of derivatives	– 14	0
Change in the fair market value of underlying transactions	14	0
Total	**0**	**0**

As of December 31, 2002, existing contracts to offset foreign exchange risks consisted exclusively of currency futures contracts with a remaining term of less than one year.

Notional and Fair Market Values of Commodity Derivatives

in € million	2002	2001
Total notional volume (diesel fuel in t)	**648,000**	894,000
Performance of valuation units:		
Fair market value of derivatives	– 2	– 11
Change in the fair market value of underlying transactions	0	0
Total	**– 2**	**– 11**

As of December 31, 2002, the portfolio of commodity derivatives consisted primarily of contracts with a remaining term of up to one year.

Credit Risk Involved in Interest Rate, Currency, and Commodity Derivatives

in € million	2002	2001
Credit risk, interest rate, currency, and commodity derivatives	**188**	**54**

The increase in credit risk in comparison to the previous year is due to an expansion of hedging activities.

The single biggest risk, i.e. a risk of default by a specific counterparty, amounts to € 37 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 A2.

Notes to the Consolidated Income Statement

23 Revenues

The breakdown of revenues totaling € 15,765 million (previous year: € 15,722 million) by business segment is shown in the Segment Information [Notes (33) and (34)].

24 Other Operating Income

in € million	2002	2001
Services to external parties and sale of materials	759	615
Rents and leases	183	213
Other operating income	801	750
Gains on sales of properties and (partial) divestiture of consolidated companies	422	391
Income from the release of provisions	481	345
Gains on the reversal/recovery of write-downs/write-offs of receivables	97	82
Income from the release of special reserve items with equity portion	2	3
Other income unrelated to accounting period	6	7
Total	**2,751**	**2,406**

25 Cost of Materials

in € million	2002	2001
Cost of raw materials, supplies, and merchandise	1,889	2,007
Cost of services purchased	2,988	2,718
Maintenance expenses	2,746	2,705
Subtotal (gross cost of materials)	**7,623**	**7,430**
Federal government contributions	– 179	– 322
Total	**7,444**	**7,108**

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 were provided in accordance with Article 2 Section 22 (1) No. 3 German Railroad Restructuring Act. They were 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 were reduced from year to year in proportion to the forecast decrease in the additional cost of materials, and were granted for the final time in the year 2002.

26 Personnel Expenses

in € million	2002	2001
Wages and salaries		
for employees	5,165	5,079
for civil servants assigned		
Payments to the Federal Railroad Fund IAW Article 2 Section 21 (1) (2) German Railroad Restructuring Act	1,453	1,432
Ancillary remuneration paid directly	75	66
	6,693	**6,577**
Compulsory social security contributions, pensions and similar benefits, and support payments		
for employees	1,170	1,156
for civil servants assigned (payments to the Federal Railroad Fund IAW Article 2 Section 21 [1] [2] German Railroad Restructuring Act)	304	270
	1,474	**1,426**
of which for pensions and similar benefits	(667)	(635)
Subtotal (gross personnel expenses)	**8,167**	**8,003**
Contributions by the Federal Railroad Fund	– 264	– 516
Total	**7,903**	**7,487**

Grandfathering allowances paid have been offset against provisions for restructuring charges.

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 but on leave of absence. The previous year's figure was adjusted to facilitate comparability.

The **contributions by the Federal Railroad Fund (BEV)** were made in accordance with Article 2 Section 21 (5) No. 1 German Railroad Restructuring Act. They were 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 were reduced from year to year in proportion to the forecast decrease in personnel expenses, and were granted for the final time in the year 2002.

27 Other Operating Expenses

in € million	2002	2001
Rents and leases	601	604
Fees and dues	124	116
Miscellaneous operating expenses	1,944	2,208
Losses on the disposal of fixed assets	138	164
Expenses relating to set-up of allowances for and write-off of accounts receivable	220	186
Expenses relating to allocations to special reserve items with equity portion	0	0
Other expenses unrelated to accounting period	8	4
Total	**3,035**	**3,282**

€ 51 million (previous year: € 51 million) of **miscellaneous operating expenses** are attributable to "Other taxes".

28 Investment Income

in € million	2002	2001
Income from participating interests	6	7
of which from affiliated companies	(0)	(0)
Income from associated companies	45	15
Transfer of losses	– 1	– 5
Write-down of investments	– 3	– 15
Total	**47**	**2**

29 Net Interest

in € million	2002	2001
Income from other securities and long-term loans	0	0
of which from affiliated companies	(0)	(0)
Other interest and similar income	140	95
of which from affiliated companies	(0)	(0)
Interest and similar expenses	– 618	– 408
of which from affiliated companies	(0)	(0)
Total	**– 478**	**– 313**

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 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.

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.

		2002	2001
Net income	in € million	– 494	– 417
Number of shares outstanding		430,000,000	430,000,000
Earnings per share	**in €**	**– 1.15**	**– 0.97**

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.

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 core business of the Deutsche Bahn Group is now classified according to the Group's four Group divisions and six directly managed business units:

The Group **Passenger Transport** division includes two business units 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 AG 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.

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

The **Service** business segment comprises the Group's six directly managed business units: DB Energie, DBFuhrparkService, DB ProjektBau, DB Services, DB Systems, and DB Telematik. Because the figures of this business segment are reported separately for the first time (in 2001, they were reported under "Other operating entities"), the previous year's figures were restated accordingly.

The **previous year's figures** for the Group Freight Transport and Track Infrastructure divisions were **restated for better comparability** because the shares in DB Verkehrsbaulogistik GmbH previously held by DB Cargo AG were transferred to DB Netz AG as of January 1, 2002. Therefore, the financial data of DB Verkehrsbaulogistik GmbH is included in the Group Track Infrastructure division.

Segment information by geographical region 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

in € million	External Revenues 2002	External Revenues 2001	Intra-Group Revenues 2002	Intra-Group Revenues 2001	Divisional Revenues 2002	Divisional Revenues 2001	Depreciation 2002	Depreciation 2001
Passenger Transport								
DB Reise&Touristik	3,378	3,457	313	313	3,691	3,770	347	336
DB Regio	7,801	7,607	598	572	8,399	8,179	493	520
Total	11,179	11,064	911	885	12,090	11,949	840	856
Freight Transport	3,710	3,849	574	615	4,284	4,464	166	148
Passenger Stations	226	219	584	589	810	808	98	90
Track Infrastructure	201	184	3,750	3,676	3,951	3,860	855	750
Service	219	175	3,727	2,973	3,946	3,148	271	230
Other Operating Entities/ Consolidation Effects	230	231	733	666	963	897	154	88
DB Group	**15,765**	**15,722**	**10,279**	**9,404**	**26,044**	**25,126**	**2,384**	**2,162**

[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 or to the Service segment, i.e. operations allocated within the new management structure to the divisions “Other” or “Participating Interests”, including the operations of the Group holding company Deutsche Bahn AG.

- **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 Track Infrastructure and Passenger Stations divisions with the Group Passenger Transport and Freight Transport divisions. Internal transfer prices of intra-Group revenues are invoiced at the same conditions that apply to external customers.

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

	Operating Income after Interest		Gross Cash Flow		Capital Employed		Total Assets		Gross Capital Expenditures		Employees[1] as of Dec 31	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	57	124	425	483	3,123	2,978	4,651	4,778	489	424	27,013	27,360
	168	116	769	714	4,970	4,628	8,029	7,827	1,358	1,160	44,024	45,454
	225	240	1,194	1,197	8,093	7,606	12,680	12,605	1,847	1,584	71,037	72,814
	47	17	235	159	1,642	1,602	3,271	3,093	371	321	29,399	32,278
	– 218	6	– 88	126	2,313	1,966	2,976	2,727	591	459	5,309	5,193
	– 529	– 206	554	695	11,531	9,604	21,214	18,612	6,754	4,433	49,499	51,106
	141	124	426	350	1,437	1,257	3,023	2,327	369	282	29,839	25,251
	– 159	– 385	90	– 223	2,707	6,614	1,067	2,598	– 25	31	24,989	27,729
	– 493	**– 204**	**2,411**	**2,304**	**27,723**	**28,649**	**44,231**	**41,962**	**9,907**	**7,110**	**210,072**	**214,371**

- **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 taxes that is used as an internal control tool for operating activities.

- **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.

- To provide for better comparability within the DB Group and over time, the number of employees has been restated in terms of full-time employees. Part-time employees working less than a regular, full-time employee year are accounted for on a pro-rata basis.

Supplemental Information

35 Employees

	2002 Annual average	2002 As of Dec 31	2001 Annual average	2001 As of Dec 31
Wage and salary earners	162,677	159,459	164,726	161,374
Civil servants assigned	51,927	50,613	54,420	52,997
Subtotal	**214,604**	**210,072**	**219,146**	**214,371**
Apprentices	6,596	7,194	8,804	9,091
Total	**221,200**	**217,266**	**227,950**	**223,462**

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"). With the inception of phase II of the rail reform process, they work for the various 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, Querschied
AMEROPA-Reisen GmbH, Bad Homburg v.d.H.
Autokraft GmbH, Kiel
Bayern Express Omnibus GmbH, Munich
Bayern Express & P. Kühn Berlin GmbH, Berlin
BBH BahnBus Hochstift GmbH, Paderborn
Bodensee-Schiffsbetriebe GmbH, Konstanz
BRN Busverkehr Rhein-Neckar GmbH, Ludwigshafen
BRS Busverkehr Ruhr-Sieg GmbH, Meschede
BTT BahnTank Transport GmbH, Mainz
BVO Busverkehr Ostwestfalen GmbH, Bielefeld
BVR Busverkehr Rheinland GmbH, Düsseldorf
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 Projekt Verkehrsbau GmbH, Berlin
DB ProjektBau GmbH, Berlin
DBProjekte Süd GmbH, Stuttgart
DB Regionalbahn Rheinland GmbH, Cologne
DB Regionalbahn Rhein-Ruhr GmbH, Essen
DB Regionalbahn Westfalen GmbH, Münster (Westphalia)
DB RegioNetz Infrastruktur GmbH, Frankfurt/Main
DB RegioNetz Verkehrs GmbH, Frankfurt/Main
DB Rent GmbH, Frankfurt/Main
DB Sechste Vermögensgesellschaft GmbH, Berlin
DB Services GmbH, Berlin
DB Services Immobilien GmbH, Frankfurt/Main
DB Services Nord GmbH, Hamburg
DB Services Nordost GmbH, Berlin
DB Services Sicherheitsdienste GmbH, Frankfurt/Main
DB Services Süd GmbH, Munich
DB Services Südost GmbH, Leipzig
DB Services Südwest GmbH, Frankfurt/Main
DB Services Technische Dienste GmbH, Berlin
DB Services West GmbH, Cologne
DB ServiceStore Systemführungs GmbH, Frankfurt/Main
DB Systems GmbH, Erfurt
DB Telematik 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 (Danube)

DB ZugBus Westfalen Holding GmbH, Münster (Westphalia)
Deutsche Bahn Gleisbau GmbH, Duisburg
Deutsche Eisenbahn-Reklame GmbH, Kassel
Deutsche Gleis- und Tiefbau GmbH, Berlin
Deutsche Touring Gesellschaft mbH, Frankfurt/Main
DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH, Bad Homburg
Friedrich Müller Omnibusunternehmen GmbH, Schwäbisch Hall
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
Mitteldeutsche Eisenbahn GmbH, Schkopau
MOS Mobile Oberbauschweißtechnik GmbH, Berlin
NVO Temme Nahverkehr Ostwestfalen GmbH, Halle (Westphalia)
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 Allgäu GmbH (RVA), Oberstdorf
Regionalverkehr Kurhessen GmbH (RKH), Kassel
Regionalverkehr Oberbayern GmbH, Munich
RMV Rhein-Mosel Verkehrsgesellschaft mbH, Koblenz
RSW Regionalbus Saar-Westpfalz GmbH, Saarbrücken
RVE Regionalverkehr Euregio Maas-Rhein GmbH, Aachen
RVN Regionalverkehr Niederrhein GmbH, Wesel
RVS Regionalbusverkehr Südwest GmbH, Karlsruhe
S-Bahn Berlin GmbH, Berlin
S-Bahn Hamburg GmbH, Hamburg
S-Bahn München GmbH, Munich
SBG SüdbadenBus GmbH, Freiburg
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 (Westphalia)
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	2002	2001
Total Management Board emoluments	5,085	4,694
Emoluments of former Management Board members	1,374	995
Pensions provisions for former Management Board members	12,717	10,971
Total Supervisory Board emoluments	232	224
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 232–235.

38 Events After the Balance Sheet Date

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

Berlin, April 14, 2003

Deutsche Bahn AG
The Management Board

Stinnes Group Consolidated Financial Statements

To facilitate reporting on the development of the Stinnes Group (in light of the prorated consolidation of the Stinnes Group in the Deutsche Bahn Consolidated Financial Statements), this section contains the consolidated financial statements and related notes for the Stinnes Group for the financial year 2002. Stinnes has also published a separate annual report, which you may request from our Investor Relations department.

The notes to the consolidated financial statements have been reprinted verbatim, but adjusted where they refer to the other divisions of the Stinnes Annual Report that are not integrated here. Please note that no audit certificate has been included here, due to the minor textual changes made. Please refer to the Stinnes Annual Report for audited statements.

Stinnes Group Consolidated Balance Sheet

on December 31, 2002

Assets

in millions of €	Notes	Dec 31, 2002	Dec 31, 2001
A. Fixed assets	(1)		
Intangible assets		711.1	727.1
Tangible assets		1,512.5	1,534.7
Financial assets		109.1	111.6
		2,332.7	**2,373.4**
B. Current assets			
Inventories	(2)	562.3	613.0
Receivables and other assets	(3)		
Trade accounts receivable		1,710.4	1,818.4
Other receivables and other assets		250.1	289.6
Liquid funds	(4)	98.2	111.8
		2,621.0	**2,832.8**
C. Prepaid expenses	(5)	**32.3**	**37.6**
		4,986.0	**5,243.8**

Stockholders' equity and liabilities

in millions of €	Notes	Dec 31, 2002	Dec 31, 2001
A. Stockholders' equity			
Subscribed capital (additional authorized but unissued capital: € 16.0 million, 2001: € 16.1 million)	(6 and 9)	190.2	190.2
Additional paid-in capital	(7 and 9)	526.1	526.1
Retained earnings	(8 and 9)	597.9	654.4
Balance sheet profit		44.2	70.3
Minority interests	(9)	43.0	31.3
		1,401.4	**1,472.3**
B. Provisions			
Provisions for pensions	(10)	362.1	342.6
Other provisions	(11)	973.4	903.8
		1,335.5	**1,246.4**
C. Liabilities	(12)		
Bank loans		859.6	872.0
Trade accounts payable		964.5	1,048.0
Other liabilities		420.0	596.3
		2,244.1	**2,516.3**
D. Deferred income		**5.0**	**8.8**
		4,986.0	**5,243.8**

Stinnes Group Consolidated Income Statement

January 1 through December 31, 2002

in millions of €	Notes	2002	2001
Sales	(13)	11,762.0	12,304.1
Cost of goods sold and services provided		– 10,036.8	– 10,513.6
Gross profit from sales		**1,725.2**	**1,790.5**
Selling expenses		– 1,220.0	– 1,244.0
General administrative expenses		– 418.4	– 371.7
Other operating income	(14)	227.4	243.9
Other operating expenses	(15)	– 115.5	– 106.9
Income from equity interests	(16)	3.9	6.1
Write-downs of financial assets		– 1.3	– 3.3
Net interest income/expenses	(17)	– 50.8	– 72.3
Result from ordinary activities		**150.5**	**242.3**
Income taxes	(18)	– 69.0	– 96.6
Net income	(19)	**81.5**	**145.7**
Minority interests in net income		– 12.2	– 9.1
Consolidated net income (share of Stinnes)		**69.3**	**136.6**

Stinnes Group Consolidated Cash Flow Statement

January 1 through December 31, 2002

in millions of €	Notes	2002	2001
	(20)		
Consolidated net income		69	137
Minority interests		12	9
Depreciation/Amortization/Write-ups on fixed assets		258	252
Changes in accruals		116	– 33
Other non-cash income and expenses		– 4	– 1
Profit/Loss on asset disposals		– 27	– 41
Changes in current assets and liabilities			
Inventories		8	77
Accounts receivable		80	145
Accounts payable		– 66	– 64
Cash provided by operating activities		**446**	**481**
Proceeds from disposals of property, plant and equipment		67	85
Purchases of property, plant and equipment		– 239	– 227
Proceeds from disposals of intangible fixed assets		3	1
Purchases of intangible fixed assets		– 50	– 21
Proceeds from disposals of other financial assets		22	6
Purchases of other financial assets		– 3	– 1
Proceeds from the sale of consolidated companies and other business units		21	15
Purchases of consolidated companies and other business units		– 74	– 18
Cash used for investing activities		**– 253**	**– 160**
Capital increase		–	1
Cash dividends paid			
to Stinnes AG stockholders		– 53	– 46
to minority stockholders		– 7	– 8
Proceeds from borrowing		155	237
Repayment of loans		– 292	– 500
Cash used for financing activities		**– 197**	**– 316**
Cash-related changes in liquid funds		– 4	5
Changes in liquid funds due to currency gains/losses or changes in reporting entity and valuation		– 10	20
Liquid funds at beginning of period		112	87
Liquid funds at end of period		**98**	**112**

Fixed Asset Movements of the Stinnes Group

	Acquisition costs					
in millions of €	Balance on Jan 1, 2002	Exchange rate differences	Change in consoli-dated group	Additions	Disposals	Transfers
Intangible assets						
Licenses	73.6	– 2.2	0.1	15.2	9.1	– 4.4
Goodwill	978.6	– 21.5	25.1	36.4	12.8	5.0
Advance payments	0.9	–	–	0.5	–	– 0.4
	1,053.1	**– 23.7**	**25.2**	**52.1**	**21.9**	**0.2**
Tangible assets						
Real estate and leasehold rights	281.9	– 11.0	1.7	16.1	28.8	– 1.4
Buildings including buildings on real estate of third parties	1,265.4	– 29.4	21.1	54.9	44.5	41.5
Technical equipment, plant and machinery	527.1	– 58.8	0.5	28.8	25.3	– 0.4
Other equipment, fixtures, furniture and office equipment	815.2	– 14.0	30.1	93.5	100.8	12.9
Advance payments and construction in progress	47.8	– 2.7	–	50.4	0.4	– 52.8
	2,937.4	**– 115.9**	**53.4**	**243.7**	**199.8**	**– 0.2**
Financial assets						
Equity interests in affiliated companies	24.4	– 0.1	– 2.5	27.7	7.3	4.6
Loans to affiliated companies	0.6	– 0.2	–	2.5	–	1.0
Equity interests in associated companies	34.2	0.1	–	5.8	3.6	– 4.4
Other equity interests	16.7	–	–	1.1	0.7	– 0.2
Loans to associated companies	1.2	–	–	–	–	– 1.0
Long-term securities	8.5	–	–	1.2	0.9	–
Other long-term loans	54.6	0.2	–	0.2	24.9	–
	140.2	**–**	**– 2.5**	**38.5**	**37.4**	**–**
Fixed assets	**4,130.7**	**– 139.6**	**76.1**	**334.3**	**259.1**	**–**
Effects from equity valuation	–	–	–	6.3	3.4	–
of which additions	(–)	(–)	(82.0)	(–)	(–)	(–)
of which disposals	(–)	(–)	(5.9)	(–)	(–)	(–)

	Depreciations							Net book values	
Balance on Dec 31, 2002	Balance on Jan 1, 2002	Exchange rate differences	Change in consoli-dated group	Additions	Disposals	Transfers	**Balance on Dec 31, 2002**	**Balance on Dec 31, 2002**	Balance on Dec 31, 2001
73.2	48.1	– 1.2	0.1	9.0	8.2	– 0.1	47.7	25.5	25.5
1,010.8	277.6	– 4.9	–	64.3	11.0	–	326.0	684.8	701.0
1.0	0.3	–	–	–	–	– 0.1	0.2	0.8	0.6
1,085.0	**326.0**	**– 6.1**	**0.1**	**73.3**	**19.2**	**– 0.2**	**373.9**	**711.1**	**727.1**
258.5	23.6	– 0.2	–	0.6	6.7	–	17.3	241.2	258.3
1,309.0	475.9	– 9.3	7.4	45.3	28.2	– 0.1	491.0	818.0	789.5
471.9	345.4	– 34.1	0.1	40.0	22.6	– 4.6	324.2	147.7	181.7
836.9	556.4	– 10.1	18.2	91.9	89.0	4.8	572.2	264.7	258.8
42.3	1.4	–	–	0.1	0.2	0.1	1.4	40.9	46.4
2,918.6	**1,402.7**	**– 53.7**	**25.7**	**177.9**	**146.7**	**0.2**	**1,406.1**	**1,512.5**	**1,534.7**
46.8	7.4	–	–	0.7	–	0.5	8.6	38.2	17.0
3.9	0.6	–	–	–	–	–	0.6	3.3	–
32.1	0.6	–	–	–	–	– 0.5	0.1	32.0	33.6
16.9	12.6	–	–	–	0.1	–	12.5	4.4	4.1
0.2	–	–	–	–	–	–	–	0.2	1.2
8.8	0.2	–	–	–	–	–	0.2	8.6	8.3
30.1	7.2	–	–	0.6	0.1	–	7.7	22.4	47.4
138.8	**28.6**	**–**	**–**	**1.3**	**0.2**	**–**	**29.7**	**109.1**	**111.6**
4,142.4	**1,757.3**	**– 59.8**	**25.8**	**252.5**	**166.1**	**–**	**1,809.7**	**2,332.7**	**2,373.4**
–	–	–	–	–	–	–	–	–	–
(–)	(–)	(–)	(26.3)	(–)	(–)	(–)	(–)	(–)	(–)
(–)	(–)	(–)	(0.5)	(–)	(–)	(–)	(–)	(–)	(–)

Accounting, Valuation and Consolidation Methods

General Principles

The Consolidated Financial Statements of Stinnes AG have been prepared in accordance with the rules of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). In addition, in line with the ongoing internationalization of the Stinnes Group's accounting and valuation policies, the US Generally Accepted Accounting Principles (US GAAP) in effect on the cut-off date have also been observed since 1995, where this did not conflict with the German Commercial Code. The accounting and valuation methods applied in the previous year have remained unchanged.

Consolidated Group

The Consolidated Financial Statements cover Stinnes AG as well as all major subsidiaries in which Stinnes AG is entitled to exercise the central management or in which Stinnes AG – directly or indirectly – holds the majority of the voting rights.

A total of 72 subsidiaries (2001: 62) were not consolidated because their combined influence on the net worth, the financial position and the results of the Group was insignificant.

The following table shows the changes in the consolidated group that have occurred since December 31, 2001:

	Germany	Abroad	Total
Number of fully consolidated companies			
As of December 31, 2001	88	281	369
Additions	12	14	26
Disposals	10	25	35
As of December 31, 2002	**90**	**270**	**360**

The additions were due to the acquisition of 100 percent of the shares of the logistics service provider Anterist + Schneider GmbH, Saarbrücken, including 10 subsidiaries, and the acquisition of 100 percent of the shares of the Brazilian specialty chemicals distributor Fenil Química Ltda., São Paulo. Both acquisitions were carried out as of the middle of the year 2002. At the end of 2002, we acquired 50 percent of the shares of Biesterfeld GmbH & Co. KG, Hamburg, a newly established joint venture with Wilhelm E. H. Biesterfeld GmbH & Co. KG, Hamburg, for the sale and distribution of industrial chemicals. The acquisition costs of these shareholdings amount to a total of € 43.5 million. The goodwill resulting from these acquisitions (which is amortized over a period of 15 years) amounts to a total of € 23.8 million. In fiscal 2002, the acquired companies – excluding the newly established Biesterfeld GmbH & Co. KG – generated sales of a total of € 175.8 million (2001: € 164.5 million) and a total net income of € 4.8 million (2001: € 4.7 million). The Anterist+Schneider Group as well as Fenil Química Ltda. were consolidated as of July 1, 2002, while Biesterfeld GmbH & Co. KG was consolidated as of December 31, 2002. Other additions to the consolidated group were due to the first-time inclusion of previously non-consolidated affiliated and associated companies.

The disposals were mainly due to mergers and the liquidation of some companies that were no longer operative, as well as to the divestment of five companies.

In the year under review, stakes in 4 (previous year: 3) domestic and 20 (previous year: 20) foreign associated companies or not fully consolidated subsidiaries were valued at equity.

Major subsidiaries and associated companies are listed on pages 76–77 of the published Stinnes Annual Report, specifying the shareholding, the equity and the net income. A full list of the Group's shareholdings has been deposited in the Commercial Register of the local court in Mülheim an der Ruhr (HRB 3564). We have invoked the protection of interest clause in accordance with Section 313 (3) of the German Commercial Code (HGB).

Consolidation Principles

The Financial Statements of the various subsidiaries are included in the Consolidated Financial Statements, based on uniform accounting and valuation methods.

Pursuant to the provisions of German Accounting Standard No. 4 (DRS 4, Acquisition Accounting in Consolidated Financial Statements), capital is consolidated in accordance with the revaluation method. In the framework of capital consolidation, acquisition costs are offset against attributable stockholders' equity held by the parent company at the time of acquisition following revaluation of the assets and liabilities of the subsidiary. Remaining positive differences between acquisition costs and attributable stockholders' equity after revaluation are recognized as goodwill and amortized over their estimated useful lives. In the year under review, amortization of goodwill is disclosed for the first time as selling expenses (like amortization of acquired goodwill in the financial statements of subsidiaries) instead of as other operating expenses. The relevant figures for the previous year were adjusted in the Income Statement to reflect this change in disclosure.

Receivables, liabilities, expenses and income, as well as intercompany results between consolidated companies are eliminated. Deferred taxes are applied to consolidation adjustments affecting net income, where necessary.

Currency Translation

The financial statements of consolidated foreign subsidiaries whose balance sheets are not prepared in Euros are translated into Euros by applying the functional currency concept. Since nearly all companies are economically independent, their balance sheets are translated into Euros at middle rates on the balance sheet date, and their income statements are translated into Euros at annual average rates. Translation differences to the previous year on the Balance Sheet do not affect net income and are disclosed as changes in retained earnings or minority interests, as are differences resulting from the application of various exchange rates to the Balance Sheet and Income Statement.

The developments of the exchange rates used for major currencies are shown below:

1 € =	Middle rate of the € on the balance sheet date		Annual average rate of the €	
Currency	Dec 31, 2002	Dec 31, 2001	2002	2001
USD	1.0487	0.8813	0.9456	0.8956
SEK	9.1528	9.3012	9.1611	9.2551
GBP	0.6505	0.6085	0.6288	0.6219
CHF	1.4524	1.4829	1.4670	1.5105

Accounting and Valuation Principles

Assets

Intangible assets are valued at acquisition cost, less scheduled straight-line depreciation. Goodwill from capital consolidation and derivative goodwill in the financial statements of subsidiaries is regularly amortized using the straight-line method over the estimated useful life, generally for a period of between 8 and 20 years.

Tangible assets are valued at acquisition or production cost, and depreciable assets are regularly depreciated over their expected useful lives. Low-value assets are depreciated in full in their year of addition. Write-downs and special items based exclusively on tax provisions are not reported.

Regular write-downs are based on the following useful lives:

	Years
Useful life of property, plant and equipment	
Buildings	15 – 50
Land improvements	8 – 20
Technical plant and machinery	3 – 20
Vehicles	5 – 8
Equipment, fixtures, furniture and office equipment	2 – 10

Non-scheduled write-downs are effected if decreases in value are expected to last for longer periods or whenever events indicate that the carrying value of an asset may not be recoverable. If the original reason for adjusting the value of an asset no longer applies, the value of the asset will be written up to the depreciated book value.

As of January 1, 1995, the acquisition and production cost of assets whose construction extends over a longer period of time include interest on debt allocable to the construction period. The interest on debt is subject to regular depreciation when the assets are commissioned.

Shares in associated and non-consolidated affiliated companies are generally valued at equity using the book value method, unless these shares are insignificant. Other shareholdings as well as investments held as fixed assets are generally valued at the lower of acquisition cost or attributable values.

Interest-bearing loans are capitalized at face values. Interest-free or low-interest loans are discounted to their present values.

Inventories are valued at the lower of average acquisition or production cost or market values or attributable values. Production cost includes direct material and prime cost as well as reasonable material and production overhead. Interest on borrowings is not capitalized. Inventory risks resulting from storage periods and reduced usability are accounted for by appropriate mark-downs.

Receivables and other assets are reported in the balance sheet at face values. Individual and lump-sum allowances provide sufficient cover for risks associated with these items. Non-rate-hedged receivables in foreign currencies are depreciated to the lower buying rate on the date of the transaction or on the balance sheet date. Securities are valued at the lower of acquisition cost or market prices.

Stockholders' Equity and Liabilities

Provisions for pensions of Group companies are based on actuarial computations according to the projected unit credit method. They cover all commitments. Deferred taxes for domestic companies are calculated based on a tax rate of 39 percent (corporate income tax: 25 percent; solidarity surcharge: 5.5 percent; trade earnings tax: 18 percent). Deferred taxes for foreign companies are calculated at local tax rates. Deferred tax assets and liabilities are offset against each other. All identifiable risks and uncertain commitments are included in other provisions.

Liabilities are generally reported at their redemption values, while liabilities for annuity payments are reported at their present values. Non-rate-hedged liabilities in foreign currencies are valued at the higher of the selling rate applying on the date of the transaction or the exchange rate on the balance sheet date.

Derivative Financial Instruments

Derivative financial instruments are used exclusively to hedge the interest rate and currency risks of the underlying transactions. As a rule, individual underlying transactions and their respective hedges are assigned to separate valuation units. In addition, underlying transactions and their hedges are assigned to portfolios and separately valued at market prices as of the balance sheet date. A portfolio with a negative valuation result leads to a write-down; positive valuation results are disregarded.

Consolidated Statement of Cash Flows

In accordance with the rules of German Accounting Standard No. 2 (DRS 2), payment flows are subdivided in the Consolidated Statement of Cash Flows into cash provided by operating activities, cash used for investing activities and cash provided by or used for financing activities. Earnings from companies reported at equity that have not been collected as dividends are included in other non-cash expenses and income.

Liquid funds shown in the Consolidated Statement of Cash Flows comprise only cash and current securities with an original maturity of less than three months. Effects of changes in the consolidated group have been eliminated from the items in the three classification areas. This also applies to valuation changes due to exchange rate fluctuations, whose impact on liquid funds is separately disclosed.

Notes to the Consolidated Balance Sheet

1 Fixed Assets

Fixed Asset Movements are shown on pages 54–55 within the published Stinnes Annual Report (here see pages 200–201).

Asset additions and disposals due to the first-time consolidation and the deconsolidation of companies are listed in separate columns in the Asset Movements table.

Additions to fixed assets – broken down by division – are described on pages 26 and 27 of the Management Report within the published Stinnes Annual Report. In the year under review, capitalized interest on borrowings amounted to € 1.9 million (2001: € 1.7 million).

Non-scheduled depreciation of fixed assets amounted to a total of € 13.8 million (2001: € 5.9 million).

2 Inventories

in millions of €	Dec 31, 2002	Dec 31, 2001
Raw materials and supplies	41.7	36.9
Work in progress	4.5	5.9
Finished products	18.1	23.5
Goods purchased for resale	497.8	546.7
Advance payments	0.2	–
Total	**562.3**	**613.0**

3 Receivables and Other Assets

in millions of €	Dec 31, 2002	Dec 31, 2001
Trade accounts receivable	1,710.4	1,818.4
of which not due within 1 year	(–)	(–)
Receivables from affiliated companies	29.8	29.5
of which not due within 1 year	(–)	(–)
Receivables from associated companies	6.2	9.5
of which not due within 1 year	(–)	(–)
Other assets	214.1	250.6
of which not due within 1 year	(58.7)	(65.5)
Total	**1,960.5**	**2,108.0**

Other assets mainly include receivables from the sale of real estate and shareholdings (€ 13.5 million, 2001: € 11.4 million), receivables from commissions and bonuses (€ 10.8 million, 2001: € 13.2 million) as well as receivables from insurance policies for claims, refunds and claims for damages (€ 17.6 million, 2001: € 25.7 million), reinsurance claims in connection with pension obligations (€ 45.5 million, 2001: € 45.4 million) and receivables from tax creditors (€ 48.6 million, 2001: € 66.7 million).

4 Liquid Funds

in millions of €	Dec 31, 2002	Dec 31, 2001
Securities	0.1	0.2
Cash and cash equivalents	98.1	111.6
Total	**98.2**	**111.8**

Cash and cash equivalents mainly include checks, cash on hand and the balance of accounts at credit institutions.

5 Prepaid Expenses and Deferred Charges

In the year under review and in the previous year, this item did not include discounts.

6 Subscribed Capital

The subscribed capital is denominated in 76,069,810 (2001: 76,069,810) individual, no-par-value bearer share certificates.

The extraordinary stockholders' meeting on May 12, 1999, authorized the Board of Management, subject to the approval of the Supervisory Board, to increase the capital stock of the company by a maximum of € 50.0 million by April 30, 2004, by issuing in one or several steps new voting bearer shares in exchange for contributions in cash or kind (authorized capital in accordance with Section 202 ff. of the German Stock Corporation Act). The Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude stockholders' subscription rights (a) where this is necessary to grant subscription rights to holders of convertible bonds or warrants from equity warrant issues to the extent that such holders are entitled when exercising their conversion and option rights as stockholders, (b) when the capital is increased through contributions in kind for the purpose of acquiring a company or an equity holding, or (c) for a portion of the capital of up to € 18.9 million in order to issue new shares at a price that is not far below the market price (Section 186 [3] clause 4 of the German Stock Corporation Act).

Should the Board of Management not make use of the aforementioned authorization to cancel pre-emption rights on issues of new shares, the pre-emptive rights of stockholders can be cancelled only for residual amounts. The Board of Management is authorized, in agreement with the Supervisory Board, to lay down any further details concerning the implementation of the capital increase, and the

Supervisory Board is authorized to amend the Articles of Incorporation so as to permit the chosen utilization of the approved capital.

Pursuant to a resolution adopted by the same extraordinary stockholders' meeting on May 12, 1999, the capital stock was conditionally increased by € 16.0 million through an issue of up to 6,400,000 individual bearer share certificates (conditional capital I). This conditional capital increase will be implemented only to the extent that holders of convertible bonds or warrants (issued by the company or by directly and indirectly held wholly owned subsidiaries of the company by April 30, 2004) exercise their conversion or option rights. The new shares will be entitled to dividends as of the beginning of the fiscal year in which they become effective through the exercise of conversion or option rights. The Board of Management is authorized, subject to the approval of the Supervisory Board, to cancel the pre-emption rights of stockholders on the basis of these convertible bonds or warrants, if the issue price is not much lower than the theoretical market value of the convertible bonds or warrants as calculated using recognized pricing models (Section 221 [4] clause 2 in conjunction with Section 186 (3) clause 4 of the German Stock Corporation Act).

Pursuant to another resolution adopted by the same stockholders' meeting, the capital stock was conditionally increased by an additional € 3.0 million through the issue of up to 1,200,000 individual bearer share certificates (conditional capital II). This conditional capital increase will be implemented only to the extent that holders of option rights (issued by the company between May 12 and December 31, 1999 in the framework of the 1999 Employee Stock Ownership Program of Stinnes AG, based on the authorization of the Board of Management) exercise their right to convert their options into shares. The Company's new shares that result from the exercise of these option rights will be entitled to dividends as of the beginning of the fiscal year in which they are created through the exercise of options. Stockholders do not have a subscription right.

The Supervisory Board is authorized to amend the Articles of Incorporation in accordance with the implementation of the conditional capital increase.

In the framework of the Employee Stock Ownership Program, a total of 133,250 options had been subscribed for by December 31, 1999. Approximately 43,000 of these options expired in the course of fiscal 2000 and 2001 due to personnel turnover. During the third quarter of 2001, which was the first period during which options could be exercised, Stinnes employees subscribed for 69,810 shares. This led to an increase in the capital of Stinnes AG by approximately € 1.1 million (€ 0.2 million subscribed capital and € 0.9 million additional paid-in capital). In the course of the takeover bid submitted by DB Sechste Vermögensverwaltungsgesellschaft mbH/ Deutsche Bahn AG for all Stinnes shares, authorized employees were compensated for each existing option by Stinnes AG with a cash payment amounting to the difference between the takeover bid and the initial offering price on the date of the IPO. Hence, there are no more exercisable option rights (conditional capital II) as of the balance sheet date.

As in previous years, Stinnes AG had purchased shares of its own stock in fiscal 2002 in order to be able to issue employee shares. However, after the publication of the takeover bid by DB Sechste Vermögensverwaltungsgesellschaft mbH/ Deutsche Bahn AG, Stinnes AG decided not to issue any employee shares. Instead, the company resold the shares previously bought through market dealings, so that no shares held in treasury were left as of December 31, 2002.

Stinnes AG purchased a total of 79,719 individual share certificates, equivalent to an accounting par value of € 199,298, or 0.1 percent, of the capital stock. The purchase price paid per individual share certificate amounted to € 26.62 (based on a weighted average of 14 individual purchase transactions). The shares were sold at a price of € 32.64 per certificate. The income earned from the sale of the shares amounted to € 479,616.

7 Additional Paid-in Capital

Additional paid-in capital was exclusively made up of premiums received and remained unchanged relative to the previous year.

8 Retained Earnings

Retained earnings were exclusively made up of "other retained earnings".

9 Development of Stinnes Stockholders' Equity

The Stinnes Group's stockholders' equity developed as follows:

2002 in millions of €	Subscribed Capital of Stinnes AG	Additional Paid-in Capital	Retained Earnings	Balance Sheet Profit	Stockholders' Equity of Stinnes AG	Minority Interests	Total
Jan 1, 2002	190.2	526.1	654.4	70.3	1,441.0	31.3	1,472.3
Dividend payout	–	–	–	– 53.2	– 53.2	– 6.5	– 59.7
Net income	–	–	–	69.3	69.3	12.2	81.5
Transfers to retained earnings from consolidated net income	–	–	33.1	– 33.1	–	–	–
Currency differences	–	–	– 89.6	– 9.1	– 98.7	– 1.9	– 100.6
Other changes	–	–	–	–	–	7.9	7.9
Dec 31, 2002	**190.2**	**526.1**	**597.9**	**44.2**	**1,358.4**	**43.0**	**1,401.4**

2001 in millions of €	Subscribed Capital of Stinnes AG	Additional Paid-in Capital	Retained Earnings	Balance Sheet Profit	Stockholders' Equity of Stinnes AG	Minority Interests	Total
Jan 1, 2001	190.0	525.2	564.8	45.6	1,325.6	25.3	1,350.9
Dividend payout	–	–	–	– 45.6	– 45.6	– 7.6	– 53.2
Capital increase	0.2	0.9	–	–	1.1	–	1.1
Net income	–	–	–	136.6	136.6	9.1	145.7
Transfers to retained earnings from consolidated net income	–	–	66.6	– 66.6	–	–	–
Currency differences	–	–	23.0	0.3	23.3	– 0.1	23.2
Other changes	–	–	–	–	–	4.6	4.6
Dec 31, 2001	**190.2**	**526.1**	**654.4**	**70.3**	**1,441.0**	**31.3**	**1,472.3**

Dividends paid out for minority interests were dividends distributed to co-shareholders at the level of subsidiaries. The other changes are due to changes in the consolidated group.

10 Provisions for Pensions

In general, pension plans are based on length of service. Pension commitments are financed primarily by building up pension accruals.

Pension plans and their respective costs are determined in accordance with US GAAP (SFAS 87, "Employers' Accounting for Pensions"), using the projected unit credit method. This method includes in the valuation not only current pensions and acquired pension entitlements as of the balance sheet date but also expected future increases in these parameters.

In accordance with actuarial valuation, the total expenditure due to pension commitments can be broken down as follows:

in millions of €	2002	2001
Service Cost	14.3	8.1
Interest Cost	21.6	23.5
Prior service Cost	0.3	–
Amortization	– 0.5	– 0.5
Additional pension liability	9.3	1.0
Net periodic pension cost	**45.0**	**32.1**

The funded status of the company's pension system, based on the so-called projected benefit obligation (PBO), is as follows:

in millions of €	Dec 31, 2002	Dec 31, 2001
Accumulated benefit obligation	362.1	342.6
Effect of projected future salary increases	23.9	23.7
Allowance for actuarial losses	– 29.4	– 20.6
Adjustment due to plan changes	– 3.8	– 4.1
Adjustment due to ABO (Additional Pension Liability)	9.3	1.0
Provisions for pensions	**362.1**	**342.6**

The actuarial values of the pension obligations were determined on the basis of the 1998 Heubeck mortality tables.

Actuarial pension obligations and costs were determined based on the following assumptions:

in %	2002	2001
Discount rate	6.00	6.25
Projected salary increases (non-vested)	2.75	2.75
Projected pension increases	1.25	1.25

11 Other Provisions

in millions of €	Dec 31, 2002	Dec 31, 2001
Provisions for taxes	82.0	98.3
of which deferred taxes	(0.3)	(13.2)
Provisions for outstanding invoices	235.8	207.0
Provisions for personnel expenses	197.0	191.6
Provisions for SARs	100.6	17.4
Provisions for damages	38.4	36.8
Provisions for environmental protection	90.1	97.5
Miscellaneous	229.5	255.2
Total	**973.4**	**903.8**

Under other provisions, € 478 million (2001: € 477 million) was paid out and € 57 million (2001: € 61 million) was reversed, while a total of € 625 million (2001: € 472 million) was transferred to provisions. In addition, other provisions increased due to changes in the consolidated group. Currency fluctuations had the opposite effect.

Provisions for deferred taxes include provisions due to time differences in the adjustment of individual financial statements to the Stinnes Group's common accounting and valuation principles, as well as taxes attributable to differences in valuations that are applied in individual financial statements and that are permissible under German fiscal law but were not included in the Consolidated Financial Statements. Provisions for deferred taxes are mainly long-term in nature.

Provisions for outstanding invoices include obligations for sales and services already effected for which invoices have not yet been received.

Provisions for personnel expenses primarily include provisions for expenses from overdue vacations, anniversary bonuses, annual bonuses, contributions to the employers' liability insurance association, as well as other accrued personnel expenses.

For information on the provisions for SARs, please refer to our explanations in the Notes on pages 71–72 within the published Stinnes Annual Report (here see pages 220–222).

Provisions for environmental protection mainly include provisions for future remedial action by the Chemicals Division.

Miscellaneous provisions cover a wide variety of different risks such as demolition obligations, warranties and anticipated losses related to incomplete contracts.

A total of € 29.6 million (2001: € 60.2 million) of other provisions – including deferred taxes – are long-term in nature.

12 Liabilities

in millions of €	Total Dec 31, 2002	of which due within 1 year	of which due within 1–5 years	of which due within over 5 years	Total Dec 31, 2001	of which due within 1 year
Bank loans	859.6	269.5	280.1	310.0	872.0	313.0
Payments received on account of orders	2.4	2.4	–	–	6.4	6.4
Trade accounts payable	964.5	964.5	–	–	1,048.0	1,048.0
Bills payable	4.8	4.8	–	–	2.6	2.6
Liabilities to affiliated companies	7.0	7.0	–	–	182.1	18.1
Liabilities to associated companies	3.0	3.0	–	–	6.6	6.0
Other liabilities	402.8	350.3	40.9	11.6	398.6	354.9
of which taxes	(76.8)	(76.8)	(–)	(–)	(80.2)	(80.2)
of which social security contributions	(45.2)	(45.2)	(–)	(–)	(45.2)	(45.2)
Total	**2,244.1**	**1,601.5**	**321.0**	**321.6**	**2,516.3**	**1,749.0**
(of which interest-bearing)	(920.0)	(–)	(–)	(–)	(1,087.0)	(–)
Liquid funds	98.1	–	–	–	111.6	–
Stockholders' equity	1,401.4	–	–	–	1,472.3	–
Gearing (as a percentage)[1]	58.7	–	–	–	66.3	–

[1] Ratio of interest-bearing debt (less liquid funds) to equity

A total of € 6.8 million (2001: 7.5 million) of the liabilities is secured by mortgages, while € 13.1 million (2001: € 10.5 million) is secured by other rights of lien.

Interest-bearing liabilities include not only amounts due to banks but also bills payable and interest-bearing components of amounts due to affiliated companies as well as other interest-bearing liabilities.

Contingent Liabilities

Contingent liabilities are as follows:

in millions of €	Dec 31, 2002	Dec 31, 2001
Contingent liabilities on bills of exchange	1.6	2.7
Contingent liabilities from guarantees	50.9	64.6
Total	**52.5**	**67.3**

Other Financial Obligations

As of December 31, 2002, other financial obligations amounted to a total of € 770.9 million (2001: € 706.8 million) and primarily include the obligation from the acquisition of the Joyau Group (not yet completed on the balance sheet date) in the Transportation Division as well as purchase commitments for fixed assets in addition to the obligations arising from rental, tenancy and leasing agreements as listed in the table below.

The nominal values of obligations arising from rental, tenancy and leasing agreements are due as follows:

in millions of €	
2003	130.4
2004	111.4
2005	96.7
2006	82.6
2007	74.1
thereafter	205.6

Expenses arising from these agreements are included in the Income Statement and amount to € 217.7 million (2001: € 199.8 million).

Derivative Financial Instruments

Due to its activities worldwide and its financing requirements, the Stinnes Group is exposed to currency and interest rate risks. In order to reduce these risks, we use derivative financial instruments. These transactions are carried out exclusively to safeguard the success of the operative business, to hedge intra-Group financing transactions and to control interest rate duration. This does not give rise to additional risks. The use of derivative financial instruments is governed by a Group guideline. Currency and interest rate risks are continually analyzed, hedging transactions are displayed, and the transactions concluded are evaluated in a computerized system spanning the entire Group. The conclusion of derivative transactions is subject to ongoing risk control. Trading, execution and control are strictly separated functions, which are monitored by our internal audit department. The financial instruments used for risk control include forward exchange contracts, cross-currency swaps, interest-rate swaps and combined interest-rate/cross-currency swaps. The sum total of all purchasing and selling amounts agreed between the parties is the nominal volume. Of all the derivative financial transactions concluded, transactions with a nominal volume of € 178.3 million (2001: € 183.7 million) are not due within one year. The purpose of these transactions is to hedge existing financing projects against currency and interest-rate risks. The nominal volume is not a yardstick of the risk that the company is exposed to due to the use of derivative financial instruments because it is not the nominal volume but the market value that is paid by one contracting party to the other when derivative financial instruments are concluded or terminated. Market values as shown in the following table are determined irrespective of whether the value of the underlying transactions (which are hedged against currency and interest rate risks by means of the derivative financial instruments) develops in the opposite direction. Derivative financial transactions are concluded exclusively with banks that have an excellent credit standing.

	Nominal volume		Market value	
in millions of €	**Dec 31, 2002**	**Dec 31, 2001**	**Dec 31, 2002**	**Dec 31, 2001**
Currency tools	569	550	6.9	– 3.0
Interest-rate tools	41	46	– 4.1	– 3.3
Total	**610**	**596**	**2.8**	**– 6.3**

Notes to the Consolidated Income Statement

13 Sales

Sales revenues are shown under Segment Reporting (item 21), classified by division and by region.

14 Other Operating Income

in millions of €	2002	2001
Income from asset disposals and write-ups	30.7	50.7
Reversal of provisions no longer required	57.0	61.0
Proceeds from value-adjusted and eliminated receivables	12.7	10.8
Currency gains	19.6	21.5
Rent	14.1	13.0
Reimbursements, refunds and compensation for damages	33.7	30.6
Other income	59.6	56.3
Total	**227.4**	**243.9**

Income from asset disposals primarily includes gains on the sale of shareholdings and non-operating real estate. Reversal of provisions no longer required in the year under review includes personnel expenses, delivered goods and services for which invoices have not yet been received, as well as compensation for damages and deferred maintenance. Other income includes a large number of different items such as income from additional services and security deposits collected for packaging.

15 Other Operating Expenses

in millions of €	2002	2001
Losses from asset disposals	4.0	9.6
Write-downs on accounts receivable	58.0	51.1
Currency losses	19.6	20.8
Other expenses	33.9	25.4
Total	**115.5**	**106.9**

Other operating expenses include costs that cannot be allocated to functional areas. Other expenses cover a wide variety of expenses such as provisions for environmental risks and risks arising from lawsuits as well as payment of damages. In the year under review, amortization of goodwill from capital consolidation is disclosed for the first time as selling expenses (like amortization of acquired goodwill in the financial statements of subsidiaries) instead of as other operating expenses. The relevant figures for the previous year were adjusted to reflect this change in disclosure.

16 Income from Equity Interests

Income from equity interests is composed of the following items:

in millions of €	2002	2001
Income from profit and loss transfer agreements	0.4	0.5
of which from affiliated companies	(0.4)	(0.5)
Income from companies valued at equity	6.3	3.7
of which from affiliated companies	(1.9)	(0.8)
Income from equity interests	2.6	2.6
of which from affiliated companies	(0.9)	(1.6)
Losses from profit and loss transfer agreements	– 0.5	– 0.1
of which from affiliated companies	(– 0.3)	(–)
Losses from companies valued at equity	– 4.9	– 0.6
of which from affiliated companies	(– 4.8)	(–)
Total	**3.9**	**6.1**

In the year under review – as in the previous year – there was no goodwill amortization from equity valuation.

17 Net Interest Income/Expenses

in millions of €	2002	2001
Income from other securities and long-term financial investments	0.5	0.6
Other interest and similar income	15.8	22.7
of which from affiliated companies	(–)	(–)
Interest and similar expenses	– 67.1	– 95.6
of which paid to affiliated companies	(– 4.3)	(– 10.2)
Total	**– 50.8**	**– 72.3**

The improvement of net interest income/expenses was due both to the reduction of interest-bearing debt and to declining interest rates in the major currencies for the Group's debt (EURO and US dollar).

Interest and similar expenses were reduced by € 1.9 million (2001: € 1.7 million) due to the capitalization of interest on construction finance.

18 Income Taxes

Income tax expenses including deferred taxes can be broken down as follows:

in millions of €	2002	2001
Domestic income taxes	– 2.3	– 6.0
Foreign income taxes	– 88.3	– 88.4
Deferred taxes	21.6	– 2.2
Total	**– 69.0**	**– 96.6**

The domestic share of the consolidated earnings before income taxes decreased substantially, mainly due to transfers to provisions for SARs. Since domestic tax expenditure was already at a low level in the previous year because of trade tax losses carried forward and the fact that, under Section 8b para. 5 of the German Corporate Income Tax Act (KStG), foreign dividends are included in the tax base at a rate of only 5 percent, the domestic tax expenditure decreased only slightly and at a disproportionately low rate. Consequently, the Group's overall tax rate – i.e. tax expenditure as a percentage of earnings before income taxes – increased from 39.9 percent in the previous year to 45.8 percent in the year under review.

19 Net Income and Reconciliation to the Consolidated Balance Sheet Profit

in millions of €	2002	2001
Net income	81.5	145.7
Minority interests in net income	– 12.2	– 9.1
Consolidated net income (share of Stinnes)	69.3	136.6
Transfer to retained earnings	– 33.1	– 66.6
Difference due to currency translation	– 9.1	0.3
Profit of Stinnes AG carried forward	17.1	–
Consolidated balance sheet profit	**44.2**	**70.3**

€ 13.0 million (2001: € 9.2 million) of minority interests in the results for the year affect the net income, and € 0.8 million (2001: € 0.1 million) affect the net loss of fully consolidated subsidiaries.

The consolidated balance sheet profit is the balance sheet profit of Stinnes AG.

Additional Information

Personnel Expenses/Headcount

Personnel Expenses in millions of €	2002	2001
Wages and salaries	1,465.2	1,338.7
Social security contributions	265.9	262.2
	1,731.1	1,600.9
Employee pension plan contributions	90.2	83.3
Total	**1,821.3**	**1,684.2**

The increase in expenditure for wages and salaries by approximately € 100 million was due to transfers to provisions for SARs. For more information on the provisions for SARs, see the comments on remuneration based on stock price performance.

Employee pension plan contributions increased mainly due to the reduction of the underlying discount rate from 6.25 to 6.0 percent.

Headcount (annual average)	2002	2001
Transportation	32,319	31,766
Chemicals	8,469	8,350
Materials	1,997	2,165
Other Activities	631	741
Total	**43,416**	**43,022**

incl. trainees and interns (1,615; 2001: 1,621)

The average number of employees in the Stinnes Group as a whole increased mainly due to the first-time consolidation of the Anterist + Schneider Group in the Transportation Division.

Remuneration based on stock price performance

In March 1999, Stinnes AG decided to introduce indexed virtual stock options (stock appreciation rights, SARs) in order to enable the Group's managers to participate in the long-term and sustained success of the Stinnes stock. In 1999, 2000 and 2001, SARs were granted to approximately 250 managers of the Stinnes Group, including all the members of the Board of Management of Stinnes AG, as part of their total remuneration package. The SARs for the members of the Board of Management were allocated by the Executive Committee of the Supervisory Board; the SARs for the other managers were allocated in agreement with the Supervisory Board. The value of an option on the date of issue was calculated by using recognized option pricing models. Because of the takeover bid submitted by DB Sechste Vermögensverwaltungsgesellschaft mbH/Deutsche Bahn AG for all Stinnes shares on August 7, 2002 in connection with a potential decision (a decision actually taken at an extraordinary stockholders' meeting on February 17, 2003) to squeeze out the minority shareholders in accordance with Section 327a ff. of the German Stock Corporation Act (AktG), the option rights already granted to the members of the Board of Management as well as the additional option rights yet to be granted to the other option holders for the year 2002 were replaced by lump-sum payments by Stinnes, amounting to a total of € 6.4 million.

In accordance with the option terms and conditions, the option holders receive compensation in cash amounting to the difference between the actual price of the Stinnes stock on the exercise date and the indexed stock price, multiplied by the number of SARs exercised. The exercise price is calculated on the basis of the average price of the Stinnes stock over the last six months prior to the exercise date, taking into consideration possible dilution effects due to dividend payments and measures affecting the capital. In order to determine the indexed stock price, the price applying on the date when the SARs were issued is multiplied by the quotient of the average MDAX performance index over the six months prior to the exercise date and the index level on the date when the SARs were issued.

In the event of a squeeze-out procedure, all options are automatically exercised under the option terms and conditions when the squeeze-out procedure becomes effective. In this case, the option value is based on the squeeze-out value instead of the average stock price over the last six months.

	2001 tranche	2000 tranche	1999 tranche
Structure of Stock Appreciation Rights (SARs)			
Date of issue	July 2001	July 2000	July 1999
SARs granted in millions of units	0.9	1.3	3.4
Value of an SAR on date of issue in €	6.24	4.90	2.01[1]
Price of Stinnes stock on date of issue in €	24.38	21.00	15.28[2]
MDAX performance index on date of issue in points	4,804.29	4,457.92	4,069.95[2]
Time to maturity in years	5	5	5
Exercise window	July 2003 to May 2006	July 2002 to May 2005	July 2002 to May 2004

1) In the absence of historical prices for the Stinnes stock, the assumptions applied for valuation were the same as the assumptions applied for the valuation of the SARs of former VEBA AG.

2) Since stock prices are usually highly volatile following an IPO, the average levels calculated for both the issue price and the reference index on trading days 11–20 were used as a basis for the first tranche.

The time-to-maturity of the SARs is five years, and the SARs can be exercised within the time periods mentioned in the table. They are not transferable and can be exercised prematurely only under certain circumstances when beneficiaries leave the Group, or they are automatically exercised in the event of a squeeze-out procedure; otherwise, the SARs expire.

In the year under review, the number of SARs granted – subdivided into tranches – developed as follows:

	2001 tranche	2000 tranche	1999 tranche
Total as of January 1, 2002	928,400	1,148,200	2,566,000
SARs exercised	149,400	274,700	716,300
SARs expired	12,000	25,000	49,900
Total as of December 31, 2002	767,000	848,500	1,799,800

The commitments of the company arising from the SARs are disclosed in terms of their intrinsic value on the balance sheet date under Other Provisions. Following the squeeze-out decision adopted at the extraordinary meeting of Stinnes stockholders on February 17, 2003, the intrinsic value as of December 31, 2002, was calculated on the basis of the squeeze-out value of the Stinnes stock (€ 40.38, including dividend entitlement for the past fiscal year) adopted at the extraordinary meeting of stockholders. As of December 31, 2002, provisions for SARs thus amounted to a total of € 100.6 million (December 31, 2001: € 17.4 million).

Taxes Other than Income Taxes

"Taxes other than income taxes" mainly include real property and motor vehicle taxes. In fiscal 2002, they amounted to a total of € 27.4 million (2001: € 26.4 million).

Income and Expenses Unrelated to the Accounting Period

Income attributable to other fiscal years amounted to € 37.5 million (2001: € 42.8 million) and stems primarily from the retransfer of provisions as well as proceeds from value-adjusted and eliminated receivables. Expenses attributable to other fiscal years amounted to € 18.5 million (2001: € 36.7 million). These expenses are mainly made up of provisions for circumstances for which the risk of loss only became probable or reliably estimable in the year under review. Most of the income and expenses described above is disclosed as other operating expenses and income.

20 Information on the Consolidated Cash Flow Statement

The Consolidated Cash Flow Statement can be found on page 53 within the published Stinnes Annual Report preceding the Notes (here see page 199).

Financing requirements of € 366 million for investments in fixed assets and acquisitions of equity holdings were fully covered by cash provided by divestments (€ 113 million) and by operating activities (€ 446 million). Cash provided by operating activities nearly reached the high level of the previous year, due to, inter alia, the continued reduction of working capital. The balance of the cash provided by operating activities – remaining after investments and dividend payments – was mainly used to pay back financial debt.

In the year under review, payments for acquisitions of subsidiaries amounted to € 44 million. The companies that were consolidated for the first time rendered assets amounting to € 73 million as well as provisions and liabilities amounting to € 46 million.

21 Segment Information

The segmentation mirrors the Stinnes Group's internal reporting and organizational structure.

The segment earnings reported is the internal operating profit, which is the most important internal earnings figure for Stinnes and which serves as an indicator of a division's long-term profitability. The internal operating profit is adjusted pre-tax income. It is adjusted primarily for expenses and income that are not related to the operative business and that Stinnes internally defines as one-off or rare occurrences.

The following table shows the reconciliation of the Stinnes Group's internal operating profit to earnings before income taxes as reported in the Consolidated Income Statement:

in millions of €	2002	2001
Internal operating profit	166.9	251.8
Non-operating result:		
Net book gains	18.5	10.4
Restructuring expenses	– 20.5	– 12.5
Other non-operating result	– 14.4	– 7.4
Earnings before income taxes	**150.5**	**242.3**

Net book gains in 2002 mainly include the gains on the sale of shareholdings and non-operating real estate.

Restructuring expenses in 2002 primarily include the costs incurred when restructuring the Materials Division.

The other non-operating result reported for the year 2002 includes other one-off and extraordinary items.

The write-downs and interest expenses disclosed in the segment reporting have also been adjusted for non-operating components and may thus differ from the amounts shown in the Consolidated Income Statement.

The non-operating result includes interest income amounting to € 2.1 million (2001: interest expenses of € 6.9 million) as well as write-downs amounting to € 6.8 million (2001: € 4.4 million).

Segment liabilities include the operative liabilities as well as the financing liabilities of the various divisions as well as short-term provisions.

Other Activities/Consolidation is a heading which includes the headquarters and other activities that cannot be assigned to any division. In addition, this column includes cross-segment consolidation effects.

Segment Information by Region in millions of €		Germany	Rest of Europe	North America	Rest of World	**Total**
External sales						
by seat of customers	**2002**	3,162.1	5,019.2	2,457.6	1,123.1	**11,762.0**
	2001	3,441.1	5,034.9	2,677.8	1,150.3	**12,304.1**
by seat of companies	**2002**	3,383.8	5,040.3	2,352.2	985.7	**11,762.0**
	2001	3,699.7	5,014.9	2,587.9	1,001.6	**12,304.1**
Internal operating profit	**2002**	– 80.6	144.4	52.4	50.7	**166.9**
	2001	12.2	149.7	42.0	47.9	**251.8**
Segment assets	**2002**	1,245.4	2,563.4	829.5	347.7	**4,986.0**
	2001	1,236.2	2,614.6	991.3	401.7	**5,243.8**
Investments	**2002**	159.0	162.4	27.1	17.1	**365.6**
	2001	73.1	145.4	39.6	9.3	**267.4**

Segment Information by Division in millions of €		Trans-portation	Chemicals	Materials	Other Activ-ities/Con-solidation	Total
Segment assets	2002	2,394.3	1,990.9	427.3	173.5	**4,986.0**
	2001	2,377.2	2,081.3	486.0	299.3	**5,243.8**
Segment liabilities	2002	1,583.8	1,522.8	262.1	– 175.7	**3,193.0**
	2001	1,608.3	1,592.8	299.5	– 131.8	**3,368.8**
Investments	2002	204.8	132.8	24.7	3.3	**365.6**
	2001	140.2	100.1	21.1	6.0	**267.4**
External sales	2002	6,225.1	4,341.1	1,140.7	55.1	**11,762.0**
	2001	6,121.8	4,646.1	1,461.9	74.3	**12,304.1**
Intersegment sales	2002	1,183.8	331.3	76.1	14.0	**1,605.2**
	2001	1,116.6	338.0	93.0	14.8	**1,562.4**
Total sales	2002	7,408.9	4,672.4	1,216.8	69.1	**13,367.2**
	2001	7,238.4	4,984.1	1,554.9	89.1	**13,866.5**
Internal operating profit	2002	109.2	104.4	3.7	– 50.4	**166.9**
	2001	128.2	106.3	21.3	– 4.0	**251.8**
including: interest income	2002	9.6	1.7	1.4	1.5	**14.2**
	2001	12.4	3.6	2.3	3.9	**22.2**
including: interest expenses	2002	– 36.9	– 38.5	– 6.5	14.8	**– 67.1**
	2001	– 41.2	– 53.6	– 12.5	19.7	**– 87.6**
including: other non-cash income and expenses	2002	48.8	26.6	– 1.5	23.0	**96.9**
	2001	– 15.0	– 5.9	– 3.3	– 10.2	**– 34.4**
including: earnings from associated companies	2002	4.1	0.2	–	–	**4.3**
	2001	2.9	0.2	–	–	**3.1**
including: earnings from other equity holdings	2002	– 1.6	0.9	–	0.1	**– 0.6**
	2001	0.8	0.1	–	1.8	**2.7**
including: goodwill amortization	2002	– 25.6	– 32.8	– 2.2	– 1.6	**– 62.2**
	2001	– 25.4	– 32.2	– 2.5	– 1.5	**– 61.6**
including: depreciation & write-downs of other fixed assets	2002	– 99.6	– 62.8	– 17.1	– 9.2	**– 188.7**
	2001	– 103.0	– 62.5	– 10.3	– 10.8	**– 186.6**

The decline in the internal operating profit in Germany was mainly due to the transfers to provisions for SARs. In addition, the earnings of the Materials Division were burdened by weak demand and intensive price competition in the German market. On the other hand, the German activities of the Transportation and Chemicals Divisions showed a strong performance.

Information on the Corporate Governance Code in accordance with Section 314 (1) No. 8 of the German Commercial Code (HGB)

In accordance with Section 161 of the German Stock Corporation Act (AktG), the Board of Management and the Supervisory Board of Stinnes AG issued a declaration of compliance with the recommendations presented by the German Government's Commission on a German Corporate Governance Code. This declaration is permanently accessible to stockholders on the Internet at www.stinnes.de/deutsch/Investor/hv/Entsprechenserklaerung. For more information on this point, we would like to refer you to the relevant comments in the Management Report on pages 47–48 of the published Stinnes Annual Report.

Supervisory Board and Board of Management

Total remunerations paid to the members of the Supervisory Board in the year 2002 amounted to € 537,266.00. Total remunerations paid to the members of the Board of Management in the year 2002 amounted to € 2,907,785.11, including compensation for the performance of duties in subsidiaries.

Total payments made to retired members of the Board of Management and their survivors amounted to € 5,938,707.06.

Provisions of € 28,599,871.00 have been set up to cover pension obligations of Stinnes AG to retired members of the Board of Management and their survivors.

The members of the Supervisory Board of Stinnes AG and the members of the Board of Management as well as information on additional mandates carried by members of the Supervisory Board and the Board of Management are listed on pages 79–81 of the published Stinnes Annual Report.

Mülheim an der Ruhr, February 27, 2003

Stinnes AG
The Board of Management

Major Subsidiaries Deutsche Bahn Group

Name and domicile	Ownership in %	Equity in € million	Revenues 2002 in € million	Revenues relative change in %	Net income 2002 in € million	Employees as of Dec 31, 2002
Group division Passenger Transport						
Long-distance Passenger Transport (DB Reise&Touristik)						
DB Reise&Touristik AG, Frankfurt/Main	100.0	2,045.2	2,916.3	– 7.2	– [1]	21,737
Ameropa-Reisen GmbH, Bad Homburg v.d.H.	100.0	2.6	106.5	3.3	– [1]	129
Bayern Express & P. Kühn Berlin GmbH, Berlin	100.0	4.1	23.1	2.5	– [1]	203
CityNightLine CNL AG, Zurich	100.0	19.8	45.7	6.9	3.8	99
DBDialog Telefonservice GmbH, Schwerin	100.0	0.8	62.8	18.0	– [1]	1,913
Deutsche Touring Gesellschaft mbH, Frankfurt/Main	82.8	5.0	59.4	8.5	– [1]	159
DBAutozug GmbH, Dortmund [2]	100.0	134.9	211.5	–	– [1]	252
DB European Railservice GmbH, Dortmund [3]	100.0	0.0	15.6	432.8	0.0	447
Metropolitan Express-Train GmbH, Bad Homburg v.d.H.	100.0	4.4	20.6	9.8	– [1]	11
Mitropa AG, Frankfurt/Main	100.0	15.9	198.0	– 30.1	0.3 [1]	1,758
Local Passenger Transport (DB Regio)						
DB Regio AG, Frankfurt/Main	100.0	1,764.0	4,715.1	0.4	– [1]	23,179
DB RegioNetz Verkehrs GmbH, Frankfurt/Main [4]	100.0	49.7	109.7	–	– [1]	480
BRN Stadtverkehr GmbH, Ludwigshafen/Rh.	100.0	13.3	49.9	4.7	– [1]	452
DB Regionalbahn Rhein-Ruhr GmbH, Essen	100.0	126.1	488.8	– 2.8	– [1]	2,043
DB Regionalbahn Rheinland GmbH, Cologne	100.0	68.6	298.1	0.5	– [1]	1,117
BRS Busverkehr Ruhr-Sieg GmbH, Meschede [5]	100.0	4.5	32.1	–	– [1]	176
BVR Busverkehr Rheinland GmbH, Düsseldorf	100.0	4.2	28.4	– 47.4	– [1]	176
DB ZugBus Regionalverkehr Alb-Bodensee GmbH (RAB), Ulm (Donau)	100.0	24.0	222.9	18.4	– [1]	1,128
DB Regionalbahn Westfalen GmbH, Münster	100.0	35.5	296.0	– 1.2	– [1]	1,179
WB Westfalen Bus GmbH, Münster	100.0	6.0	24.8	– 54.6	– [1]	135
BVO Busverkehr Ostwestfalen GmbH, Bielefeld	100.0	11.3	41.8	– 26.4	– [1]	343
Omnibusverkehr Franken GmbH (OVF), Nuremberg	100.0	13.3	84.2	1.1	– [1]	521
ORN Omnibusverkehr Rhein-Nahe GmbH, Mainz	100.0	5.1	39.6	– 4.3	– [1]	331
RBO Regionalbus Ostbayern GmbH, Regensburg	100.0	9.8	55.4	2.2	– [1]	282
Regional Bus Stuttgart GmbH –RBS–, Stuttgart	100.0	15.9	65.6	1.3	– [1]	522
Regionalbus Braunschweig GmbH –RBB–, Braunschweig	100.0	3.6	40.2	4.7	– [1]	282
Regionalverkehr Kurhessen GmbH (RKH), Kassel	100.0	10.7	55.6	– 5.6	– [1]	531
Regionalverkehr Oberbayern GmbH, Munich	100.0	10.8	56.6	3.0	– [1]	630
RMV Rhein-Mosel Verkehrsgesellschaft mbH, Koblenz	74.9	9.6	58.9	6.1	0.0	231
RSW Regionalbus Saar-Westpfalz GmbH, Saarbrücken	100.0	9.4	57.1	– 0.1	– [1]	321
RVS Regionalbusverkehr Südwest GmbH, Karlsruhe	100.0	7.2	50.8	4.0	– [1]	363
S-Bahn Berlin GmbH, Berlin	100.0	165.2	477.2	– 2.0	– [1]	4,079
S-Bahn Hamburg GmbH, Hamburg	100.0	62.3	170.1	6.8	– [1]	1,014
S-Bahn München GmbH, Munich	100.0	225.4	256.7	6.3	– [1]	999
SBG SüdbadenBus GmbH, Freiburg i. Br.	100.0	6.6	63.8	7.1	– [1]	456
Verkehrsgesellschaft mbH Untermain –VU–, Frankfurt/Main	100.0	3.8	52.9	– 4.5	– [1]	340
Weser-Ems Busverkehr GmbH (WEB), Bremen	100.0	10.2	55.8	2.0	– [1]	383
Regionalbahn Schleswig-Holstein GmbH, Kiel	100.0	10.5	239.0	– 0.2	– [1]	874
Autokraft GmbH, Kiel	100.0	8.7	68.6	1.1	– [1]	639

Name and domicile	Ownership in %	Equity in € million	Revenues 2002 in € million	Revenues relative change in %	Net income 2002 in € million	Employees as of Dec 31, 2002
Group division Freight Transport						
DB Cargo AG, Mainz	100.0	434.6	3,259.0	– 4.7	– 1)	26,155
ATG Autotransportlogistic Gesellschaft mbH, Eschborn/Taunus	75.0	2.5	252.8	– 5.9	1.3	48
BTT BahnTank Transport GmbH, Mainz	100.0	1.5	45.9	43.1	– 1)	81
BTS Buss-Trans Container Service GmbH & Co. KG, Hamburg	100.0	3.0	23.2	16.1	0.0	163
NUCLEAR CARGO + SERVICE GmbH, Hanau	100.0	8.5	41.3	3.7	3.4	124
Railion Benelux N.V., Utrecht	100.0	65.2	154.7	2.7	0.5	1,375
Railion Denmark A/S, Copenhagen	100.0	16.0	76.1	– 1.4	– 6.7	662
TRANSA Spedition GmbH, Offenbach/Main	50.0	10.1	204.4	– 1.8	1.0	289
Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH, Frankfurt/Main	100.0	1.0	189.7	– 8.4	– 1)	163
Group division Passenger Stations						
DB Station & Service AG, Berlin	100.0	1,201.5	810.5	0.4	– 1)	5,255
Group division Track Infrastructure						
DB Netz AG, Frankfurt/Main	100.0	5,115.8	3,402.0	– 1.5	– 1)	51,918
DB RegioNetz Infrastruktur GmbH, Frankfurt/Main 6)	100.0	0.0	23.0	–	– 1)	321
DB Verkehrsbaulogistik GmbH, Mainz	100.0	3.1	539.3	29.1	– 1)	232
Service						
DB Services Technische Dienste GmbH, Berlin	100.0	2.6	332.7	– 2.2	– 1)	4,441
DB Services Südwest GmbH, Frankfurt/Main	100.0	0.8	67.6	– 2.0	– 1)	1,703
DB Services Nord GmbH, Hamburg	100.0	0.5	54.2	3.0	– 1)	1,378
DB Services Süd GmbH, Munich	100.0	0.5	55.8	– 3.6	– 1)	1,294
DB Services West GmbH, Cologne	100.0	0.5	59.7	0.4	– 1)	1,336
DB Services Nordost GmbH, Berlin	100.0	0.3	58.1	– 9.3	– 1)	1,887
DB Services Südost GmbH, Leipzig	100.0	0.3	127.4	90.6	– 1)	3,394
DB Services Sicherheitsdienste GmbH, Berlin	100.0	0.2	79.5	– 22.0	– 1)	2,207
DB Energie GmbH, Frankfurt/Main	100.0	531.1	1,328.1	3.0	– 1)	1,902
DBFuhrparkService GmbH, Frankfurt/Main	100.0	3.5	117.3	– 9.6	– 1)	169
DBRent GmbH, Frankfurt/Main	100.0	0.0	14.7	–	– 1)	91
DB Systems GmbH, Frankfurt/Main	100.0	214.4	722.7	1.5	– 1)	2,487
DB Telematik GmbH, Eschborn/Taunus 7)	100.0	11.8	625.2	–	0.6	3,657

1) Profit and loss transfer agreement
2) Takeover of the car carrier and night train activities from DB Reise&Touristik AG
3) Takeover of the catering activities from Mitropa AG
4) Spin-off from DB Regio AG
5) Spin-off from Westfalen Bus GmbH, Münster
6) Spin-off from DB Netz AG
7) Acquisition of the rail-specific telematics activities from Arcor

Major Subsidiaries Deutsche Bahn Group (continuation)

Name and domicile	Ownership in %	Equity in € million	Revenues 2002 in € million	Revenues relative change in %	Net income 2002 in € million	Employees as of Dec 31, 2002
Stinnes						
Stinnes AG, Mülheim/Ruhr	99.71	860.0	0.0	0.0	27.1	12,448
Transportation						
SCHENKER & Co. AG, Vienna	100.0	53.1	427.2	– 5.3	29.1	1,750
SCHENKER AB, Göteborg	100.0	26.6	836.9	3.9	11.6	2,772
Schenker S.A., Gennevilliers	100.0	24.8	319.8	1.3	1.4	946
Schenker Italiana S.p.A., Peschiera	100.0	23.1	244.6	– 4.7	2.1	749
Schenker International (HK) Ltd., Hong Kong	100.0	20.5	246.9	21.3	12.7	722
Schenker of Canada Ltd., Toronto	100.0	17.4	195.7	15.0	2.8	609
Schenker LTD., London	100.0	10.2	154.7	3.7	– 1.3	487
Schenker OY, Helsinki	100.0	7.4	240.0	5.0	12.4	436
Schenker-Seino Co. Ltd., Tokyo	60.0	3.4	133.7	31.3	1.3	193
Chemicals						
BRENNTAG S.A., Chassieu	100.0	69.8	395.3	– 0.9	21.9	784
BRENNTAG Canada, Inc., Etobicoke	100.0	27.8	185.0	– 8.6	4.6	437
BRENNTAG S.p.A., Milan	100.0	26.9	264.7	– 9.0	2.5	265
BRENNTAG Polska sp.zo.o., Kedzierzyn Kozle	74.0	16.2	119.4	– 4.0	1.8	336
BRENNTAG N.V., Deerlijk	100.0	14.2	131.2	0.4	5.3	205
NEUBER Ges.m.b.H., Vienna	100.0	14.0	147.0	0.7	2.8	316
BRENNTAG Quimica S.A., Dos Hermanas	100.0	5.0	149.7	– 0.6	0.6	328
Other						
Stinnes Corporation, Tarrytown[2]	100.0	261.5	1,905.8	– 0.9	23.8	3,524
Other Subsidiaries						
DE-Consult, Deutsche Eisenbahn-Consulting GmbH, Berlin	100.0	28.0	154.8	44.0	6.2	1,177
Deutsche Eisenbahn-Reklame GmbH, Kassel	100.0	5.5	165.5	– 3.0	–[1]	242
Deutsche Bahn Gleisbau GmbH, Duisburg	100.0	7.5	66.8	– 19.8	–[1]	454
Deutsche Gleis- und Tiefbau GmbH, Berlin	100.0	3.2	163.5	12.8	–[1]	1,338
Ibb Ingenieur-, Brücken- und Tiefbau GmbH, Dresden	100.0	2.0	82.6	40.3	–[1]	285
DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH, Bad Homburg v.d.H.	65.0	1.5	23.7	5.0	0.0	71

[1] Profit and loss transfer agreement
[2] Figures according to the financial statements of Stinnes Corporation (including US-American activities of the segments Transportation, Chemicals and Materials)

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	– 608	– 1,927	– 486	–	3,029	– 8
Utilization of local infrastructure	– 16	– 42	– 133	–	192	– 1
Station utilization	– 90	– 439	–	528	1	–
Energy offset	– 170	– 619	– 313	– 46	– 95	1,243

Management Board of Deutsche Bahn AG

Hartmut Mehdorn
Chairman and CEO
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)
Stinnes AG (Chairman)
S-Bahn München GmbH (Chairman)
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a. G.
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a. G.
Lufthansa Technik AG
SAP AG
Vattenfall Europe AG
WestLB AG

b) Bayerische Magnetbahnvorbereitungsgesellschaft mbH (Chairman)
Projektgesellschaft METRORAPID mbH (Chairman)
Railog GmbH (Advisory Board)
Allianz Versicherungs-AG (Advisory Board)
Bayerische Hypo- und Vereinsbank AG (Advisory Board)
Commerzbank AG (Berlin State Advisory Board)
Deutsche Bank AG (Advisory Board, Eastern Region)
Dresdner Bank AG (Advisory Management Council)

Dr. Norbert Bensel
Personnel,
Berlin
– since May 21, 2002 –

a) DB Reise&Touristik AG
DB Regio AG
DB Cargo AG
DB Station&Service AG
DB Netz AG
DB Gastronomie GmbH (Chairman)
DB Vermittlung GmbH (Chairman)
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a. G.
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a. G.
Partner für Berlin Gesellschaft für Hauptstadt-Marketing mbH
Senator Entertainment AG

b) DBFuhrparkService GmbH (Chairman)
DB Services GmbH (Advisory Board, Chairman)

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) DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a. G. (Advisory Board)
Sparda-Bank Baden-Württemberg eG (Advisory Board)

Dr. Christoph Franz
Passenger Transport,
Chairman and CEO of the Management Board of DB Reise&Touristik AG,
Chairman and CEO of the Management Board of DB Regio AG,
Darmstadt

a) DEVK Allgemeine Versicherungs-AG
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a. G.
DF Deutsche Forfait AG
Lufthansa CityLine GmbH

Roland Heinisch
Track Infrastructure/Integrated Operations, Chairman and CEO of the Management Board of DB Netz AG,
Idstein

a) DB Reise&Touristik AG
DB Regio AG
DB Cargo AG
DB Systems GmbH

Dr. Bernd Malmström

Freight Transport,
Chairman and CEO of the Management Board of DB Cargo AG,
Chairman and CEO of Stinnes AG,
Mainz

a) Brenntag AG (Chairman)
Scandlines AG (Chairman)
Scandlines Deutschland GmbH (Chairman)
Schenker AG (Chairman)
Stinnes Interfer AG (Chairman)
ThyssenKrupp Serv AG

b) BLG Bremer Lagerhausgesellschaft AG (Advisory Board)
HansaRail GmbH
Kombiverkehr GmbH & Co. KG (Administrative Board)
Polzug GmbH
Railog GmbH (Advisory Board)
Scandlines Denmark A/S (Chairman of the Administrative Board)
Stinnes Corporation (Chairman)

Dr. Karl-Friedrich Rausch

Technology,
Weiterstadt

a) DB Reise&Touristik AG
DB Regio AG
DB Cargo AG
DB Energie GmbH (Chairman)
DB Systems GmbH

b) Bayerische Magnetbahnvorbereitungsgesellschaft mbH
Gemeinschaftskernkraftwerk Neckar GmbH (Administrative Board)
IFB Institut für Bahntechnik GmbH
MVP Versuchs- und Planungsgesellschaft für Magnetbahnsysteme mbH
Projektgesellschaft METRORAPID mbH
Signal Iduna Gruppe (Advisory Board)

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
Stinnes AG
DB Services Immobilien GmbH
DB Systems GmbH (Chairman)
DEVK Allgemeine Lebensversicherungs-Aktiengesellschaft
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a. G.

b) DB Services GmbH (Advisory Board)
Dresdner Bank Luxembourg S.A.
DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH (Chairman)
EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial (Administrative 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, 2002, 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 Energie GmbH
ahr care office GmbH
Einhorn Verwaltungsgesellschaft
mbH (Chairman)

Dr. Michael Frenzel
Chairman of the Supervisory Board,
Chairman of the Executive Board
of TUI AG,
Burgdorf
a) AXA Konzern AG
Continental AG
E.ON Energie AG
Hapag-Lloyd AG (Chairman)
Hapag-Lloyd Flug GmbH (Chairman)
ING BHF-Bank AG
ING BHF Holding AG
TUI Deutschland GmbH (Chairman)
Volkswagen AG
b) Norddeutsche Landesbank
Preussag North America Inc.,
Greenwich, Connecticut, USA
(Chairman of the Board of Directors)

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

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

Horst Fischer*
Member of the Works Council,
Northern Bavaria Region,
Franconian regional transport
of DB Regio AG,
Fürth

Volker Halsch
State Secretary, Ministry of Finance,
Berlin
– since February 5, 2003 –

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

Jörg Hensel*
Chairman 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.
DEVK Vermögensvorsorge- und
Beteiligungs-AG
DEVK Pensionsfonds AG

Lothar Krauß*
Deputy Chairman of TRANSNET
German Railroad Workers' Union,
Rodenbach
a) DB Services Technische Dienste
GmbH
Union Druckerei und Verlagsanstalt
GmbH
DBV Winterthur Holding AG

Heike Moll*
Member of the Central Works Council
of DB Station&Service AG,
Munich
a) DB Station&Service AG

Ralf Nagel
State Secretary, Ministry of Transport,
Building and Housing,
Berlin
b) Berlin Brandenburg
Flughafen-Holding GmbH
Projektplanungs Gesellschaft mbH

Dr. rer. nat. h.c. Friedel Neuber
Duisburg-Rheinhausen
a) Babcock Borsig AG (Chairman)
Hapag-Lloyd AG
RWE AG (Chairman)
TUI AG (Chairman)
ThyssenKrupp AG
RAG Aktiengesellschaft
b) Landwirtschaftliche Rentenbank
(Administrative Board)

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

Dr. Manfred Overhaus
State Secretary, Ministry of Finance,
St. Augustin
– until January 10, 2003 –
a) Deutsche Post AG
Deutsche Telekom AG
b) GEBB Gesellschaft für Entwicklung,
Beschaffung und Betrieb mbH

Albert Schmidt
Member of Parliament (Bundestag),
Ingolstadt
– until December 31, 2002 –

Prof. Dr. Ekkehard D. Schulz
Chairman of the Management Board
of ThyssenKrupp AG,
Krefeld
a) Axa Konzern AG
Commerzbank AG
MAN AG
RAG Aktiengesellschaft
RWE Plus AG
ThyssenKrupp Automotive AG
(Chairman)
ThyssenKrupp Materials AG
(Chairman)
ThyssenKrupp Steel AG (Chairman)
TUI AG
b) ThyssenKrupp Budd Company,
Troy, Michigan, USA
Evangelisches und Johanniter
Klinikum Duisburg/Dinslaken/
Oberhausen gem. GmbH

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 Labor,
Celle
a) Postbank AG

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

Margareta Wolf
Parliamentary State Secretary,
Federal Ministry for the Environment,
Nature Conservation, and Nuclear
Safety,
Rüsselsheim-Bauschheim
– since January 1, 2003 –

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

Information as of December 31, 2002,
or the date of resignation.

Report of the Supervisory Board for the Financial Year 2002

The Supervisory Board monitored and advised the Management Board during the period under review. To this effect, the Management Board regularly informed the Supervisory Board of the company's position and development.

Meetings of the Supervisory Board

The Supervisory Board convened for four meetings in the financial year 2002. During its meetings, the Supervisory Board discussed oral and written reports 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 – based on documented materials and supplementary oral reports – on business transactions that are subject to Supervisory Board approval according to 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. The Executive Committee was also regularly informed of the assessment of the company's risk situation. The Executive Committee also made 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 December 4, 2002, the Supervisory Board approved the financial year 2003 budget plan and acknowledged receipt of the medium-term planning 2003–2007 and the long-term strategic goals of DB AG, which were brought to its attention and which it debated at length with the Management Board.

The Supervisory Board continued to intensively follow the major construction projects in the year 2002, such as the new Cologne–Rhine/Main line, the north-south link of the Berlin hub – Berlin Central Station-Lehrter Station – and the construction and expansion of the Nuremberg–Ingolstadt–Munich line, as well as the corresponding cost risks.

In its meetings of March 13 and July 3, 2002, the Supervisory Board discussed the reorganization of the rail telecommunication segment. It approved the acquisition of the rail telecommunication segment from Arcor AG & Co. through the purchase of 100 % of the shares of Arcor DB Telematik GmbH (now operated under the name DB Telematik GmbH), as well as the purchase of the rail-specific telecommunications facilities from Arcor by DB Netz AG. DB Netz AG subsequently transferred its holdings in DB Telematik GmbH to DB AG.

In its meeting of July 3, 2002, the Supervisory Board approved a voluntary, public takeover offer by DB Sechste Vermögensverwaltungsgesellschaft mbH, a wholly-owned subsidiary of DB AG, to all Stinnes AG stockholders. At the same time, the Supervisory Board approved the conclusion of a framework agreement under which Stinnes Vermögensverwaltungs-Aktiengesellschaft, a wholly-owned subsidiary of E.ON AG, undertook to accept DB AG's takeover bid for its 65.4 % holding in Stinnes AG. Following the successful execution of the takeover bid, DB AG now indirectly holds some 99.71 % of all Stinnes AG shares. We plan to purchase the remaining 0.29% of shares through a squeeze-out in accordance with Sec. 327a ff. German Stock Corporation Act (AktG).

Financial Statements

The annual accounts prepared by the Management Board and the Management Report of DB AG as of December 31, 2002 were audited, together with the corresponding Group documents, and were issued an unqualified audit certificate by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), 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 Control and Transparency (KonTraG), and raised no objections.

The auditor's report was discussed at length during the balance sheet meeting on May 20, 2003 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 2002, and the proposal for appropriation of retained earnings and raised no objections. The annual financial statements of DB AG for the financial year 2002 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

Mr. Albert Schmidt, Member of the German Bundestag, resigned from his Supervisory Board seat effective December 31, 2002. At the special general meeting on December 4, 2002, Mrs. Margareta Wolf, Parliamentary State Secretary at the Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety, was elected his successor, effective January 1, 2003.

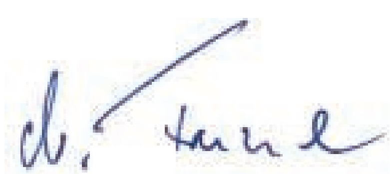
In his letter of December 12, 2002, Dr. Manfred Overhaus (State Secretary) resigned from the Supervisory Board effective January 10, 2003. Mr. Volker Halsch, State Secretary at the Federal Ministry of Finance, was appointed his successor on the Supervisory Board by the Federal Republic of Germany, in accordance with Sec. 9 (2) of Deutsche Bahn AG's Articles of Incorporation, by letter of February 3, 2003.

On May 21, 2002, Dr. Norbert Bensel took the position on the Management Board vacated by Dr. Horst Föhr, Board Member responsible for Personnel and Labor Director.

The Supervisory Board wishes to thank Dr. Overhaus (State Secretary), Mr. Schmidt, and Dr. Föhr for their committed, constructive work on the respective boards.

The Supervisory Board would also like to thank the Management Board, all employees and employee representatives of DB AG and its associated companies for their dedication during the financial year 2002.

Berlin, May 2003
For the Supervisory Board



Dr. Michael Frenzel
Chairman

Members of the DB Advisory Board

Prof. Dr. Gerd Aberle
Chair of Competition Theory, Competition Policy, and Transportation Economy, Justus-Liebig-Universität Gießen

Prof. Dr. Dr. h.c. mult. Horst Albach
Head of the Institute for Corporate Theory and Policy, Humboldt-Universität zu Berlin

Prof. Dr. Thomas Ehrmann
Chair of Enterprise Founding and Development, Westfälische Wilhelms-Universität, Münster

Dr. Michael Frenzel
Chairman of the Executive Board of TUI AG

Prof. Dr. Sylvius Hartwig
Specialist for hazardous materials, Bergische Universität, Wuppertal

Dr. Volker Hauff
Member of the Management Board, BearingPoint GmbH

Hans Jochen Henke
State Secretary (ret.), Attorney-at-law

Prof. Dr. Peter Hommelhoff
Rector of the Ruprecht-Karls-Universität Heidelberg, Chair of Civil Law/Commercial, Business, and Capital Market Law

Prof. Dr. Dr. Christian Kirchner LL. M.
Chair of German, European, and International Civil and Commercial Law, and Institutional Economics, Humboldt-Universität zu Berlin

Dr. Dieter Klumpp
President, German Rail Industry Federation e.V.

Prof. Dr. Otto Ernst Krasney
Vice-President (ret.), Federal Social Welfare Tribunal

Prof. Dr. Dr. h.c. mult. Heribert Meffert
Professor emeritus Westfälische Wilhelms-Universität Münster, Chairman of the Executive Board of the Bertelsmann Foundation

Prof. Dr. Rüdiger Pohl
President of the Economic Research Institute, Halle

Prof. Dr. Dr. Franz Josef Radermacher
Head of the Research Institute for Applied Knowledge Processing, Ulm

Prof. Dr. Werner Rothengatter
Institute for Economic Policy and Research, Universität Karlsruhe (TH)

Prof. Dr. Joachim Schwalbach
Chair of International Management, Humboldt-Universität zu Berlin

Prof. Dr. Wulf Schwanhäußer
Professor emeritus, Rheinisch-Westfälische Technische Hochschule Aachen, Consultant for rail policy and the transportation sector

Prof. Dr. Jürgen Siegmann
Specialist for rail tracks and operations, Technische Universität Berlin

Horst Stuchly
President (ret.), Federal Railway Office

Prof. Dr. Andreas Troge
President, Federal Environmental Agency

Dr. Jürgen Warnke
Federal Minister of Transport (ret.)

Dr. Jürgen Weber
Chairman of the Management Board and CEO of Lufthansa AG

Ulrich Weiß
President, Federal Association of Small and Medium-Sized Construction Companies e.V., Bonn

Dr. Wendelin Wiedeking
President and CEO of Dr. Ing. h.c. F. Porsche AG

Glossary of Financial Terms

Capital employed
Properties (including intangible assets) less interest-free loans – plus operating net working capital.

Cash flow
Free cash flow generated during the financial year. Cash flow reflects a company's internal financing resources generated by its operative business. Used at the DB Group level as cash flow before taxes: corresponds to operating income before taxes plus depreciation of properties (including intangible assets) and changes in provisions for pensions.

Credit facilities
Credit lines arranged with banks that can be drawn upon as necessary.

Divisional revenues
The sum of external and intra-Group revenues generated by a Group division.

EBIT
(earnings before interest and taxes)
Adjusted operating income before interest and taxes.

EBITDA
(earnings before interest, taxes, depreciation, and amortization)
Adjusted operating income before interest, taxes, and depreciation. After additional adjustment for special burden compensation, the best indicator of operative improvements since the start of rail reform.

External revenues
Revenues from non-Group customers.

Gross capital expenditures
Total capital expenditures for tangible and intangible assets – irrespective of the type of financing.

Gross cash flow
Cash flow generated by the operative business, defined as operating income (before interest) plus depreciation of properties (including intangible assets) and changes in provisions for pensions.

Hedging
Financial transactions conducted within the scope of risk management, particularly to minimize interest and currency risks.

Interest-free federal government loans
Repayable yet interest-free loans from the German federal government. Result from the financial participation of the Federal Republic of Germany in capital expenditures for the extension and replacement of track infrastructure. See also Investment grants.

Intra-Group revenues
Revenues earned from Group companies.

Investment grants
Third-party payments earmarked for specific investment projects.

Net capital expenditures
Gross capital expenditures less third-party investment grants, e.g. for infrastructure measures.

Operating income after interest
An adjusted operating result after net interest but before taxes that is used as an internal control tool for operating activities.

Rating
A judgement of creditworthiness that rating agents issue for a company; affects a company's refinancing options and costs.

Return on capital employed (ROCE)
Our key measure for value-based management. Expressed as a percentage ratio of EBIT to capital employed.

Special burden compensation
Deutsche Bahn received federal compensation from 1994 to 2002 for the increased costs of materials and personnel expenses that were due to the inefficient structures inherited from the former Deutsche Reichsbahn.

Squeeze-out
A procedure that, under defined circumstances, enables majority shareholders to force minority shareholders to relinquish their holdings e.g. in exchange for money compensation (sec. 327a ff. German Stock Corporation Act/AktG).

Swap
A financial transaction in which two counterparties exchange financing conditions, in which each party benefits from the other's cost advantages.

Value creation (value added)
Difference between the value of products and services sold and the value of inputs purchased and employed required to create such products and services. Calculated as an absolute amount or amount per employee.

Glossary of DB-Specific Terms

bahn.comfort
Our service program for frequent travelers in long-distance passenger transport.

Cleanliness program
Our project aimed at improving the outward appearance of passenger stations.

Combined rail/road transport
The integrated transport of containers or entire trucks on the roads and rails.

DB Campaign
Our key strategic measures are consolidated in our “DB Campaign” strategy. It pursues three overreaching goals: restructuring, performance, and growth.

Existing network
The existing rail network – and thus the backbone of the infrastructure.

“Fokus”
Our Group-wide restructuring program for increasing efficiency within the DB Group and laying the foundation for planned earnings growth.

German Regional Restructuring Act
Regulates payments from the federal government to the states; enables the states to order local transport services.

GSM-Rail (Global System for Mobile Communication-Rail)
A special European standard that is based on the GSM standard for mobile cellular technology. The platform for the future, standardized pan-European command and control technology in rail transport.

Immediate action program
Our short-term project aimed primarily at making small and medium-sized passenger stations more attractive at manageable costs.

Intermodal competition
Competition with other modes of transport.

Interoperability – multisystem capability
The ability of vehicles to operate on the different European rail networks.

Intramodal competition
Competition with other railroad companies.

Length of line operated
The length of the rail network at DB Netz AG – irrespective of the number of parallel tracks.

MORA C
Our successfully implemented program for optimizing the transport of single freight cars in freight transport.

MORA P
Our restructuring program implemented in passenger transport and aimed at focusing services on specific customer use in local and long-distance transport.

Netz 21 (Network 21)
Our strategic approach for segregating passenger and cargo traffic within the network, to increase line capacity.

Ordering organizations
Generally the German states, which are responsible for providing local rail passenger transport (LRPT) and order the respective services from transport companies.

Passenger kilometers (pkm)
Unit of measure for transport performance in passenger transport: product of number of passengers and mean travel distance.

Requirement plan network
New line construction and expansions contained in the Federal Transportation Infrastructure Plan.

Station Pricing System
Our pricing system for the utilization of passenger stations; its conditions apply equally to Group and non-Group customers. The specific station prices depend primarily on the performance and furnishings of the respective stations.

Ton kilometers
Unit of measure for transport performance in freight transport: product of freight carried (in metric tons) and mean transport distance.

Traction
Train propulsion (by rail cars).

Train kilometers
Distance traveled by railroad companies on the DB Netz AG rail network. Unit of measure: train-path kilometers (tpkm).

Train path
Route traveled by a train, defined in the timetable.

Train-Path Pricing System (TPPS)
A clear system that regulates the use of the rail network by internal and external customers. Non-discriminatory, like the station pricing system. Takes into account the individual characteristics of the utilized infrastructure.

Transport association
A regional collaboration of several enterprises to render transport services based on a coordinated timetable and fare system.

Transport contract
A contract between an ordering organization and a railroad company regarding the rendering of local passenger transport services.

Transport performance
Umbrella term for performance rendered in passenger (passenger kilometers) and/or freight transport (ton kilometers).

January

Successful **euro changeover:** Over the course of New Year's Eve, all electronic sales systems at Deutsche Bahn are converted to euros. In addition, some 6,500 automatic ticketing machines are refitted to accept euros over a span of just a few days. In total, Deutsche Bahn needs around 350 tons of euro notes and coins for the first phase of the changeover.

To boost cross-border traffic, Louis Gallois, President of the French National Railways SNCF, and Hartmut Mehdorn, CEO of Deutsche Bahn AG, sign a **letter of intent** in Paris, aimed at accelerating the eradication of technical obstacles to efficient freight transport between Germany and France.

Deutsche Bahn and Arcor reorganize their rail-specific **telematics activities**. Deutsche Bahn reassumes responsibility for equipment and operations in two stages.

February

The **Competition Officer** of Deutsche Bahn, Dr. Alexander Hedderich, assumes his duties: He serves as ombudsman for all questions and issues arising from competition on the rails. Deutsche Bahn thus implements one of the key recommendations of the "Future of Rail" task force.

Deutsche Bahn supports **"The Bridge/die Brücke New York – Berlin"**, German Chancellor Gerhard Schröder's project to promote tolerance and mutual understanding between American and German youths after the terrorist attacks of September 11, 2001. 25 young adults are given a look at apprenticeships at Deutsche Bahn, at the DB Training Center in Munich's Aubing district.

March

InterRail turns 30. In March 1972, 23 railroads invented the "monthly season ticket for Europe". Since then, some 1.1 million Germans have discovered their continent with the **InterRail** ticket. Overall, more than 7 million InterRail tickets have been sold since their introduction.

Deutsche Bahn is named "Official Carrier" and one of the main sponsors of **Documenta 11**, which takes place from June to September 2002 in Kassel. Documenta visitors can travel to the modern art exhibition directly and inexpensively with Deutsche Bahn.

In its European **train station test**, the German automobile association ADAC tests 23 train stations in major European cities. The seven tested German stations take the seven top places. Frankfurt Central Station is the sole station to be awarded the top rating, "Very good".

April

Rail transport between Germany and Scandinavia gets faster. Sweden's Green Cargo, Railion Denmark and DB Cargo operate Danish multifrequency locomotives for the first time in **cross-border freight transport**. Freight trains can now travel nonstop between Scandinavia and Germany.

The bonus points collection phase for **"bahn.comfort"**, our **frequent traveler program**, commences. Separate counters at stations, parking spaces near the platforms, reserved blocks of seats, and a service hotline with specially trained staff will be available to Deutsche Bahn's best customers starting December 15.

Deutsche Bahn donates the total surplus from rounding differences from the euro changeover – some € 500,000 – to **"Off-Road-Kids"**, a charity foundation aimed at presenting new perspectives to children and youths who have run away from home.

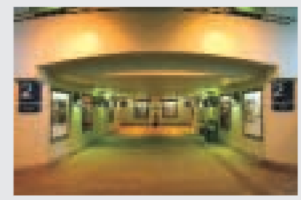
May

Hamburg's port authority HHLA invests in **TFGI, Deutsche Bahn's marketing company for intermodal freight transport**. The move allows both companies to improve their positions in the **growth market for sea container transport**.

The **revision of the Regional Restructuring Act** ensures increased funds for local passenger service for the German states – creating the foundation for the long-term planning security that is so important to us.

www.bahn.de offers a new service function for environmentally friendly travel. With just one click of the **"UmweltMobilCheck"** (eco-balance check) button, travelers can calculate the impact on the environment incurred for a specific itinerary, based on energy consumption and emissions.

June



DB Cargo invests in **BLS Cargo**, a private railroad and Switzerland's second-largest freight rail carrier. The strategic goal of this investment is to further reduce obstacles to European freight transport.

Deutsche Bahn starts an **immediate action program** aimed at improving the appearance of more than 3,000 **passenger stations**, quickly and cost-effectively, with the support of the respective German states.

The first **Report of the Competition Officer** is presented. Result: There is no discrimination of Deutsche Bahn's competitors on the rails.

01 02 03 04 05 06

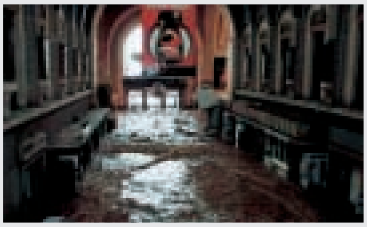
July

Deutsche Bahn announces its takeover bid for **Stinnes AG**. For our Group Freight Transport division, the takeover of this logistics group – including Schenker, its transportation subsidiary – represents a strategic breakthrough in its evolution from rail-bound freight carrier to integrated logistics service provider.

A new passenger station takes shape: Now that the last new track has been laid, all trains now pass under the imposing glass roof of the new **Berlin Central Station – Lehrter Station**. The Berlin metro already stops at the new station.

DB Cargo implements a novel logistics concept for Adam Opel AG, together with the French and Spanish national railways SNCF and RENFE. The **Othello Express** now links the Opel plants in Saragossa, Spain, and Eisenach, Germany.

August



Scheduled shuttle operations commence on the **new Cologne–Rhine/Main line**. The journey between the Cologne and Frankfurt Central Stations now takes almost an hour less.

DB Cargo founds a joint venture with Italian company Contship Italia S.p.A. **MarCo Maritime Container Services S.p.A.** organizes and sells combined, international rail/road transport between Italian ports and Central Europe.

Flooding along the Elbe river causes major damage. Some 400 km of tracks in the states of Saxony and Saxony-Anhalt are affected; 130 km of track embankment and 94 bridges are heavily damaged, important connections suffer from restrictions on service for a considerable amount of time. Many Deutsche Bahn employees throughout Germany volunteer their assistance in repairing the damage.

September

After three months, the **Hildesheim–Gross Gleidningen line**, which had been completely closed, was reopened. ICE traffic between Munich and Berlin had been detoured during the line renovation and modernization, while regional rail transport was replaced completely by bus shuttles.

The commissioning of the 1,000th base station for the **GSM-R digital cellular communications network** marks an important milestone in its installation. In future, GSM-R will form the foundation for a standardized, continuous train control system throughout Europe.

October

DB Cargo reinforces its logistics competencies by taking over one of Europe's leading freight forwarding companies, the Swiss company **Hangartner AG**. With 18 subsidiaries in ten countries, the Hangartner Group primarily operates North/South traffic between Scandinavia, Germany, Switzerland and Italy.

The Governing Mayor of Berlin, Klaus Wowereit, and Deutsche Bahn CEO Hartmut Mehdorn together christen the "Berlin", the first ICE train to be named after a city. In future, more **ICE trains will be named after cities**.

November

With its acquisition of Transfracht International B.V. and the founding of Conliner, DB Cargo strengthens its position in the important sector of **European seaport hinterland traffic**.

In close collaboration with Dutch company Railion Benelux and Belgian railroad SNCB, DB Cargo optimizes international interplant shipping for Adam Opel AG. The **Opel Benelux Express** is a shining example of the international competitiveness of rail transport.

As part of its new **product campaign**, DB Cargo will offer its customers three basic products in future: Plantrain, Variotrain and Flextrain each have clearly defined service levels, creating more transparency and quality in full-train transport.

December

We pass a new milestone in long-distance transport: accompanied by a major national marketing campaign, Deutsche Bahn's **new pricing system** is rolled out, thinning out the previous "pricing jungle". The aim of the new system is to balance seat loads better in future.

The most intricate **new timetable** in more than ten years is successfully introduced: All European railroads implement new, coordinated timetables on the same day for the very first time.

Together with Austrian Federal Railways and Trenitalia, Deutsche Bahn founds the **Brenner Rail Cargo Alliance**, aimed at optimizing transalpine freight transport between Munich and Verona via the Brenner route. We aim to increase the market share of rail freight transport along this highly frequented line.

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This Annual Report is published in German and English. In case of any discrepancies, the German version shall prevail.

Design concept
Hilger & Boie, Wiesbaden

Production coordination
Mentor Werbeberatung
H.-J. Dietz, Kelkheim

Concept, Editing
Deutsche Bahn Investor Relations
Editor in charge: Karsten Nagel
Deutsche Bahn Corporate Communications
Press date: April 16, 2003

Photography
Max Lautenschläger, Berlin
Deutsche Bahn
DB AG/Schmid (p. 9), Jazbec (p.10, 80, 97)
Herter (p.19), Weber (p. 34, 80)
Schedler (p. 40), Bedeschinski (p. 53)
Klee (p. 66, 80), Krause (p. 70), Kirsche (p. 80)
BLG Logistics Group (p. 81)
DB AG/Mann (p. 96), Wagner (p. 98, 227)
Warter (p.120–121), Munoz (p.126)
Hiepe (p.162)

Typesetting
medienhaus:frankfurt,
Frankfurt/Main

Lithography
Koch Lichtsatz & Scan,
Wiesbaden

Printing
Color-Druck, Leimen

Deutsche Bahn Group Nine-Year-Summary

in € million	2002	2001	2000	1999	1998	1997	1996	1995	1994
Balance sheet									
Properties [1]	38,869	35,055	34,071	32,815	31,155	29,866	24,034	21,815	17,982
Financial assets	906	735	600	680	584	665	710	367	305
Fixed assets	**39,775**	**35,790**	**34,671**	**33,495**	**31,739**	**30,531**	**24,744**	**22,182**	**18,287**
Inventories	1,515	992	973	866	654	604	490	597	709
Accounts receivable and other assets [2]	4,347	4,238	3,023	2,346	2,141	2,277	3,755	3,139	1,804
Cash and cash equivalents	271	363	394	280	351	447	603	654	640
Current assets	**6,133**	**5,593**	**4,390**	**3,492**	**3,146**	**3,328**	**4,848**	**4,390**	**3,153**
Prepayments and accrued income	115	579	406	211	76	33	30	48	53
Total assets	**46,023**	**41,962**	**39,467**	**37,198**	**34,961**	**33,892**	**29,622**	**26,620**	**21,493**
Equity	5,708	8,436	8,788	8,701	8,528	8,422	6,711	6,278	6,218
Special items	12	16	19	23	38	47	205	177	154
Pension and other long-term provisions	9,217	9,515	8,420	9,241	9,881	9,627	9,902	9,128	7,585
Tax and other short-term provisions	5,617	4,787	5,747	3,714	2,612	2,181	2,237	1,979	1,401
Provisions	**14,834**	**14,302**	**14,167**	**12,955**	**12,493**	**11,808**	**12,139**	**11,107**	**8,986**
Interest-free loans	7,726	7,324	6,714	6,344	8,284	7,363	6,308	4,781	2,340
Interest-bearing debt	11,051	6,993	5,463	4,192	2,532	1,713	858	606	513
Other liabilities	5,771	3,968	3,337	3,609	2,971	4,413	3,284	3,570	3,203
Liabilities	**24,548**	**18,285**	**15,514**	**14,145**	**13,787**	**13,489**	**10,450**	**8,957**	**6,056**
Accruals and deferred income	921	923	979	1,374	115	126	117	101	79
Total liabilities and shareholder's equity	**46,023**	**41,962**	**39,467**	**37,198**	**34,961**	**33,892**	**29,622**	**26,620**	**21,493**
Statement of income									
Revenues	18,685	15,722	15,465	15,630	15,348	15,577	15,452	15,249	14,793
Overall performance	20,900	17,535	17,267	17,521	17,104	17,422	17,227	17,244	16,191
Other operating income	2,830	2,406	3,653	2,511	2,596	2,141	2,169	1,702	1,799
Cost of materials	– 9,546	– 7,108	– 6,625	– 6,688	– 6,595	– 6,716	– 6,475	– 5,757	– 5,195
Personnel expenses	– 8,387	– 7,487	– 8,475	– 8,285	– 8,389	– 8,663	– 8,881	– 9,523	– 9,898
Depreciation	– 2,434	– 2,162	– 2,052	– 1,965	– 1,737	– 1,620	– 1,387	– 1,148	– 984
Other operating expenses	– 3,358	– 3,282	– 3,436	– 2,790	– 2,546	– 2,204	– 2,169	– 2,236	– 1,649
Investment income	46	2	– 44	– 55	– 143	– 151	– 127	5	19
Net interest	– 489	– 313	– 251	– 158	– 89	– 26	12	– 4	– 32
Income before taxes	– 438	– 409	37	91	201	183	369	283	251
Income after taxes	– 468	– 406	85	87	170	200	577	135	93
Other financial figures									
EBITDA [3] before special burden compensation	2,021	1,433	1,264	427	35	– 445	– 910	– 1,520	– 2,014
EBITDA [3]	2,464	2,271	2,492	2,036	1,997	1,920	1,658	1,401	1,248
EBIT [4]	37	109	450	71	260	300	319	253	264
Operating income after interest	– 454	– 204	199	– 87	171	273	327	247	232
Cash flow before taxes	2,052	1,786	2,113	2,107	1,985	1,833	1,777	1,445	1,477
Short-term liabilities	12,524	9,090	9,329	7,325	5,803	7,145	5,992	6,018	5,232
Long-term liabilities	27,779	24,421	21,331	21,149	20,592	18,278	16,714	14,147	9,889
Capital employed [5]	30,428	28,649	27,443	24,911	22,656	20,878	18,600	17,147	14,926
Gross capital expenditures	9,994	7,110	6,892	8,372	7,660	7,136	7,771	7,329	7,128
Net capital expenditures [6]	5,355	3,307	3,250	3,229	3,040	6,223	5,056	5,107	5,533

	2002	2001	2000	1999	1998	1997	1996	1995	1994
Key figures									
Fixed assets as % of total assets	86.5	85.3	87.8	90.0	90.8	90.1	83.5	83.3	85.1
Equity incl. special items in % of total assets	12.4	20.1	22.3	23.5	24.5	25.0	23.3	24.2	29.6
Fixed assets coverage (in %) [7]	84.2	91.8	86.9	89.2	91.9	87.6	95.5	92.9	88.9
Cash flow coverage of net capex (in %)	38.3	54.0	65.0	65.3	65.3	29.5	35.1	28.3	26.7
Return on capital employed (ROCE) (in %) [8]	0.1	0.4	1.6	0.3	1.1	1.4	1.7	1.5	1.8
Interest coverage [9]	0.3	0.0	1.1	1.4	2.3	2.4	5.2	4.3	4.6
Cash flow return on revenues (in %) [10]	11.0	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 %)	1.0	0.0	2.5	2.1	2.3	2.0	2.9	2.4	2.2
Rail transport performance									
Total passengers (million)	1,657.2	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 travel	128.4	136.3	144.8	146.5	148.9	152.2	151.2	149.3	139.3
thereof local rail transport	1,528.8	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)	69,848	74,459	74,388	72,846	71,853	71,630	71,028	70,334	64,539
thereof long-distance travel	33,173	35,342	36,226	34,897	34,562	35,155	35,620	36,277	34,845
thereof local rail transport	36,675	39,117	38,162	37,949	37,291	36,475	35,408	34,057	29,694
Freight carried (million t) [11]	278.3	291.3	301.3	279.3	288.7	294.9	287.9	300.4	306.9
Ton kilometers (million tkm) [11]	77,981	80,348	80,634	71,494	73,273	72,614	67,880	69,492	70,554
Total transport performance (million ptkm)	147,829	154,807	155,022	144,340	145,126	144,244	138,908	139,826	135,093
Train kilometers (million train-path km)	967.4	977.3	984.2	976.7	946.5	–	–	–	–
Employees									
average	224,758	219,146	230,615	244,851	259,072	277,471	295,610	331,774	355,694
at year end	250,690	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-than-carload business; from 2000 on including Railion Benelux; from 2001 on including Railion Denmark

Financial Calendar

August 21, 2003	Publication of the Interim Report January–June 2003
May 13, 2004	Annual Results Press Conference on financial year 2003

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