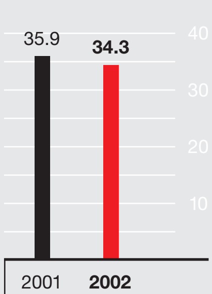
Die Bahn DB

Interim Report January – June 2002

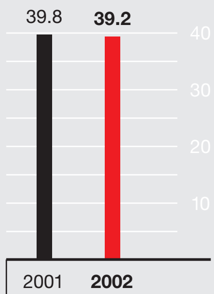
- Restructuring and modernization programs continue on schedule
- Revenues of € 7,694 million represent a minor gain over the previous year’s figure
- Gross capital expenditures of € 3,951 million increased significantly by 37.3 %
- Operating income after interest negative as expected at € –235 million
- Outlook for financial 2002 unchanged: negative operating income after interest

Development January – June 2002



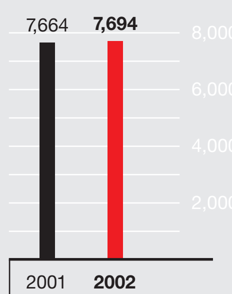
Total rail passenger transport performance
in billion pkm

Relative change: – 4.4 %



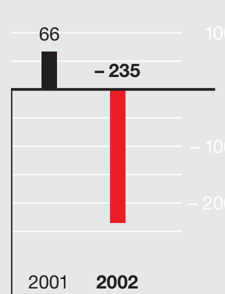
Total rail freight transport performance
in billion tkm

Relative change: – 1.4 %



Revenues
in € million

Relative change: + 0.4 %



Operating income after interest
in € million

Relative change: –

Key Figures in € million	**2002 Jan – Jun**	**2001 Jan – Jun**	**Change in %**
Revenues	7,694	7,664	+ 0.4
Income before taxes	– 231	28	–
EBITDA before special burden compensation	749	749	0.0
EBITDA	960	1,150	– 16.5
EBIT	– 52	206	–
Operating income after interest	– 235	66	–
Total assets as of Jun 30/Dec 31	42,718	41,962	+ 1.8
Cash flow before taxes	801	972	– 17.6
Gross capital expenditures	3,951	2,878	+ 37.3
Net capital expenditures [1]	3,166	1,963	+ 61.3
Employees as of Jun 30/Dec 31	211,962	214,371	– 1.1

Performance Figures Passenger Transport			**2002 Jan – Jun**	**2001 Jan – Jun**	**Change in %**
Passengers	DB Reise&Touristik	million	63.5	68.2	– 6.9
	DB Regio	million	754.4	771.3	– 2.2
	Total	million	**817.9**	**839.5**	– 2.6
Passenger kilometers	DB Reise&Touristik	million pkm [2]	16,379	17,338	– 5.5
	DB Regio	million pkm [2]	17,914	18,549	– 3.4
	Total	million pkm [2]	**34,293**	**35,887**	– 4.4
Train kilometers	DB Reise&Touristik	mill. train-path km [3]	77.1	83.3	– 7.4
	DB Regio	mill. train-path km [3]	279.8	276.2	+ 1.3
	Total	mill. train-path km [3]	**356.9**	**359.5**	– 0.7
Freight Transport [4]					
Freight carried		million t	138.7	146.4	– 5.3
Ton kilometers		million tkm [5]	39,218	39,777	– 1.4
Mean transport distance		km	282.8	271.7	+ 4.1
Train kilometers		mill. train-path km [3]	105.9	112.0	– 5.4
Track Infrastructure					
Train kilometers		mill. train-path km [3]	479.5	484.8	– 1.1

1) Gross capital expenditures less investment grants from third parties

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

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

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

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

Development of the Deutsche Bahn Group

Economic Environment

The weakness that beset the European and German economies – the operating environment for the Deutsche Bahn Group – in the second half of 2001 continued during the first six months of 2002. The uncertainty stemming from recent developments in the financial markets is impeding a rapid economic recovery. This phenomenon made itself apparent both in the key industry sectors for our Group Freight Transport division and – as a result of the weak job market – in the Group Passenger Transport division. According to current forecasts the German economy should improve in the second half of the year. However, a sustained upswing is not expected until 2003.

Business Performance

The difficult economic environment and the scheduled, dedicated continuation of our restructuring program characterized our business performance in the first six months of 2002. In line with the objectives of our strategy "DB Campaign – Restructuring, Performance, Growth", we are consequently focusing our business portfolio on segments with sustained prospects for growth and profitability. The market focus programs we began in the second half of 2001 for passenger transport (MORA P) and freight transport (MORA C) are rooted in the concentration on passenger and freight transport services that are profitable in the long term. The declining **transport performance** in passenger and freight transport compared to the first six months of 2001 thus reflects both the weaker economic environment and the essential, intentional discontinuation of unprofitable transports. Rail transport performance of the Group Passenger Transport division decreased by 4.4 % to 34.3 billion pkm. Compared to the previous year's period, Railion Denmark A/S has been included in the Group Freight Transport division for the first time. As a result, we were able to largely compensate for the decline in transport performance at DB Cargo AG of 4.1 % to 36.3 billion ton kilometers (tkm). Transport performance in the Group Freight Transport division amounted to 39.2 billion tkm, 1.4 % less than the previous year's value. This is a satisfactory result considering the effects of the implementation of MORA C and the weak overall economy. Moreover, key industries such as steel showed initial signs of a recovery in May and June 2002. The trend towards longer trip and transportation distances continued unabated in both passenger and freight transport. The weak economy also affected the rental of retail spaces in the passenger stations.

Group revenues amounted to € 7,694 million, slightly (+0.4 %) above the figure from the previous year's period. With minor inventory changes and significantly increased internally produced and capitalized assets **total performance** increased by 2.1 % to € 8,541 million. Other operating revenues amounted to € 880 million, € 162 million above the previous year's figure.

We were once again able to increase the efficiency of our operations, as progress in our “Fokus” restructuring program met with expectations. However, these gains were offset by a temporary drag on profit due, among other things, to our comprehensive cleanliness program in the Group Passenger Stations division and substantially intensified maintenance activities in the Group Track Infrastructure division. In total, the cost of materials in the first six months of the year amounted to € 3,490 million or 11.1 % more than the comparable figure in the previous year's period. Personnel expenses, at € 3,877 million, also surpassed the previous year's figure by 2.8 %. In this context, however, it is important to consider the fact that we had to compensate for the reduction of reimbursements for burdens inherited from former Deutsche Reichsbahn, related to cost of materials and personnel expenses, in the amount of € 190 million. Other expenses amounted to € 1,094 million, slightly above the figure from the previous year's period. Depreciation and amortization increased by 7.2% to € 1,012 million as a result of our continued rapid pace of investment. At the same time, net interest fell by € 43 million to € –183 million. The reorganization in our telecommunications/telematics area had a effect on income from investments compared to the previous year's figure.

The medium-term plans approved in the year 2001 will result in planned net operating losses in the years 2001 to 2003, as a side effect of the further acceleration of our intensive capital expenditures and modernization program. The expected negative **income before taxes** of € –231 million in the first six months of the year 2002 (first six months of 2001: € +28 million) was therefore better than expected, thanks to additional cost cutting.

The changes in operating performance are reflected in the EBITDA, EBIT, and operating income after interest. **EBITDA** (adjusted operating income before interest, taxes, and depreciation) **before special burden compensation** of € 749 million matched the previous year's figure exactly. As a result, the € 190 million reduction in special burden compensation was fully reflected in the **EBITDA** figure (€ 960 million after € 1,150 million in the previous year). **EBIT** (adjusted operating income before interest and taxes) fell by € 258 million to € –52 million. **Operating income after interest** amounted to € –235 million (first six months of 2001: € 66 million). **Cash flow before taxes** also declined by 17.6 % to € 801 million.

Balance Sheet Structure

The **balance sheet total** increased compared to the end of financial 2001, by 1.8 % to € 42.7 billion. The increase in properties (property, plant and equipment) on the asset side due to increased capital expenditures was balanced by a slight decrease in current assets. The structure of the liabilities side is largely unchanged since the end of 2001; the corresponding increase on the liabilities side largely involves interest-free loans, financial debt and other liabilities.

Capital Expenditures and Financing

Gross capital expenditures for intangible assets and properties were much higher (+37.3 %) than in the previous year's period, at € 3,951 million. This was mainly due to the purchase of Arcor telecommunication facilities, which was completed at the start of the year. Taking third-party investment grants into account, **net capital expenditures** amounted to € 3,166 million (first six months of 2001: € 1,963 million). In addition to the cash flow from the period, the Group's financial requirements were covered primarily by the short-term securities that were held since the end of 2001 to ensure liquidity. We drew on the capital markets with the issue of a CHF 750 million (€ 512 million) bond. As a result, the Group's **interest-bearing debt** has increased from € 7.0 billion to € 7.5 billion compared to the end of 2001.

The annual **rating reviews** conducted by the rating agencies Moody's and Standard & Poor's confirmed our outstanding credit ratings: Moody's "Aa1" and Standard & Poor's "AA". The announcement in early July of our plan to take over Stinnes led Moody's to change its outlook from "stable" to "negative". The Standard & Poor's outlook was confirmed as "stable".

Employees

Helped by further productivity increases, headcount has declined since the end of 2001 by 2,409 to 211,962. Compared to June 30, 2001, this corresponds to a total decline in headcount of 7,377.

Noteworthy Occurrences in the First Six Months of 2002

- At the start of the year, all IT systems and the Group currency were successfully converted to the euro.
- The Competition Officer within DB AG, who was appointed in February, published his first Competition Report – based on comprehensive investigations. The report once again confirms that access to the DB Netz AG rail network is non-discriminatory.
- In June, the federal and state governments reached agreement on the amendment of the Regional Restructuring Act, which defines future state funding for local rail passenger transport and other local public transport [sec. 5 Regional Restructuring Act (RegG)]. The amendment went into effect on July 1, 2002. According to the agreement, the states will receive € 6.745 billion annually from the federal government, plus a fixed increase of 1.5 % p.a., to the year 2007. Deutsche Bahn is now concentrating on the rapid conclusion of long-term transport contracts, to achieve sufficient planning security for the capital expenditures that are needed to improve passenger comfort.
- With economic effect as of January 1, Arcor reorganized its entire rail telecommunications business in Arcor DB Telematik GmbH. DB Netz AG initially purchased 49.9 % of the company on January 1, and then exercised the option to purchase the remaining shares on July 1. The company now operates as DB Telematik GmbH.

- DB Cargo AG took a 50 % share in Kombiverkehr KG, a combined-transport services company, in June 2002. This strengthens Deutsche Bahn's position in combined transport and accentuates the importance of this growth segment. During the same month, DB Cargo AG signed an agreement with BLS Lötschbergbahn AG, regarding the progressive purchase of shares in BLS Lötschbergbahn's subsidiary BLS Cargo AG. The acquisition of a stake of 20 % is planned for this year as a first step.

Outlook and Noteworthy Occurrences After June 30, 2002

- Economic development during the current financial year is highly dependent on the forecasted upswing in the second half of the year. Freight transport is particularly sensitive to changes in the economic environment. For the full year 2002 we expect transport performance to decline slightly from the figures we achieved in financial 2001. The revenue effects resulting from this decline will necessitate continued cost cutting in the second half of the year. Assuming the economy picks up in the second half of the year, as generally predicted, we still consider an operating income after interest of some € –550 million to be attainable.
- Following the successful conclusion of negotiations with the majority owner E.ON AG, we announced in July our intention to fully purchase Stinnes AG in a public takeover bid. In addition to the purchase of the E.ON share of 65.4 %, the process aims at achieving a complete takeover – to the extent possible. This transaction, with a potential takeover price of up to € 2.5 billion, will give a sustained boost to Deutsche Bahn's position in freight transport, through comprehensive improvements to logistics capabilities and expansion of the sales and distribution base in Europe. When a majority interest in Stinnes is reached, we plan to integrate the subsidiary Schenker AG as an independent unit in the Group Freight Transport division, while Stinnes AG will become the management company for this Group division. The chemicals and materials divisions that are currently part of the Stinnes portfolio will be divested at an appropriate time. We hope to complete this transaction, pending approval by the competition authorities and the completion of the investigation required by sec. 65 (3) of the Federal Financial Regulations, by the end of the current financial year.
- According to the new strategic focus of our real estate activities, we are currently looking into the majority sale to an investor of a package of properties that are no longer essential to our operations. Our achievement of this goal is contingent on obtaining a suitable price, which will likely be possible in the medium term.
- The new Cologne – Rhine/Main line, the largest capital expenditures project since the start of the German rail reform program in 1994, was opened in July. This attractive route will be fully integrated in the new European timetable that will take effect on December 15, further improving Deutsche Bahn's inter-modal competitive position.

Statements Relating to the Future

This Interim 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. 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.

Passenger Transport

- Transport performance falls slightly short of previous year's period
- Program for performance optimization and cost reduction continued consequently
- Positive customer response to online tickets and "bahn.comfort" frequent traveler program

in € million	Jan–Jun 2002	Jan–Jun 2001	Change in %
External revenues			
DB Reise&Touristik	1,652	1,697	– 2.7
DB Regio	3,825	3,709	+ 3.1
Total	**5,477**	**5,406**	+ 1.3
Intra-Group revenues	454	440	+ 3.2
Divisional revenues	**5,931**	**5,846**	+ 1.5
Operating income after interest			
DB Reise&Touristik	50	57	– 12.3
DB Regio	103	77	+ 33.8
Total	**153**	**134**	+ 14.2
Gross cash flow			
DB Reise&Touristik	214	211	+ 1.4
DB Regio	368	310	+ 18.7
Total	**582**	**521**	+ 11.7
Gross capital expenditures			
DB Reise&Touristik	268	244	+ 9.8
DB Regio	586	516	+ 13.6
Total	**854**	**760**	+ 12.4
Employees as of Jun 30/Dec 31	**72,703**	**72,814** *	– 0.2

* as of Dec 31, 2001

Transport performance in passenger kilometers of the Group Passenger Transport division decreased slightly in the first six months of 2002 as a result of the weak economic environment and supply adjustments within the framework of our MORA P market focus program for passenger transport. Transport performance in both the long-distance and local passenger transport business units fell short of the previous year's figures. The development in operating income after interest was positive, with an increase of 14.2 % to € 153 million. Gross capital expenditures rose by 12.4 % over the previous year's figure, to € 854 million, as the result of comprehensive capital expenditures in new rolling stock.

Long-Distance Passenger Transport (DB Reise&Touristik)

In long distance passenger transport, transport performance on the rails decreased by 5.5 % compared to the previous year's period, to 16.4 billion pkm. In addition to the effects of MORA P, the declining economy and lower fuel prices – despite the implementation of the third phase of Germany's eco-tax – had negative effects on our results. While high-value ICE traffic increased further, IC/EC traffic declined slightly, with the largest decline affecting IR/D scheduled traffic as a result of supply adjustments.

As a result of the increasing share of higher-value ICE traffic, revenues decreased only slightly by 2.7 % to € 1,652 million. This decline also affected operating income after interest (down € 7 million to € 50 million). In contrast, gross cash flow increased by 1.4 % to € 214 million, thanks in part to higher depreciation charges.

With the introduction of the "Online Ticket", we implemented another major component of our new distribution channel concept, making it much easier for BahnCard holders to buy tickets and enabling customers to reserve seats from any Internet-enabled PC. Consumer response to this new service was overwhelmingly positive, as was that to our new frequent traveler program "bahn.comfort".

Local Passenger Transport (DB Regio)

Developments in the local transport area were satisfactory – in light of the difficult economic environment. Transport performance in local rail passenger transport fell by 3.4 % to 17.9 billion pkm; developments in bus transport were positive. In total, external revenues by the local passenger transport business unit increased by 3.1 % to € 3.825 million.

To defend its position in the highly competitive market for local passenger transport, DB Regio has intensified its cost cutting efforts. Combined with positive revenue development, operating income after interest improved by 33.8 % to € 103 million. Gross cash flow increased significantly by 18.7 % to € 368 million.

In our negotiation of transport contracts with the ordering organizations, DB Regio continues to emphasize the economic necessity of linking the duration of the transport contracts with the amortization periods of the corresponding capital expenditures. This planning security is a major prerequisite for DB Regio's planned capital expenditures of € 4.3 billion for new rolling stock by 2006.

Freight Transport

- Transport performance falls slightly short of previous year's period
- Improvement in operating income after interest
- Further development dependent on economic upswing in the second half of the year

in € million	Jan–Jun 2002	Jan–Jun 2001 1)	Change in %
External revenues	1,835	1,890	– 2.9
Intra-Group revenues	274	299	– 8.4
Divisional revenues	**2,109**	**2,189**	– 3.7
Operating income after interest	20	15	+ 33.3
Gross cash flow	100	87	+ 14.9
Gross capital expenditures	149	150	– 0.7
Employees as of Jun 30/Dec 31	30,939	32,278 *	– 4.1

* as of Dec 31,2001
1) Previous year's figures adjusted compared to 2001 Interim Report due to reflect internal restructuring of DB Verkehrsbaulogistik GmbH (now part of the Group Track Infrastructure division)

DB Cargo AG was faced with unfavorable developments at the start of the year due to weakness in the industry sectors producing goods predisposed to rail transport. A slight upswing was recorded in the second quarter – due, among other things, to a pickup in raw steel production. In line with significant reductions in supply within the framework of restructuring the transport of single freight cars (MORA C), transport performance by DB Cargo declined by 4.1 % to 36.3 billion tkm. Performance by Railion Benelux N.V. also fell below the previous year's figure, at 1.8 billion tkm (–6.4 %). Thanks to the inclusion of Railion Denmark A/S with 1.1 billion tkm, the Group Freight Transport division achieved a total transport performance of 39.2 billion tkm (–1.4 %).

The development in transport performance is reflected in our revenues, which declined by 2.9 % to € 1,835 million. In contrast, operating profit after interest increased by 33.3 %, to € 20 million, thanks to reduced expenses. Gross cash flow increased to € 100 million (+14.9 %).

Gross capital expenditures, at € 149 million, matched the level of the previous year's period. Our capital expenditures continue to focus on the procurement of new locomotives and freight cars/loading units in the year 2002.

The continued high intra-modal – and especially inter-modal – competitive pressure from international competitors emphasizes the necessity of the MORA C program, in addition to the expansion of our logistics capabilities and the intensified measures to strengthen our international market position we have undertaken.

Passenger Stations

- Revenues stable at previous year's level
- Completion and (partial) reopening of an additional seven stations
- Continued success from our cleanliness program

in € million	Jan–Jun 2002	Jan–Jun 2001	Change in %
External revenues	115	107	+ 7.5
Intra-Group revenues	288	295	– 2.4
Divisional revenues	**403**	**402**	+ 0.2
Operating income after interest	– 13	18	–
Gross cash flow	48	75	– 36.0
Gross capital expenditures	186	182	+ 2.2
Employees as of Jun 30/Dec 31	5,362	5,193 *	+ 3.3

* as of Dec 31, 2001

In the first six months of 2002, the Group Passenger Station division stabilized its revenues at the previous year's level, at € 403 million. Despite increased external revenues (+7.5% to € 115 million), it became increasingly difficult to market storefronts due to increasing weakness in the retail sector. Among other factors, delays in approval of profit-relevant funding from the federal states for station modernization resulted in an operating loss after interest of € –13 million in the first six months of 2002 (first six months of 2001: € 18 million). Gross cash flow fell by € 27 million to € 48 million.

Gross capital expenditures, at € 186 million, remained at a high level. Seven railway stations of our so-called "railway station package" were completed and/or reopened during the first six months of 2002. An additional focus in the year 2002 is the continuation of our cleanliness program, which we began in 2001. Our cleanliness program will be reinforced by a ban on smoking at our 63 most heavily frequented stations, which we will introduce successively starting in the second half of the year. The modernization measures have significantly enhanced our premises for both travelers and shoppers, and have been extremely well received by our customers.

Track Infrastructure

- Increased revenues with non-Group railroads
- Major increase in capital expenditures through takeover of DB Telematik GmbH
- Decline in operating income after interest

in € million	Jan–Jun 2002	Jan–Jun 2001 [1)]	Change in %
External revenues	98	93	+ 5.4
Intra-Group revenues	1,792	1,729	+ 3.6
Divisional revenues	**1,890**	**1,822**	+ 3.7
Operating income after interest	– 226	33	–
Gross cash flow	237	442	– 46.4
Gross capital expenditures	2,620	1,665	+ 57.4
Employees as of Jun 30/Dec 31	50,503	51,106 *	– 1.2

* as of Dec 31,2001
1) Previous year's figures adjusted compared to 2001 Interim Report due to reflect internal restructuring of DB Verkehrsbaulogistik GmbH (now part of the Group Track Infrastructure division)

Compared to the previous year's period, the Group Track Infrastructure division was able to increase revenues from both Group and non-Group customers. On the cost side, the reduced reimbursement for inherited burdens (for surplus personnel expenses and increased cost of materials of the former Deutsche Reichsbahn) and the significant expenses of our modernization program resulted in an operating loss after interest in the amount of € –226 million, despite our continued optimization measures. Net cash flow, at € 237 million, also fell far short of the previous year's figure.

Our infrastructure modernization program and the purchase of Arcor's telematics activities (now operating as DB Telematik GmbH) resulted in a significant increase in gross capital expenditures, to € 2,620 million. Major capital projects in 2002 include the construction of a network of electronic interlockings and the corresponding operations centers, the renovation of track superstructure, the Nuremberg–Ingolstadt–Munich line, the Rhine/Main–Rhine/Neckar line, the Berlin hub, the second expansion phase of the Hamburg–Berlin line, and the Karlsruhe–Nuremberg–Leipzig/Dresden line – as well as projects for improving local rail passenger transport and the Unified Germany transportation projects. The new Cologne–Rhine/Main line was tested comprehensively in the first six months of this year and opened in July. It will be fully integrated in the new European timetable taking effect in December. We continued our program for eliminating areas with reduced-speed restrictions, which we began in 2001, which enabled us to decrease time lost due to reduced-speed restrictions even further.

Service

- Service area: directly managed strategic business units
- Revenues with intra-Group customers increased
- Operating profit after interest increased significantly

in € million	Jan–Jun 2002	Jan–Jun 2001	Change in %
External revenues	78	78	0.0
Intra-Group revenues	1,451	1,368	+ 6.1
Divisional revenues	**1,529**	**1,446**	+ 5.7
Operating income after interest	78	42	+ 85.7
Gross cash flow	194	150	+ 29.3
Gross capital expenditures	145	129	+ 12.4
Employees as of Jun 30/Dec 31	26,008	25,191 *	+ 3.2

* as of Dec 31, 2001

In addition to the Group Passenger Transport, Freight Transport, Passenger Stations and Track Infrastructure divisions, our core business also involves other strategic business units that we manage directly. These include our project construction activities (DB ProjektBau GmbH), energy and power (DB Energie GmbH), general services/facility management (DB Services GmbH), and IT activities (DB Systems GmbH). To improve transparency of our segment information, we have consolidated these activities – which we offer to both Group and non-Group customers – as the “Service” area.

In the first six months of 2002, these business units earned revenues of € 1,529 million (first six months of 2001: € 1,446 million). External revenues – largely from DB Energie GmbH, cleaning services offered by subsidiaries of DB Services GmbH, and Deutsche Eisenbahn Consulting GmbH – remained stable at € 78 million.

Due to the supporting nature of its primary functions, the “Service” area is dominated by Group customers. Intra-Group revenues with these customers grew by 6.1 % to € 1,451 million. Growth was achieved largely with the project construction companies, as well as the railway cleaning services, which rendered services associated with the cleanliness program of the Group Passenger Stations division.

These positive revenue developments resulted in an increased operating income after interest of € 78 million (first six months of 2001: € +42 million). Gross cash flow increased by 29.3 % to € 194 million. Gross capital expenditures increased by 12.4 % to € 145 million.

Consolidated Balance Sheet

on June 30, 2002

Assets

in € million	as of Jun 30, 2002	as of Dec 31, 2001
Fixed assets		
Intangible assets	545	125
Properties	36,524	34,930
Financial assets	850	735
	37,919	**35,790**
Current assets		
Inventories	893	992
Accounts receivable and other assets	2,357	3,890
Securities	50	348
Cash and cash equivalents	951	363
	4,251	**5,593**
Prepayments and accrued income	**548**	**579**
	42,718	**41,962**

Equity and Liabilities

in € million	as of Jun 30, 2002	as of Dec 31, 2001
Equity		
Subscribed capital	2,150	2,150
Capital reserves	5,310	5,310
Other equity	721	976
	8,181	**8,436**
Special Items	**13**	**16**
Provisions	**14,334**	**14,302**
Liabilities		
Interest-free loans	7,461	7,324
Interest-bearing debt	7,510	6,993
Other liabilities	4,313	3,968
	19,284	**18,285**
Accruals and deferred income	**906**	**923**
	42,718	**41,962**

Consolidated Statement of Income

January 1 through June 30, 2002

in € million	Jan–Jun 2002	Jan–Jun 2001
Revenues	7,694	7,664
Inventory changes	64	57
Other internally produced and capitalized assets	783	647
Overall performance	**8,541**	**8,368**
Other operating income	880	718
Cost of materials	– 3,490	– 3,142
Personnel expenses	– 3,877	– 3,771
Depreciation	– 1,012	– 944
Other operating expenses	– 1,094	– 1,023
	– 52	**206**
Investment income	4	– 38
Net interest	– 183	– 140
Income before taxes	**– 231**	**28**

Consolidated Statement of Cash Flows

January 1 through June 30, 2002

in € million	Jun 30, 2002	Jun 30, 2001
Income before taxes	**– 231**	**28**
Depreciation of properties[1]	1,012	944
Changes to pension provisions	20	0
Cash flow before taxes	**801**	**972**
Depreciation/write-back on financial assets	0	43
Changes to other provisions	12	168
Changes in special items	– 3	– 2
Gains/losses from disposal of properties[1] and financial assets	– 50	– 28
Changes to current assets (excl. cash and cash equivalents)	1,961	236
Changes to other operating liabilities (excl. financial debt)	296	65
Income taxes	– 5	– 7
Cash flow from business activities	**3,012**	**1,447**
Proceeds from disposal of properties[1]	190	157
Payments for purchase of properties[1]	– 3,951	– 2,878
Proceeds from investment grants	798	959
Proceeds from additions to interest-free loans from the federal government	167	226
Repayments of interest-free loans to the federal government	– 30	– 262
Proceeds from disposal of financial assets and (partial) divestiture of consolidated companies	2	1
Payments for purchase of financial assets and (partial) acquisition of consolidated companies	– 117	– 7
Investing activities	**– 2,941**	**– 1,804**
Income payments to minority shareholders	0	0
Proceeds from long-term Group financing	0	0
Proceeds/payments from short-term Group financing	43	– 14
Proceeds from issuing bonds and new loans	512	0
Repayments of bonds and loans	– 38	– 2
Financing activities	**517**	**– 16**
Net increase (decrease) in cash	**588**	**– 373**
Cash and cash equivalents, beginning of year	363	394
Cash and cash equivalents, June 30	**951**	**21**

[1] Including intangible assets

Segment Information

in € million	External Revenues Jan–Jun 2002	2001	Intra-Group Revenues Jan–Jun 2002	2001	Divisional Revenues Jan–Jun 2002	2001	Operating Income after Interest Jan–Jun 2002	2001
Passenger Transport								
DB Reise&Touristik	1,652	1,697	167	148	1,819	1,845	50	57
DB Regio	3,825	3,709	287	292	4,112	4,001	103	77
Total	5,477	5,406	454	440	5,931	5,846	153	134
Freight Transport	1,835	1,890	274	299	2,109	2,189	20	15
Passenger Stations	115	107	288	295	403	402	– 13	18
Track Infrastructure	98	93	1,792	1,729	1,890	1,822	– 226	33
Service	78	78	1,451	1,368	1,529	1,446	78	42
Other Operating Entities/ Consolidation Effects	91	90	238	195	329	285	– 247	– 176
Group	**7,694**	**7,664**	**4,497**	**4,326**	**12,191**	**11,990**	**– 235**	**66**

in € million	Gross Cash Flow Jan–Jun 2002	2001	Gross Capital Expenditures Jan–Jun 2002	2001	Total Assets as of Jun 30, 2002	as of Dec 31, 2001	Employees[1] as of Jun 30, 2002	as of Dec 31, 2001
Passenger Transport								
DB Reise&Touristik	214	211	268	244	4,667	4,778	27,562	27,360
DB Regio	368	310	586	516	7,948	7,827	45,141	45,454
Total	582	521	854	760	12,615	12,605	72,703	72,814
Freight Transport	100	87	149	150	3,025	3,093	30,939	32,278
Passenger Stations	48	75	186	182	2,691	2,727	5,362	5,193
Track Infrastructure	237	442	2,620	1,665	20,280	18,612	50,503	51,106
Service	194	150	145	129	2,238	2,322	26,008	25,191
Other Operating Entities/ Consolidation Effects	– 181	– 125	– 3	– 8	1,869	2,603	26,447	27,789
Group	**980**	**1,150**	**3,951**	**2,878**	**42,718**	**41,962**	**211,962**	**214,371**

[1] Including civil servants, excluding apprentices

Comments on the Interim Report

This Interim Report is based on German Accounting Standard (Deutscher Rechnungslegungsstandard) DRS 6. The figures correspond to the methods used for the Annual Report 2001 and correspond to the requirements defined in the German Commercial Code (HGB) and the German Stock Corporations Act (AktG). The consolidation, account balancing, and valuation methods are identical to those applied to the same period of the previous year and those used in the Annual Report 2001.

Additional comments:

- Compared to the previous years period, Railion Denmark A/S has been included as a new subsidiary of Railion GmbH. The resulting additional revenues amount to € 37 million. The other changes to the composition of the Group are only minor, as are their effects on the Group's asset, financial, and revenues situation.
- Effective January 1, 2002, DB Netz AG purchased facilities and equipment in the telematics area, along with a 49.9 % share in Arcor DB Telematik GmbH – now DB Telematik GmbH. The complete takeover was achieved by exercising our option for the remaining 50.1 % on July 1, 2002, after the end of the reporting period. DB Telematik GmbH will be included (full and first-time consolidation) in our figures from this point. The company was included at equity in the interim financial statements, with no major increase to contribution margin.
- A claim that we submitted to the Federal Railway Fund (BEV) for services rendered in association with discount fares for retirees and civil servants for the years 1999 and 2000 has only been settled partially to date. We have now concluded a contractual agreement with the BEV that defines flat-rate compensation for transport services rendered from the year 1999 to 2002. The major share of this payment is due in 2003, and is subject to approval of the German federal budget. Sufficient reserves have been established to deal with this situation.
- The change in equity between December 31, 2001 and June 30, 2002 results from the income from regular business operations, income taxes, and other changes in the amount of € 19 million. The decline in accounts receivable and other assets is mainly due to changes in short term investments which were at the end of 2001 amounting to € 1,775 million (Dec 31, 2000: € 1,046 million).
- In addition, the following information applies to the individual segments:
  (1) Due to the new strategic focus, real estate activities are no longer managed as an independent Group division – as in the 2001 Annual Report.
  (2) DB Verkehrsbaulogistik GmbH is now part of the Group Track Infrastructure division; the previous year's figures for the Group Freight Transport and Track Infrastructure divisions have been adjusted accordingly.

(3) Important, directly managed business units that belong to our core business in the long term but are not assigned to a Group division have been consolidated in the “Service” area for better transparency. This includes project construction activities. Therefore, project construction companies that were previously reported in the Group Track Infrastructure division are now identified in the Service area.

(4) During the course of the year 2001, we consolidated our energy-related activities at DB Energie GmbH (in the Service area). Effective January 1, 2001, DB Netz AG (in the Group Track Infrastructure division) initially transferred its 50 Hz electricity sales and energy consulting; the rail power equipment managed by DB Netz AG – as well as the 50 Hz distribution networks and electrical train pre-heating systems – were transferred as of July 1, 2001.

Berlin, August 2, 2002

Deutsche Bahn AG
The Management Board

The Boards of Deutsche Bahn AG

Supervisory Board:

Dr. Günther Saßmanns-hausen
Honorary Chairman of the Supervisory Board

Dr. Michael Frenzel
Chairman of the Supervisory Board

Norbert Hansen*
Deputy Chairman of the Supervisory Board

Niels Lund Chrestensen

Peter Debuschewitz*

Horst Fischer*

Horst Hartkorn*

Jörg Hensel*

Günter Kirchheim*

Lothar Krauß*

Heike Moll*

Ralf Nagel

Dr. rer. nat. h.c. Friedel Neuber

Günter Ostermann*

Dr. Manfred Overhaus

Albert Schmidt

Prof. Dr. Ekkehard D. Schulz

Dr. Ulrich Schumacher

Dr. Alfred Tacke

Dr.-Ing. E.h. Heinrich Weiss

Horst Zimmermann*

* Employee representative on the Supervisory Board

Management Board:

Hartmut Mehdorn
Chairman and CEO

Dr. Norbert Bensel
Personnel

Klaus Daubertshäuser
Marketing

Dr. Christoph Franz
Passenger Transport

Roland Heinisch
Track Infrastructure/ Integrated Operations

Dr. Bernd Malmström
Freight Transport

Dr. Karl-Friedrich Rausch
Technology

Diethelm Sack
Chief Financial Officer

Information as of July 31, 2002

Certification of the Auditor's Review

This interim report has been reviewed by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which added the following auditor's opinion:

"We have reviewed the half annual consolidated financial statements (Balance Sheet, Profit & Loss, Cash-Flow and additional relevant information) of Deutsche Bahn Aktiengesesellschaft, Berlin for the period January 1 to June 30, 2002 in accordance with our engagement. The preparation of the half annual financial statements in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to issue a report on our review.

We conducted our review of the half annual financial statements in accordance with the generally accepted standards for the auditors' reviews of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) in Germany. Those standards require that we plan and perform the review so as to be reasonable certain that no issues emerge which would lead us to the conclusion that the financial statements are not in accordance with German accounting principles. An Auditor's review is restricted primarily to the questioning of employees of the company and analytical Audit procedures and therefore cannot offer the same level of security which would be achieved through a full audit. As we were not instructed to perform a full audit we cannot express an audit opinion.

However, based on our Auditor's review, we certify that, considering the requirements of appropriate book keeping, nothing came to our attention which brought us to the conclusion that the financial statements for the half year period January 1 to June 30, 2002 do not represent a true and fair view of the net assets, financial position and results of the company's operations or are not in all relevant aspects in accordance with the appropriate accounting principles.

We issue this report based on the terms of our engagement with our client, which also with respect to third parties comprise the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften of January 1, 2002 and our Special Conditions of January 1, 2001. These engagement terms are available in our offices or in the Internet under http://www.pwcglobal.com/de/auftragsbedingungen."

Frankfurt/Main, August 5, 2002

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Kämpfer)	(Jäcker)
Wirtschaftsprüfer	Wirtschaftsprüfer

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The Interim Report and additional information are available on the Internet.

This Interim Report is published in German and English.

In case of any discrepancies, the German version shall prevail.