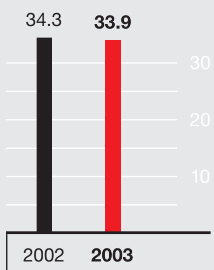
Die Bahn DB

Interim Report
January – June 2003

- Business in the first six months of 2003 affected by an unchanged weak economic environment
- Revenues: significant increase in revenues to € 13,995 million (+81.9 %), primarily due to the inclusion of Stinnes; up 2.3 % on a comparable basis
- Operating income after interest at € –143 million is € 92 million better than in the same period last year and within expectations
- Modernization program continues at a high level with gross capital expenditures amounting to € 3,170 million

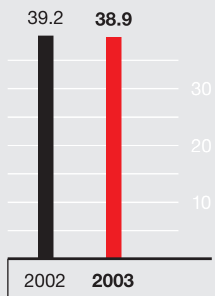
Development January – June 2003



Total rail passenger transport performance

in billion pkm[1)]

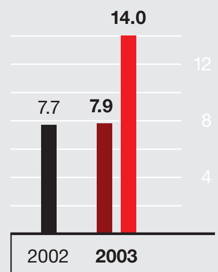
Relative change: – 1.2 %



Total rail freight transport performance

in billion tkm[2)]

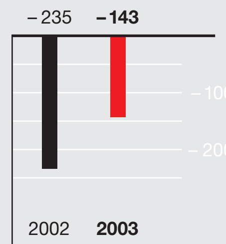
Relative change: – 0.8 %



Revenues

in € billion

Relative change: + 81.9 %
excl. Stinnes: + 2.7 %



Operating income after interest

in € million

Relative change: + 39.1 %

DB excl. Stinnes
DB incl. Stinnes

Key Figures in € million		**2003 Jan – Jun**	**2002 Jan – Jun**	**Change in %**
Revenues		13,995	7,694	+ 81.9
Revenues comparable[3)]		7,766	7,594	+ 2.3
Income before taxes		– 148	– 231	+ 35.9
EBITDA before special burden compensation		1,397	749	+ 86.5
EBITDA		1,397	960	+ 45.5
EBIT		176	– 52	–
Operating income after interest		– 143	– 235	+ 39.1
Total assets as of Jun 30 / Dec 31		47,901	46,023[4)]	+ 4.1
Capital employed		30,832	28,237	+ 9.2
Return on capital employed	in %	1.1	– 0.4	–
Cash flow before taxes		1,101	801	+ 37.5
Gross capital expenditures		3,170	3,951	– 19.8
Net capital expenditures[5)]		1,967	3,166	– 37.9
Employees as of Jun 30 / Dec 31		249,912	250,690[4)]	– 0.3

Performance Figures		**2003 Jan – Jun**	**2002 Jan – Jun**	**Change in %**
Passenger Transport				
Passengers	million	832.3	817.9	+ 1.8
Passenger kilometers	million pkm[1)]	33,880	34,293	– 1.2
Train kilometers	million train-path km[6)]	361.0	356.9	+ 1.1
Freight Transport[7)]				
Freight carried	million t	138.9	138.7	+ 0.1
Ton kilometers	million tkm[2)]	38,920	39,218	– 0.8
Mean transport distance	km	280	283	– 1.1
Train kilometers	million train-path km[6)]	101.5	105.9	– 4.2
Track Infrastructure				
Train kilometers	million train-path km[6)]	489.0	479.5	+ 2.0

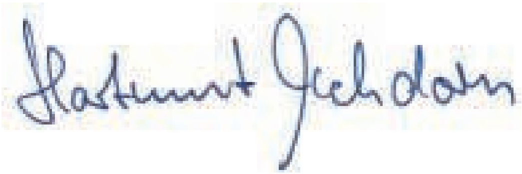
1) Passenger kilometers: product of number of passengers and mean travel distance
2) Ton kilometers (tkm): product of freight carried and mean transport distance
3) First six months of 2003: adjustment for the consolidation-related effects of Stinnes, Hangartner, Railog/
First six months of 2002: pro forma adjustment for the effect of the separation of Transfracht International
4) as of Dec 31, 2002
5) Gross capital expenditures less investment grants from third parties
6) Train-path kilometers: driving performance in km of trains on rail
7) Please note: all ton figures represent metric tons (1,000 kg = 2,200 lbs.)

Dear Ladies and Gentlemen,

Deutsche Bahn had to face exceptional challenges in the first six months of 2003. The changeover of the timetable with the inclusion of the Cologne–Rhine/Main high-speed line and integration into the European railway timetable at the end of 2002 led to great changes. The extreme weather situation with the after-effects of the "flood of the century" and the particularly hard winter caused great problems not only for the Group Track Infrastructure division, but also for the Group Passenger Transport and Transport and Logistics divisions. We had and are having technical problems with new trains as well. All of this had an adverse effect on our image with our customers.

The introduction of the new long-distance price system also suffered under all of these problems and the general economic situation. The desire for rapid improvements in the price system demanded enormous effort by both those directly involved and Deutsche Bahn's management team. In addition to this, the challenges posed not only by the weak development of the economy and the increasing competition on the railway itself, but even more so in long-distance transport with the low-cost airlines had to be overcome. In the Group Transport and Logistics division, Stinnes and Schenker now have to be integrated into the Deutsche Bahn Group.

Independent of all of these great challenges, we have systematically continued our "DB Campaign" strategy with its three pillars "Restructuring – Performance – Growth". Our commitment has already paid off. Our six-month results are significantly better than in the comparable period of the previous year and show that we are on course. Comparison with the general development in the market sector also proves positive. For us, the six-month results are an incentive to continue the rigorous pursuit of our objectives for the financial year 2003.



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

Development of the Deutsche Bahn Group

Economic Environment

The weakness of the economy, which characterized the year 2002, continued unabated in the first six months of 2003. Furthermore, the uncertainties that resulted from the crisis in Iraq have still not been completely overcome. The **overall weakness of the economy** is affecting the key industry sectors for our freight transport business and – as a result of the weakened job market – our Group Passenger Transport division. Negative effects have also been felt in the relevant markets of the Stinnes Chemicals (Brenntag) and Materials (Stinnes Interfer) division. The intensity of competition in the markets that are important for us remained high in the first half of the year and even increased in some cases.

In the course of the first six months, leading economic research institutes significantly reduced their forecasts for 2003, so that only a much weakened growth is anticipated worldwide and, in the case of Germany, very slightly positive or even zero growth. Positive effects, despite a slightly brighter mood, are unlikely to be felt before the financial year 2004.

Business Performance

Our business performance during the first half of 2003 was affected by the continuing difficult economic environment and the dedicated, scheduled **continuation of our restructuring and modernization program**. Compared to the same period last year, the inclusion of the Stinnes Group, which was acquired in the second half of 2002, is also to be taken into account.

In total, the **passenger transport performance** declined by 1.2 % to 33.9 billion passenger kilometers (pkm). The **freight transport performance (Railion)**, at 38.9 billion ton kilometers (tkm), was just 0.8 % below the figure for last year. The performance reported in the second quarter, however, was much better than what had been a very poor result at the start of the year. The rental of retail space in the passenger stations was also affected by the overall weak economy. Whereas we were able to compensate for the unfavorable market conditions in the freight and passenger sectors to a large extent by implementing additional cost reduction programs of our own, Stinnes managed to ease market pressure by transferring part of it to the main subcontractors.

As a result of the inclusion of the Stinnes Group, **group revenues** at € 13,995 million were significantly above the figure for the same period last year (€ 7,694 million; + 81.9 %). Nevertheless, despite the difficult market environment, revenues increased to € 7,904 million even without Stinnes. On a comparable basis – including adjustments for the consolidation-related effects arising from the first-time inclusion of Hangartner AG and Railog GmbH and the separation of Transfracht

Internationale Gesellschaft für kombinierten Güterverkehr mbH (Transfracht International) from the full consolidation – revenues were up 2.3 % to € 7,766 million. With minor inventory changes again this year and slightly higher internally produced and capitalized assets, this also led to a significant increase in **overall performance** of 75.1 % to € 14,956 million. Other operating income amounted to € 995 million, which is € 115 million above last year's figure.

We were once again able to increase the efficiency of our operations, with progress made in our **"Fokus" restructuring program** continuing to meet with expectations. Considering the difficult market environment – and thus weak revenue performance expected for the whole of 2003 – we initiated **counter-measures on the cost side** at an early stage in order to achieve the targeted increases in profit. What were, in terms of our core business without Stinnes, positive developments were obscured compared to last year's figure due to the inclusion of the Stinnes Group, so that cost items for cost of materials, personnel and other expenses are significantly higher than the figures quoted for last year.

Overall, the **cost of materials** in the first six months at € 7,628 million was thus some 119 % above the comparable figure for last year, with **personnel expenses** at € 5,037 million now 29.9 % higher than last year's figure. It must also be realized that compensation had to be provided for the **elimination of reimbursements for the burdens inherited from the former Deutsche Reichsbahn** (granted for the last time in financial year 2002) related to cost of materials and personnel expenses, which amounted to € 211 million. **Other operating expenses** at € 1,898 million were also well in excess of the same period last year (€ 1,094 million).

As a result of the continued rapid pace of capital expenditures, depreciation increased by 20.7 % to € 1,221 million. The business activities of Stinnes are characterized by a relatively low capital intensity, so that the inclusion of the Stinnes Group has only a minor effect in this case. As a result of our intensive capital expenditures program, which we are financing in part by drawing on the capital markets, and the acquisition and consolidation of the Stinnes Group, **net interest** was down € 136 million to € – 319 million. **Income from investments** was at last year's level.

In 2001, we decided in favor of accelerating our modernization program, consciously taking into account net operating losses in the years 2001 to 2003; a return to profits is planned for financial year 2004. The expected negative **income before taxes** of € – 148 million in the first six months of 2003 (first six months of 2002: € – 231 million), with an **improvement over the same period last year** of € 83 million, is in line with our schedule.

The changes in operating performance are reflected in the EBITDA, EBIT and operating income after interest. From the efficiency improvements we have implemented and the inclusion of the business activities of the Stinnes Group resulted a significant increase in **EBITDA (adjusted operating income before interest, taxes, depreciation, and amortization) before special burden compensation** to € 1,397 million (first six months of 2002: € 749 million; i.e. plus € 648 million). As a result, we have been able to overcompensate for the reduction in special burden compensation by € 211 million, for the increase in depreciation by € 209 million and for the reduced net interest by € 136 million. Accordingly, **EBITDA** (€ 1,397 million; first six months of 2002: € 960 million), **EBIT** (€ 176 million; first six months of 2002: € –52 million) and **operating income after interest** (€ –143 million; first six months of 2002: € –235 million) were well above the figures for the same period last year.

Cash flow before taxes also improved by 37.5 % to € 1,101 million. In addition to the improved earnings situation, this also reflects the high levels of depreciation.

The **Return on capital employed** (ROCE = EBIT/Capital Employed), with capital employed amounting to € 30,832 million, was 1.1 % (first six months of 2002: –0.4 %).

Balance Sheet Structure

The **balance sheet total** increased compared to the amount as of December 31, 2002 by 4.1 % to € 47.9 billion. At the end of financial year 2002, the Stinnes activities had already been included, so that by comparison in this case, there are no major structural changes to be considered.

On the **asset side** the increase resulted from an increase in properties (property, plant and equipment) due to our capital expenditures program but also from a slight increase in current assets. The structure of the **liabilities side** is largely unchanged since the end of financial year 2002; reductions due to repayments in the case of interest-free loans were overcompensated for by increasing financial debt from € 11.1 billion to € 11.5 billion and other liabilities.

Capital Expenditures and Financing

Gross capital expenditures for intangible assets and properties at € 3,170 million were less than in the same period last year (€ 3,951 million). This was mainly due to the purchase of Arcor telecommunication assets (€ 0.9 billion) in the first half of 2002. Adjusted for this effect, the rapid pace of capital expenditures continued unabated. Taking into account the third-party investment grants, which increased by € 418 million, **net capital expenditures** amounted to € 1,967 million (first six months of 2002: € 3,166 million).

To cover financing requirements, in addition to cash flow, we also drew on the **capital markets**. After a long-term bond (€ 500 million, maturing in 2018) issued in March began to attract considerable investor interest, its total value was increased in April to € 1 billion. As a countermove, a convertible bond (€ 42 million) issued in 1998 was also redeemed in April. In addition, existing liabilities to banks of Stinnes were substantially reduced.

In May 2003, the **annual rating reviews** conducted by the rating agencies Moody's and Standard & Poor's took place. Based on their analyses, both agencies confirmed their previous positive rating of the DB Group's credit. S&P's credit rating thus remains unchanged since its first issue in 2000 of “AA/stable outlook”. Moody’s kept the rating it also issued in 2000 of “Aa1” and returned the outlook it had temporarily changed to “negative” in Fall 2002 after the first announcement of the planned acquisition of Stinnes once again to “stable”.

Employees

In line with further productivity increases, the **number of employees** has declined since the end of 2002 by 778 to 249,912 employees. Compared to June 30, 2002 with 211,962 employees (without Stinnes), this corresponds to an increase in headcount of 37,950. Adjusted solely for the effect of Stinnes, the number has decreased by 2.6 % to 206,389 employees; on a comparable basis (including the effects of Hangartner, Railog, Transfracht International) by 2.8 % to 205,953 employees.

Noteworthy Occurrences in the First Six Months of 2003

- The **second report from the competition officer** that was published in February 2003 once again confirms that access to the DB Netz AG rail network is non-discriminatory. It also shows that Germany occupies a leading position internationally in terms of the implementation of liberalization.
- The **sale of an extensive real estate portfolio** (1,849 developed and undeveloped real estate covering a total area of some 30 million square meters) to the Aurelis Real Estate GmbH & Co. KG was completed effective April 1, 2003. This sale of non-operating business assets is in line with our focus on core business activities in the mobility, transport and logistics sectors.
- The resolution to transfer the shares of the minority shareholders to the majority shareholder, our subsidiary DB Sechste Vermögensverwaltungsgesellschaft mbH, which was passed at the shareholders’ meeting of Stinnes AG in February 2003, was entered into the commercial register in May. This means that DB AG now indirectly owns 100 % of **Stinnes AG**. The listing of Stinnes AG on the stock exchange has been cancelled. The **successful completion of the squeeze-out process** was an important step in the integration of Stinnes’ activities into the DB Group, which has so far been running to schedule.

Outlook and Noteworthy Occurrences After June 30, 2003

- Our business performance in the current financial year is mainly dependent on the stabilization and recovery of the economy in the second half of the year. It is important now to compensate for the drag on profit arising from the elimination of reimbursements for inherited burdens as well as the increasing depreciation and interest charges associated with our modernization program, and to achieve further increases in earnings. We are confronting the sustained weakness of the market accordingly with additional cost optimization measures. Notwithstanding the improvements achieved in the first six months, in view of the long-term performance of the key sectors for the rail freight transport division, which cannot as yet be estimated, and the importance of the targeted turnaround regarding of the transport and revenue performance in terms of long-distance passenger transport, a projection of the success achieved so far over the entire year does not seem to make sense. We continue to strive for a **noticeable improvement in performance ratios in financial year 2003**.

- In July, the **Corporate Governance Principles** for Deutsche Bahn AG became effective. These can be viewed on the Web at "www.bahn.de/ir". A report on their use will be provided with the Annual Report for financial year 2003.
- In July 2003, it was decided to set up a **new organizational structure for the Group Passenger Transport division**, which, in addition to a further improvement of the internal processes, is to lead in particular to a stronger, clearer presence in the growth segment of urban transport, and to create a **Group Services division**. The latter is equivalent to a further development of the Service business area. In 2004 additionally the heavy maintenance facilities, that are also within the DB AG, will be integrated here. DB ProjektBau GmbH remains a directly managed business area. The future organizational structures for the Group Passenger Transport and Services divisions will be implemented in the second half of 2003 or by January 1, 2004.
- **Modifications to the pricing system** for long-distance passenger transport services were introduced smoothly at the beginning of August and received a positive response from the customers.

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.

Group Passenger Transport Division

- Transport performance falls slightly short of previous year's period
- Revenues and earnings performance affected by the unsatisfactory performance in long-distance services
- Vehicle fleet modernization program continued

in € million		Jan–Jun 2003	Jan–Jun 2002	Change in %
Transport performance	million pkm	33,880	34,293	– 1.2
External revenues				
DB Long-distance Transport		1,436	1,652	– 13.1
DB Regio		4,059	3,825	+ 6.1
Total		**5,495**	**5,477**	+ 0.3
Intra-Group revenues		262	454	– 42.3
Divisional revenues		**5,757**	**5,931**	– 2.9
Operating income after interest				
DB Long-distance Transport		– 266	50	–
DB Regio		174	103	+ 68.9
Total		**– 92**	**153**	–
Gross cash flow				
DB Long-distance Transport		– 92	214	–
DB Regio		466	368	+ 26.6
Total		**374**	**582**	– 35.7
Gross capital expenditures				
DB Long-distance Transport		121	268	– 54.9
DB Regio		415	586	– 29.2
Total		**536**	**854**	– 37.2
Employees as of Jun 30/Dec 31		**70,228**	**71,037** [1]	– 1.1

[1] as of Dec 31, 2002

Transport performance of the Group Passenger Transport division decreased slightly in the first six months of 2003 (–1.2 % to 33.9 billion pkm), but was nevertheless better than the overall market (based on preliminary data –2 to –3 %). At the same time, the positive performance in local passenger services was overcompensated for by the weak performance of long-distance services. From the weak transport performance combined with the price cuts in December 2002, a considerable drop in revenues resulted in long-distance transport, which could not be offset by measures on the cost side alone and in this respect had an effect on the earnings of the Group Passenger Transport division. The **operating income after interest** in the Group Passenger Transport division subsequently declined by € 245 million to € –92 million.

Gross capital expenditures – mainly for vehicle purchases – at € 536 million, due to the time schedule for the restructuring of the procurement program, were below the figure for the same period last year.

Long-Distance Passenger Transport (DB Reise&Touristik)

In long-distance passenger transport, the **transport performance** of rail compared to the same period last year was down 6.9 % to 15.2 billion pkm. The decline is due to a number of factors. Besides structural effects such as the targeted transfer of commuter transport volumes to DB Regio and the effect of the shortened routes due to the newly built Cologne – Rhine/Main rail link, for example, the main factors were the significant difficulties resulting from the weak economy and employment situation. In addition, there were the currently extremely aggressive tactics of the low-cost airlines and the reactions to them of established competitors. Contributing factors, however, were also – in terms of punctuality – our own inadequate service quality at the beginning of the year and the insufficient customer acceptance of the new price system introduced in December 2002. To improve punctuality, we have successfully initiated the “Rail Operations Quality” project, for example. The critical aspects of the new price system from the customers’ viewpoint were improved to meet customer demands. In the modified structure, with an “Economy Price World” and a “BahnCard World”, a successful start has now been made on August 1.

The development of **revenues** (– 13.1 % to € 1,436 million), **operating income after interest** (€ – 266 million; first six months of 2002: € + 50 million) and **gross cash flow** (€ – 92 million; first six months of 2002: € + 214 million) was not satisfactory.

Local Passenger Transport (DB Regio)

Developments in the local transport area – in view of the economic environment – were positive. **Transport performance in local rail passenger transport** was up 4.0 % to 18.6 billion pkm; developments in bus transport were also pleasing. In total, **external revenues** achieved by the local passenger transport business unit increased by 6.1 % to € 4,059 million. Along with the positive revenue performance, **operating income after interest** improved by € 71 million to € 174 million. **Gross cash flow** increased significantly by 26.6 % to € 466 million.

In addition to a further improvement of the cost structures and service quality, the focus remains unchanged on the defense of the excellent market position with imminent tenders and the signing of long-term ordered-service contracts.

Group Freight Transport / Logistics Division

The overall **integration of the Stinnes activities** into the DB Group is on schedule. It is expected that the new corporate structure of what will then be the **new Transport and Logistics division** with registered office in Berlin will take effect in the third quarter. DB Cargo AG will be renamed Railion Deutschland AG in the second half of 2003.

Railion (Freight Transport)

- Transport performance fell slightly short of the same period last year
- Improvement in operating income after interest to € 67 million
- Further development dependent on economic upswing in the second half of the year

in € million		Jan – Jun 2003	Jan – Jun 2002	Change in %
Transport performance	million tkm	38,920	39,218	– 0.8
External revenues		1,942	1,834	+ 5.9
Intra-Group revenues		275	272	+ 1.1
Divisional revenues		**2,217**	**2,106**	+ 5.3
Operating income after interest		67	20	+ 235
Gross cash flow		176	100	+ 76
Gross capital expenditures		161	149	+ 8.1
Employees as of Jun 30/Dec 31		28,877	29,342 [1]	– 1.6

[1] as of Dec 31, 2002

After being faced with very 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. Whereas the transport demand in the iron and steel industries and for vehicles remained relatively stable in the first six months of the year, the transport volume in the mineral oil products, chemicals/fertilizers and agricultural products areas declined. Combined rail / road transport performed worse than last year. As a result, the development of DB Cargo AG's transport performance as of June at 36.0 billion tkm was 0.7 % below the figure for the same period last year. Railion Denmark A/S at 1.0 billion tkm was 10.1 % down on last year. In contrast, Railion Benelux N.V. added 4.4 %, rising to 1.9 billion tkm. In total the Group Freight Transport / Logistics division achieved 38.9 billion tkm (– 0.8 %).

The positive performance of **external revenues** (+ 5.9 % to € 1,942 million), in addition to the first-time inclusion of Hangartner AG and Railog GmbH, is due to the positive performance of the former business. On a comparable basis – adjusted for effects of Hangartner, Railog and Transfracht International – an increase in revenues of 4.0 % to € 1,804 million was achieved. The **operating income after interest** also increased quite significantly to € 67 million (first six months of 2002: € 20 million).

Gross cash flow rose to € 176 million (+76.0 %). **Gross capital expenditures** at € 161 million were above last year's figure. The focus in the current financial year remains on the purchase of new locomotives and freight cars/load units.

Stinnes

- Stinnes with positive contribution to revenues and income of DB Group
- In a pro forma comparison to last year – a positive performance
- Transportation division (Schenker) continues to make gains in difficult market environment

in € million	Jan–Jun 2003	pro forma Jan–Jun 2002	Change in %
External revenues	6,091	5,906	+ 3.1
thereof Transportation (Schenker)	(3,364)	(3,047)	+ 10.4
Operating income after interest	129	129	–
thereof Transportation (Schenker)	(76)	(71)	+ 7.0
Gross cash flow	289	278	+ 4.0
thereof Transportation (Schenker)	(162)	(148)	+ 9.5
Gross capital expenditures	39	41	– 4.9
thereof Transportation (Schenker)	(19)	(22)	– 13.6
Employees as of Jun 30/Dec 31	43,523	40,618 [1]	+ 7.2
thereof Transportation (Schenker)	(32,581)	(29,769)[1]	+ 9.4

[1] as of Dec 31, 2002

From the inclusion of the Stinnes Group resulted a positive effect on the key performance figures revenues, operating income after interest, and gross cash flow of the DB Group. The volume of capital expenditures, depending on the business, tends to be on the small side. In the following comment, the performance of the Stinnes Transportation (Schenker), Chemicals (Brenntag) and Materials (Stinnes Interfer) divisions is seen in a pro forma comparison, since Stinnes in the comparable period last year was not included. While the Transportation division will be merged with our former Group Freight Transport division to create the new Group Transport and Logistics division, the Chemicals and Materials divisions, despite profitability and excellent market positions, are not seen as part of our core business.

Transportation Division (Core Business)

The **external revenues** in the Transportation division (Schenker) at € 3,364 million in the first six months of 2003 were 10.4 % above last year's level. The first-time consolidation of the acquisitions Anterist+Schneider (on July 1, 2002) and Joyau (on January 1, 2003) contributed to this development. Due to the continuing weak economy, the land transportation activities, which are strongly dependent on the European market, reported once again, both in Continental Europe and in Scandinavia, a moderate performance. With weak demand, pressure on prices remained high, but could be passed on in part to subcontractors. In the Air and Sea Freight unit, external revenues were slightly above last year's figure. Generally speaking, the sea freight market in the first six months of 2003 grew much better than expected. This growth was due mainly to exports from Asia to Europe and to North America, and the rapidly growing inner-Asian transport services. In air freight, growth in terms of volume in the first six months of 2003 was also influenced by the strong economic development in Asia. Export volumes have grown further. Schenker was able to increase air freight tonnage from Asia to Europe and North America quite substantially. In terms of exports from North America, Schenker was able to increase the volume on the transatlantic links to Europe and on the transpacific links to Asia. Whereas growth in volume was reported on the export routes from Europe to Asia, on the routes to North America, the political situation and the weak US dollar tended to lead to reduced volumes being shipped.

Operating income after interest at € 76 million was 7 % up on last year's level. An increase in income compared to last year in overland traffic was partially offset by a decline in earnings in the Air and Sea Freight unit. **Gross cash flow** also increased by 9.5 % on last year's figure, rising to € 162 million. **Gross capital expenditures** amounting to € 19 million were slightly below last year's figure (€ 22 million).

Chemicals Division (Non-Core Business)

The global market for the distribution of chemicals in the first six months of 2003 was affected by a decline in the economy, which resulted in a stagnating demand for chemical products. In the USA in particular, sales dropped as a result of a decline in industrial production and very strong competitive pressure. The reduced parity of the US dollar to the euro also had a depressing effect. Overall, revenues for the comparable period were not reached again in North and Latin America, but were exceeded in Europe, as a result of an increase in price levels and improvements made to the product portfolio. In total, **external revenues** at € 2,230 million were on last year's level. **Operating income after interest** did not quite reach last year's figure (€ 61 million, first six months of 2002: € 68 million). **Gross cash flow** fell by 6.7 % to € 126 million. **Gross capital expenditures** at € 15 million were at the level of the comparable period last year.

Materials Division (Non-Core Business)

Performance on the markets of relevance to the Materials division was characterized by weak demand combined with light pressure on margins. Signals that would liven up the market did not arrive. Overall, **external revenues** for the Materials division dropped by 20.2 % to € 472 million, with portfolio adjustments contributing to this decline. The **operating income after interest** fell by 16.7 % to € 5 million, and **gross cash flow** at € 12 million was 20 % below last year's level.

Group Passenger Stations Division

- Positive revenue performance in the traffic station and rentals business units
- Operating income after interest improved again
- Modernization program continued with substantial capital expenditures

in € million	Jan – Jun 2003	Jan – Jun 2002	Change in %
External revenues	123	115	+ 7.0
Intra-Group revenues	291	288	+ 1.0
Divisional revenues	**414**	**403**	+ 2.7
Operating income after interest	2	– 13	–
Gross cash flow	70	48	+ 45.8
Gross capital expenditures	222	186	+ 19.4
Employees as of Jun 30/Dec 31	5,139	5,309 [1]	– 3.2

[1] as of Dec 31, 2002

In the first six months of 2003, the Group Passenger Stations division increased its **divisional revenues** compared to the comparable period last year by 2.7 % to € 414 million. This increase is due in particular to the performance of **external revenues** (+ 7.0 % to € 123 million). Increased income in the traffic station business unit with external train operating companies and in external rentals is becoming evident. However, the performance in the rentals business unit continued to be affected by the weak economic environment, so that the prospects for growth for which we have prepared with new and modified buildings have not yet come completely into effect.

In combination with ongoing cost management, the additional sources of revenue have led to an improvement in **operating income after interest** to € 2 million (first six months of 2002: € – 13 million). As a result of the earnings performance and higher depreciation and amortization, the **gross cash flow** also improved by € 22 million to € 70 million.

Gross capital expenditures at € 222 million were € 36 million higher than in the comparable period last year. This development is due primarily to the continuing high construction intensity and the implementation of current (large) projects.

In the first six months of the year, a **full inventory** of the approximately 5,800 stations was completed. On this basis, among other things, the **immediate action program** which was begun mid-2002 for the complete, uniform modernization of smaller and medium-sized stations is to be continued with greater focus in cooperation with the relevant federal states and communities. Talks are currently taking place on this subject with the partners in question.

Group Track Infrastructure Division

- Steadily increasing revenues with non-Group railways
- Modernization program continued at high level
- Operating income after interest increased slightly

in € million	Jan–Jun 2003	Jan–Jun 2002	Change in %
External revenues	129	99	+ 30.3
Intra-Group revenues	1,702	1,794	– 5.1
Divisional revenues	**1,831**	**1,893**	– 3.3
Operating income after interest	– 170	– 226	+ 24.8
Gross cash flow	331	237	+ 39.7
Gross capital expenditures	2,098	2,620	– 19.9
Employees as of Jun 30/Dec 31	46,240	49,556[1]	– 6.7

[1] as of Dec 31, 2002

On the revenue side, intra-Group customers also dominate the Group Track Infrastructure division. Non-Group customers have non-discriminatory access and have been increasing their share for years. Based on more intensive track utilization (+10 million train-path km to 33 million train-path km), compared to the same period last year, **external revenues** with non-Group customers in this way were increased by € 30 million to € 129 million. Revenues with intra-Group customers as a result of their optimized operating programs declined slightly. **Divisional revenues** fell slightly by 3.3 % to € 1,831 million.

On the cost side, we were able to overcompensate for the reduction in reimbursements for burdens inherited following German reunification (in cost of materials and personnel expenses) by € 112 million and the burdens resulting from the further increase in depreciation resulting from the continuation of the modernization program by low material and personnel costs, so that the **operating income after interest** was up € 56 million to € –170 million. **Gross cash flow** at € 331 million was significantly higher than last year's figure. Due to the one-time effect arising from the acquisition of Arcor telecommunications assets in 2002, **gross capital expenditures** dropped 19.9 % to € 2,098 million.

In the current year, we are still confronted with the elimination of the damage caused by the flooding disaster in eastern Germany and the reestablishment of key traffic links. In addition, the measures introduced as part of our "Network 21" strategy continue at full speed. Further key projects for our capital expenditure activities in 2003 remain the renewal of the command and control technology with the further construction and expansion of the network of electronic interlockings, and construction work in the local passenger transport infrastructure – in particular in eastern Germany and throughout Germany for suburban rail systems.

Group Services Division

- Consolidation of directly managed business units
- Revenues with Group and non-Group customers expanded
- Operating income after interest in decline

in € million	Jan – Jun 2003	Jan – Jun 2002	Change in %
External revenues	119	81	+ 46.9
Intra-Group revenues	1,874	1,454	+ 28.9
Divisional revenues	**1,993**	**1,535**	+ 29.8
Operating income after interest	12	77	– 84.4
Gross cash flow	141	193	– 26.9
Gross capital expenditures	118	150	– 21.3
Employees as of Jun 30/Dec 31	31,606	29,839[1]	+ 5.9

[1] as of Dec 31, 2002

We have consolidated our directly managed business units to form the Group Services division. These include our rail-specific telematics (DB Telematik GmbH), project construction (DB ProjektBau), energy (DB Energie GmbH), general services/ facility management (DB Services) and IT activities (DB Systems GmbH), plus services in car rentals/fleet management (DBFuhrparkService GmbH).

In the first six months of 2003, these business units earned **revenues** of € 1,993 million (first six months of 2002: € 1,535 million; +29.8 %). The **external revenues** generated mainly by DB Energie GmbH, DB Services, plus DB ProjektBau and DB Telematik GmbH were up 46.9 % to € 119 million.

Due to the supporting nature of its primary functions, the Group Services division is dominated by intra-Group customers. Intra-Group revenues with these customers increased by 28.9 % to € 1,874 million. This growth was achieved largely with DB Telematik GmbH, the project construction companies, and DB Energie GmbH.

The **operating income after interest in contrast** declined (€ 12 million; first six months of 2002: € 77 million). This decline is due mainly to the performance of DB Systems GmbH, DB Services and DB Telematik GmbH. **Gross cash flow** fell by 26.9 % to € 141 million. **Gross capital expenditures** dropped by 21.3 % to € 118 million.

Consolidated Balance Sheet
on June 30, 2003

Assets

in € million	as of Jun 30, 2003	as of Dec 31, 2002
Fixed assets		
Intangible assets	513	540
Properties	39,016	38,329
Financial assets	1,531	906
	41,060	**39,775**
Current assets		
Inventories	1,619	1,515
Accounts receivable and other assets	4,761	4,347
Securities	1	0
Cash and cash equivalents	319	271
	6,700	**6,133**
Prepayments and accrued income	**141**	**115**
	47,901	**46,023**

Equity and Liabilities

in € million	as of Jun 30, 2003	as of Dec 31, 2002
Equity		
Subscribed capital	2,150	2,150
Capital reserves	3,921	3,921
Other equity	– 684	– 363
	5,387	**5,708**
Special items	**12**	**12**
Provisions	**15,815**	**14,834**
Liabilities		
Interest-free loans	7,396	7,726
Interest-bearing debt	11,468	11,051
Other liabilities	6,961	5,771
	25,825	**24,548**
Accruals and deferred income	**862**	**921**
	47,901	**46,023**

Consolidated Statement of Income

January 1 through June 30, 2003

in € million	Jan–Jun 2003	Jan–Jun 2002
Revenues	13,995	7,694
Inventory changes	8	64
Other internally produced and capitalized assets	953	783
Overall performance	**14,956**	**8,541**
Other operating income	995	880
Cost of materials	– 7,628	– 3,490
Personnel expenses	– 5,037	– 3,877
Depreciation	– 1,221	– 1,012
Other operating expenses	– 1,898	– 1,094
	167	**– 52**
Investment income	4	4
Net interest	– 319	– 183
Income before taxes	**– 148**	**– 231**

Consolidated Statement of Cash Flows

January 1 through June 30, 2003

in € million	Jun 30, 2003	Jun 30, 2002
Income before taxes	**– 148**	**– 231**
Depreciation of properties[1]	1,221	1,012
Changes to pension provisions	28	20
Cash flow before taxes	**1,101**	**801**
Depreciation/write-back on financial assets	0	0
Changes to other provisions	953	12
Changes in special items	0	– 3
Gains/losses from disposal of properties[1] and financial assets	37	– 50
Changes to current assets (excl. cash and cash equivalents)	– 545	1,961
Changes to other operating liabilities (excl. financial debt)	993	296
Income taxes	– 66	– 5
Cash flow from business activities	**2,473**	**3,012**
Proceeds from disposal of properties[1]	49	190
Payments for purchase of properties[1]	– 3,170	– 3,951
Proceeds from investment grants	1,206	798
Proceeds from additions to interest-free loans from the federal government	59	167
Repayments of interest-free loans to the federal government	– 361	– 30
Proceeds from disposal of financial assets and (partial) divestiture of consolidated companies	10	2
Payments for purchase of financial assets and (partial) acquisition of consolidated companies	– 635	– 117
Investing activities	**– 2,842**	**– 2,941**
Income payments to minority shareholders	0	0
Proceeds from long-term Group financing	27	0
Proceeds/payments from short-term Group financing	– 568	43
Proceeds from issuing bonds and new loans	1,000	512
Repayments of bonds and loans	– 42	– 38
Financing activities	**417**	**517**
Net increase (decrease) in cash	**48**	**588**
Cash and cash equivalents, beginning of year	271	363
Cash and cash equivalents, June 30	**319**	**951**

[1] Including intangible assets

Segment Information

in € million	External Revenues Jan–Jun 2003	External Revenues Jan–Jun 2002	Intra-Group Revenues Jan–Jun 2003	Intra-Group Revenues Jan–Jun 2002	Divisional Revenues Jan–Jun 2003	Divisional Revenues Jan–Jun 2002	Operating Income after Interest Jan–Jun 2003	Operating Income after Interest Jan–Jun 2002
Passenger Transport								
DB Long-distance Transport	1,436	1,652	135	167	1,571	1,819	– 266	50
DB Regio	4,059	3,825	127	287	4,186	4,112	174	103
Total	5,495	5,477	262	454	5,757	5,931	– 92	153
Freight Transport / Logistics								
Railion	1,942	1,834	275	272	2,217	2,106	67	20
Stinnes	6,091	–	0	–	6,091	–	129	–
thereof Schenker	(3,364)	–	(0)	–	(3,364)	–	(76)	–
Passenger Stations	123	115	291	288	414	403	2	– 13
Track Infrastructure	129	99	1,702	1,794	1,831	1,893	– 170	– 226
Services	119	81	1,874	1,454	1,993	1,535	12	77
Other Operating Entities / Consolidation Effects	96	88	248	235	344	323	– 91	– 246
Group	**13,995**	**7,694**	**4,652**	**4,497**	**18,647**	**12,191**	**– 143**	**– 235**

in € million	Gross Cash Flow Jan–Jun 2003	Gross Cash Flow Jan–Jun 2002	Gross Capital Expenditures Jan–Jun 2003	Gross Capital Expenditures Jan–Jun 2002	Total Assets as of Jun 30, 2003	Total Assets as of Dec 31, 2002	Employees[1] as of Jun 30, 2003	Employees[1] as of Dec 31, 2002
Passenger Transport								
DB Long-distance Transport	– 92	214	121	268	4,639	4,651	26,755	27,013
DB Regio	466	368	415	586	8,284	8,029	43,473	44,024
Total	374	582	536	854	12,923	12,680	70,228	71,037
Freight Transport / Logistics								
Railion	176	100	161	149	3,293	3,269	28,877	29,342
Stinnes	289	–	39	–	5,308	4,986	43,523	40,618
thereof Schenker	(162)	–	(19)	–	(2,944)	(2,721)	(32,581)	(29,769)
Passenger Stations	70	48	222	186	2,765	2,976	5,139	5,309
Track Infrastructure	331	237	2,098	2,620	20,999	21,216	46,240	49,556
Services	141	193	118	150	2,829	3,023	31,606	29,839
Other Operating Entities / Consolidation Effects	44	– 180	– 4	– 8	– 216	– 2,127	24,299	24,989
Group	**1,425**	**980**	**3,170**	**3,951**	**47,901**	**46,023**	**249,912**	**250,690**

[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 2002 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 last year and those used in the Annual Report 2002.

Additional comments:

- Compared to the same period last year, **essential structural changes** have been implemented, in particular as a result of the acquisition of Stinnes AG (in the second half of 2002). Comments to this are included in this Interim Report, and key data will be found in the segment description. The contribution to external revenues from Spedition Hangartner AG, included for the first time in 2003, amounted to € 62 million, Railog GmbH contributed € 76 million. Other changes to the composition of the Group are only minor, as are their effects on the Group's asset, financial, and revenues situation.
- The **change in equity** between December 31, 2002 and June 30, 2003 results from the income before taxes, income taxes, and other changes amounting to € 107 million (mainly from amortized goodwill).
- As part of our updated analyses of risks, counter-measures, securities and precautionary measures in the first six months of 2003 within the framework of our risk management strategy, on the basis of the **current risk assessment**, no risks capable of threatening the Group's continued existence are discernable, now or in the foreseeable future.
- In addition, the following information applies to the **individual segments**:
  (1) DB Rent GmbH will now be assigned to the Group Services division. In the presentation of the Group Services division or under Miscellaneous, the figures for last year have been adjusted accordingly.
  (2) Deutsche Umschlaggesellschaft Schiene-Straße mbH (DUSS), following the integration of Umschlagbahnhof München-Riem GmbH, will be assigned to the Track Infrastructure division. In the presentation of the Group Freight Transport and Track Infrastructure divisions, the figures for last year have been adjusted accordingly.

Berlin, August 12, 2003

Deutsche Bahn AG
The Management Board

Supervisory Board of Deutsche Bahn AG

Dr. Günther Saßmannshausen
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*

Volker Halsch

Horst Hartkorn*

Jörg Hensel*

Günter Kirchheim*

Lothar Krauß*

Heike Moll*

Ralf Nagel

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

Günter Ostermann*

Prof. Dr. Ekkehard D. Schulz

Dr. Ulrich Schumacher

Dr. Alfred Tacke

Dr.-Ing. E.h. Heinrich Weiss

Margareta Wolf

Horst Zimmermann*

* Employee representative on the Supervisory Board

Management Board of Deutsche Bahn AG

Hartmut Mehdorn
Chairman and CEO

Dr. Norbert Bensel
Personnel

Klaus Daubertshäuser
Marketing

Roland Heinisch
Track Infrastructure / Integrated Operations

Dr. Bernd Malmström
Freight Transport / Logistics

Dr. Karl-Friedrich Rausch
Passenger Transport

Diethelm Sack
Chief Financial Officer

Last modified: July 31, 2003

Financial Calendar

March 10, 2004	Preliminary figures for financial year 2003
May 13, 2004	Annual Results Press Conference / Annual Report for financial year 2003

Imprint

Financial information can be requested from Investor Relations:

Phone: + 49 (0) 30 297-61676
Fax: + 49 (0) 30 297-61961
E-Mail: investor.relations@bahn.de
Internet: www.bahn.de/ir

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.

Corporate publications can be requested from Corporate Communications:

Fax: + 49 (0) 30 297-62086
E-Mail: medienbetreuung@bahn.de

Deutsche Bahn AG
Potsdamer Platz 2
D-10785 Berlin
Germany

www.bahn.de