Mobility Networks Logistics

Interim Report
January – June 2007

- Continued positive growth of rail transport, international freight forwarding and logistics activities
- Revenues increased by 5.8 % to € 15.3 billion (on a comparable basis: +5.7 %)
- Significant EBIT growth by € 416 million to € 1,352 million
- Gross capital expenditures expanded by 19.5 % to € 2.8 billion
- Outlook for 2007 financial year raised

Development January – June 2007

Revenues (€ million)

2006 to 2007: +5.8%

EBIT (€ million)

2006 to 2007: € +416 million

Revenues comparable (€ million)

2006 to 2007: +5.7%

Gross capital expenditures (€ million)

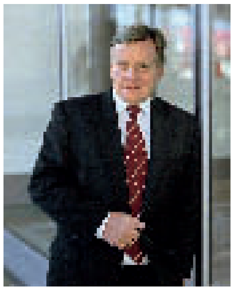
2006 to 2007: +19.5%

Key figures	**January through June**		**Change**	
€ million	**2007**	**2006**	**absolute**	**%**
Revenues	15,334	14,491	+843	+5.8
Revenues comparable	15,278	14,460	+818	+5.7
Profit before taxes on income	911	491	+420	+85.5
EBITDA	2,660	2,272	+388	+17.1
EBIT	1,352	936	+416	+44.4
EBIT before special items	1,327	918	+409	+44.6
Gross capital expenditures	2,834	2,372	+462	+19.5
Net capital expenditures[1]	1,279	1,456	-177	-12.2
Cash flow from operating activities	1,689	1,618	+71	+4.4
Non-current assets as of June 30/Dec 31	43,320	43,360	-40	-0.1
Current assets as of June 30/Dec 31	6,198	5,080	+1,118	+22.0
Total assets as of June 30/Dec 31	49,518	48,440	+1,078	+2.2
Equity as of June 30/Dec 31	10,108	9,214	+894	+9.7
Financial debt as of June 30/Dec 31	19,850	19,881	-31	-0.2
Employees[2] as of June 30/Dec 31	230,895	229,200	+1,695	+0.7
Rating Moody's/Standard & Poor's	Aa1/AA	Aa1/AA	–	–

Performance measures – Rail	**January through June**		**Change**	
	2007	**2006**	**absolute**	**%**
Passenger transport				
Passengers (million)	913	909	+4	+0.4
Transport performance (million pkm[3])	36,717	36,192	+525	+1.5
Train kilometers (million train-path km[4])	345	349	-4	-1.1
Freight transport				
Freight carried (million t)	156.4	153.7	+3	+1.8
Transport performance (million tkm[5])	49,932	48,030	+1,902	+4.0
Mean transport distance (km)	319.3	312.5	+7	+2.2
Train kilometers (million train-path km[4])	103	100	+3	+3.0
Infrastructure				
Train kilometers on track infrastructure (million train-path km[4])	521	501	+20	+4.0
thereof non-Group customers	(71)	(61)	+10	+16.4

[1] Gross capital expenditures less investment grants from third parties.
[2] Full-time employees (FTE), part-time employees are accounted for on a pro-rata basis.
[3] Passenger kilometers: product of number of passengers and mean travel distance.
[4] Train-path kilometers: driving performance in km of trains on rail.
[5] Ton kilometers: product of freight carried and mean transport distance.

Chairman’s Letter



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

Dear ladies and gentlemen,

Our very successful development has continued into the first half of 2007. Revenues and profits were once again higher than their comparable year-ago figures – and we are also well positioned for the entire year.

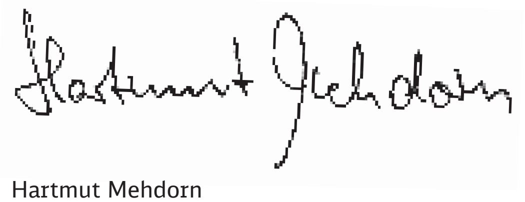
Our strategy has sustained DB Group’s focus on future-oriented key industries like mobility, logistics and transport networks. Germany is the world’s leading exporter, as well as Europe’s number one transport and transit hub. Our business portfolio – which combines the advantages of all modes of transport like no other company in the world can – enables us to benefit from the related opportunities and to provide our customers with attractive mobility offers and intelligent logistics solutions. Rail also profits from this. We further expanded our transport performance during the first six months of 2007. Today we can truly say that never before were we able to ease the traffic burden on Germany’s autobahns and transport hubs to such an extent as in the first half of 2007.

The reason for this is the rigorous expansion of our networks, even beyond Germany, to respond to the requirements of transport flows. Our scheduled ICE services will cross numerous borders this year. The premiere of the new line to Paris, which was a success from the very first day, marked the beginning. Additionally, our network of freight transport services is also increasingly expanding throughout all of Europe. Our acquisitions of EWS, a British freight railway, and Transfesa, a Spanish rail freight forwarder, were two important further steps on our way to providing solid pan-European service.

Our activities to modernize the German rail infrastructure within the framework of our ProNetz program for the future are proceeding as scheduled. These activities, combined with important infrastructure projects like the new Stuttgart – Ulm line and Stuttgart 21, generate opportunities to further expand the growth of rail, including regional transport.

The Cabinet decision approving the partial privatization of DB AG marked an important milestone for our future. Private capital will enable us to continue making capital expenditures at a high level, and to further expand our range of customer offers. We are convinced that the partial privatization of DB AG will sustainably benefit all participants – our customers, our employees, our company, and Germany as a business location – and will allow us to continue on our successful journey.

Yours faithfully,



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

Major Events

Premiere of German-French high-speed rail connection

On June 10, 2007 DB, in cooperation with SNCF, inaugurated the high-speed ICE and TGV service from Stuttgart and Frankfurt to Paris. We anticipate that this new service will enable us to gain significant market share vis-à-vis car and plane travel following the complete integration of this service into our schedule as of December. This collaboration is an important milestone towards establishing an international ICE network. In addition to France, the Netherlands, Belgium, Austria, and Switzerland are also included in this project.

Expansion of the European rail freight transport network

In June 2007 the Supervisory Board approved the 100 % acquisition of EWS, a British freight railway, in addition to the purchase of a majority stake in Transfesa, a Spanish rail freight forwarder. These acquisitions will further reinforce our position in the European rail freight transport market as we gear up for the liberalization of the European rail market. We are expanding our central transport corridors in Western Europe, which enables us to make even better single-sourced offers to our customers.

Railteam – a new alliance in high-speed rail transport

Europe's leading railway companies met in Brussels in July 2007 to form Railteam, a new European marketing alliance aimed at improving high-speed rail transport across Europe's borders. Railteam's objectives include interlinking members' offers, introducing consistent service standards, and providing customers with better information. The realization of these goals will make rail travel across Europe significantly easier and more comfortable. In addition to DB, the founding members of Railteam are the French SNCF, the Belgian SNCB, the Dutch NS, the Austrian ÖBB, the Swiss SBB and Eurostar.

Privatization Act moves closer to passage

Further progress has been made towards the privatization of DB AG. A draft version of the Privatization Act was approved by the Cabinet on July 24, 2007. The next step will be to submit the proposal to the lower and upper houses of German Parliament, the Bundestag and Bundesrat, respectively, for deliberation.

Sale of Scandlines AG

In June 2007, the Supervisory Board approved the sale of DB AG's 50 % stake in Scandlines AG. This decision reaffirms our strategy of focusing on our network expertise in the transport market. The approval of the purchase agreement is pending a review of related cartel considerations by the EU Commission and the approval of the Danish Parliament's Finance Committee.

Interim Group Management Report

Overview

This interim report was prepared in accordance with International Financial Reporting Standards (IRFS). An Interim Group Management Report was included in this report pursuant to the terms of the Securities Trading Act (Wertpapierhandelsgesetz; WpHG).

The reporting structure reflects the consolidation of the previous Railion and Stinnes business units into the new Rail Freight business unit as of the start of the 2007 financial year. The previous year's figures were adjusted accordingly.

Major changes in year-over-year comparison

- Following the dissolution of intalliance AG, a joint venture company, Regionalbus Braunschweig GmbH (RBB) was transferred back into the DB Group, and is now part of the Urban Transport business unit.
- We sold Frachtcontor Junge-Gruppe (FCJ) to Beteiligungsgesellschaft Frachtcontor Junge GmbH i.Gr., and NUCLEAR CARGO + SERVICE-Gruppe (NCS) to Compagnie Daher S.A., effective January 1, 2007.
- Our holdings in Fertrans AG and Fertrans GmbH (together: Fertrans) have been included in the scope of consolidation as of January 1, 2007.

Business Environment

The upward trend in the global economy continued during the first half of 2007. While economic growth in the USA calmed during the first months of the year due to declining capital expenditures – especially in the construction industry – and weakening exports, Asia continued to see unabated economic growth. Consumer spending is increasingly driving overall economic growth in Japan. The Chinese economy performed better than it did in 2006 as it continued its robust expansion supported by lively domestic demand and strong exports. Overall global economic growth is based on a broad regional platform.

Favorable growth also continued in the Eurozone. Despite the euro's quite high exchange rate, the economy continued to progress at the same pace noted in the comparable year-ago period. Capital expenditures advanced, further driven by rising capacity utilization rates and good corporate profits. Economic growth was supported by expanding consumer spending fueled by lower unemployment figures. The new EU member states continued to grow at an above-average pace.

Once again, growth noted for the gross domestic product in Germany, our core market, remained at the average level posted by the Eurozone at the beginning of the year. The upswing was mainly driven by uninterrupted and robust capital expenditures. Construction-related spending advanced at an above-average rate due to an unusually mild winter and a strong demand for building services. The export sector was also able to maintain its very fast pace of growth. Following a weak start at the beginning of the year, consumer spending expanded further as real income levels rose further.

Developments in Relevant Markets

Passenger transport market in Germany

Based on our own calculations, transport performance turned in by the German passenger transport market (comprising all motorized modes of transport: motorized individual transport, rail, public road passenger transport, as well as domestic air transport) rose by about 0.8 % during the first half of 2007. Demand for transport was fueled by the recovery of the job market and rising incomes.

Rail passenger transport in Germany once again expanded at a faster pace than the overall market and grew by 1.8 %. Transport performance for DB Group companies increased by 1.5 % and made a positive contribution to the overall market. Non-Group railroad companies, which are primarily active in regional transport, were also able to further improve their transport performance because of the tenders they won. We estimate that transport performance rose by about 10 %, and was primarily due to taking over high-demand routes from DB.

Transport performance in the public road passenger transport segment stagnated in the first half of 2007. Declining numbers of schoolchildren and shrinking public funds hindered progress, while demand for non-scheduled transport services rebounded as the economy picked up.

Based on our own estimates, cumulative transport performance for the market-dominating motorized individual transport category rose by 0.8 % over the same year-ago period during the first six months of 2007. In addition to positive effects generated by higher employment figures and rising incomes, the moderate increases (+0.5 %) in fuel prices noted until June also influenced these results.

Demand within the domestic air transport market rose by 3.5 % over the comparable figure noted for the first six months in 2006. However, the pace of growth weakened in comparison to the growth rate in 2006, and was significantly lower than the increase in demand in the international air transport segment.

Freight transport market in Germany

Due to incomplete figures for the first half of 2007, we can only make preliminary estimates about the development of the German freight transport markets (rail, road, inland waterways, and long-distance pipelines). We do, however, expect that the ongoing pace of growth of the entire market's transport performance has accelerated. Increased demand was driven by unchanged high production levels in the manufacturing industries and continuing favorable performance in the export sector. Additionally, the rise in the mean transport distance is also assisting performance.

The success story in the total rail freight transport sector continued as another major increase in performance was achieved. In addition to the favorable 4.0% increase in transport performance posted by DB Group companies, non-Group railways also recorded very solid increases.

Road freight transport also noted additional growth – and it is anticipated that it was at an even faster pace than in the previous year. We do, however, believe that transport performance for rail will once again accelerate faster than for road.

We expect transport performance generated by inland waterways transport will show an increase due to the positive effects of the recovering economy. It should be noted, however, that the stronger performance should be viewed in light of the very low figure recorded for the same year-ago period, which was heavily influenced by inclement weather.

International transport and logistics markets

European land transport benefited from favorable economic growth in Europe. Demand for transport services in the road freight transport segment remained high and caused continuing shortages of shipping space. This situation, coupled with unchanged high fuel prices, led to higher shipping rates, which could only be partially passed on to customers. As a result, heavy pressures continued to be put on margins.

The air freight market was characterized by an unchanged and strong inner-Asian transport market, as well as by high freight volumes on routes from Europe which were marked by aggressive competition. We noted relatively low volumes due to seasonal reasons on routes from Asia to Europe and North America. The flow of goods from North America to Europe and to Asia stagnated. This development was bolstered by the decision of various customers to shift a greater share of their commercial freight over to ocean freight from air freight.

The ocean freight market continued to record notable increases in volumes, with especially high growth rates noted for exports from Asia to Europe and North America. As before, significantly higher volumes of goods were shipped from Asia than to Asia. This imbalance in the flow of goods led to an extremely low level of freight rates on routes to Asia. In contrast, carriers were able to push through major rate hikes on other routes, which led to continuous pressure on our margins.

We once again observed extensive activity within the market for logistics services. The ongoing trend of industrial and trading companies to outsource logistics services has made contract logistics one of the most important future markets for providers of logistics services. At the same time, increasing competition is also leading to further consolidation.

Business Performance

During the first six months of 2007 DB Group's business performance was marked by continuing positive growth in its rail transport, and international transport and logistics businesses, as well as by further increases in efficiency and an uninterrupted focus on decisive cost management. Growth noted for revenues and profits for the first half of

2007 was not significantly influenced by changes in the scope of consolidation or special items. Effects associated with changes in the scope of consolidation or special items are explained to the extent that they are relevant for comparability purposes.

Revenues continue to climb

Revenues by business units	**January through June**			**Change**
€ million	**2007**	**2006**	**absolute**	**%**
Long-Distance Transport	1,623	1,582	+41	+2.6
Regional Transport	3,270	3,220	+50	+1.6
Urban Transport	929	870	+59	+6.8
Schenker	6,777	6,268	+509	+8.1
Rail Freight	1,932	1,837	+95	+5.2
Track Infrastructure	285	265	+20	+7.5
Passenger Stations	173	156	+17	+10.9
Services	39	43	−4	−9.3
Energy	207	169	+38	+22.5
Other	99	81	+18	+22.2
DB Group – actual	**15,334**	**14,491**	**+843**	**+5.8**
– Fertrans and RBB (each in 2007), resp. FCJ and NCS (each in 2006)	56	31	–	–
DB Group – comparable	**15,278**	**14,460**	**+818**	**+5.7**

We were able to further increase total Group revenues over the comparable year-ago period. The vast majority of our rise in revenues was driven by our business operations. Only 0.1 percentage point of growth was attributable to the previously noted changes in the scope of consolidation. The increase in revenues was primarily due to the ongoing favorable development of performance in our rail transport business and our worldwide transport and logistics business. The biggest increases in absolute terms were attained in the Schenker, Rail Freight, Urban Transport, and Regional Transport business units. Detailed information about developments within the individual business units is available in the “Development of Business Units” section.

The structure of our revenues remained fairly stable in comparison with the 2006 financial year and the first half of 2006: Business units within the Passenger Transport Group division contributed 38 % of revenues (39 % in the first half of 2006), while the share attributable to business units within the Transport and Logistics Group division amounted to 57 % (56 % in the first half of 2006). Supported by an ongoing overall rise in demand for services by non-Group customers, business units managed by the Infrastructure and Services Group division once again, as in previous years, generated the vast majority of their revenues from Group customers. These business units’ share of Group revenues was 5 % (4 % in the first half of 2006).

Revenues by Region € million unless shown as %	**First half of 2007**	**Share %**	**First half of 2006**	**Share %**
Germany	10,134	66	9,639	66
Rest of Europe	3,193	21	2,877	20
North America	874	6	865	6
Asia/Pacific	975	6	1,028	7
Rest of world	158	1	82	1
DB Group	**15,334**	**100**	**14,491**	**100**

As in the same year-ago period, revenues in Germany, and especially in the rest of Europe, posted strong growth of +5% and +11%, respectively. In comparison with the first half of 2006, revenue performance in Asia (−5%) and North America (+1%) was burdened by negative foreign exchange rate effects. The share of revenues generated by activities outside of Germany accounted for 34%, the same level as recorded in the first half of 2006.

Income rises at faster pace than expenses

Excerpt from Statement of Income € million	**January through June** **2007**	 **2006**	 **absolute**	**Change** **%**
Total income	17,138	16,222	+916	+5.6
thereof other operating income	(883)	(882)	+1	+0.1
Cost of materials	-8,213	-7,954	-259	+3.3
Personnel expenses	-4,785	-4,698	-87	+1.9
Depreciation	-1,308	-1,336	+28	-2.1
Other operating expenses	-1,480	-1,298	-182	+14.0
Total expenses	-15,786	-15,286	-500	+3.3
Operating profit (EBIT)	**1,352**	**936**	**+416**	**+44.4**
Financial result	-441	-445	+4	-0.9
Profit before taxes on income	**911**	**491**	**+420**	**+85.5**
Taxes on income	-43	133	-176	-
Net profit	**868**	**624**	**+244**	**+39.1**

Driven by favorable revenue growth, total income also rose significantly. Other operating income remained almost unchanged.

The success of our Group-wide efforts to increase efficiency and improve our cost structures was more than offset by effects related to the expansion of our services and higher freight rates in the Schenker business unit. This was particularly reflected in higher costs of materials and personnel expenses.

Depreciation was slightly below the figure noted in the comparable year-ago period, although our capital expenditures remained at an unchanged high level in order to further modernize our rail business and expand our logistics activities.

Other operating expenses rose during the first half of 2007, due mainly to higher rental and leasing costs incurred in connection with the expansion of our business operations.

Operating profit continues to improve

EBIT by business units	January through June		Change	
€ million	2007	2006	absolute	%
Long-Distance Transport	86	58	+28	+48.3
Regional Transport	416	406	+10	+2.5
Urban Transport	91	50	+41	+82.0
Schenker	192	174	+18	+10.3
Rail Freight	200	134	+66	+49.3
Track Infrastructure	294	147	+147	+100.0
Passenger Stations	103	78	+25	+32.1
Services	98	69	+29	+42.0
Energy	82	74	+8	+10.8
Other/consolidation	-210	-254	+44	-17.3
DB Group – actual	**1,352**	**936**	**+416**	**+44.4**
– Adjustment for special items	25	18	+7	+38.9
EBIT before special items	**1,327**	**918**	**+409**	**+44.6**

The EBIT figure is a key measure of performance for the DB Group and its business units. As a result of the previously mentioned developments we were able to further improve our EBIT significantly during the first half of 2007. At the business unit level the Track Infrastructure, Rail Freight, and Urban Transport business units recorded the most notable EBIT increases in absolute terms. In addition, the Services, Long-Distance Transport, and Passenger Stations business units also recorded very favorable development. Detailed information about developments within the individual business units is available in the "Development of Business Units" section.

To enable better comparability of accounting periods we use an EBIT figure that has been adjusted for special items. As in the comparable year-ago period, this adjusted EBIT figure was almost the same as the actual EBIT figure. The adjustments made were primarily for book profits from the sale of participations.

Profits rise again

The pronounced increase in EBIT, as well as the slight improvement in the financial result, led to a renewed improvement in profit before taxes on income. Despite a significant decline in the tax item, net profit also improved further. In comparison with June 30, 2006, the tax item shown for June 30, 2007 reflects deferred taxable income from additional future opportunities to apply temporary differences and carried-forward losses, which more than offset the actual tax expense in the comparable year-ago period.

Development of Business Units

Long-Distance Transport business unit

Selected key figures	January through June		Change	
€ million	2007	2006	absolute	%
Rail transport performance (million pkm)	16,735	16,703	+32	+0.2
External revenues	1,623	1,582	+41	+2.6
EBIT	86	58	+28	+48.3
Gross capital expenditures	76	170	–94	–55.3
Employees (FTE as of June 30)	14,827	14,795	+32	+0.2

Within the Long-Distance Transport business unit we were able to continue the successful momentum noted in transport performance, revenues, and profit categories into the first half of 2007.

Transport performance was slightly above the comparable year-ago figure. It should be noted that in contrast to the first half of 2006, the positive effects of winter weather in 2006, as well as the additional transport volume because of the 2006 FIFA World Cup™ in Germany, were missing in the first half of 2007. Moreover, damages caused by hurricane Kyrill led to temporary disruptions of service in January. On the other hand, increasingly favorable economic conditions in Germany and the complete integration of the new rail infrastructure as of the introduction of the new time schedule in December 2006 have had a noticeably positive effect. Major noteworthy infrastructure measures were the inauguration of service on the new Nuremberg – Ingolstadt – Munich route on May 28, 2006, as well as the North-South Tunnel in Berlin. In addition, our pricing measures (including Winter, Spring and permanent Special Offers) continued to be well received by our customers. The permanent Special Offer replaced our successful Surf&Rail online offer, and is currently available until the end of 2007. Other favorable effects were generated by further improvements to the time schedule and expanding support services provided to retail and corporate customers.

External revenues continued to rise and were driven by increased transport performance and our decisive yield management.

Higher external revenues were the main reason behind the favorable increase in the unit's profitability, and more than offset expenses which were higher than in the same year-ago period. The cost of materials, in particular, rose, due mainly to higher costs for maintenance, train path usage, and energy.

Gross capital expenditures recorded for the first half of 2007 were significantly lower than in the comparable year-ago period because procurement of the second-generation ICE 3 and ICE T trains was completed in 2006.

Regional Transport business unit

Selected key figures	January through June		Change	
€ million	2007	2006	absolute	%
Rail transport performance (million pkm)	17,342	16,939	+403	+2.4
External revenues	3,270	3,220	+50	+1.6
EBIT	416	406	+10	+2.5
Gross capital expenditures	327	243	+84	+34.6
Employees (FTE as of June 30)	25,413	26,390	–977	–3.7

Within the Regional Transport business unit we won two tenders (electrified track infrastructure for Wuerzburg, and the Munich – Passau line) during the first six months of 2007. Additionally, we were able to further extend an existing transport contract.

Transport performance improved further in comparison to the same year-ago period. This was primarily due to developments seen in the transport associations and the continuing high acceptance of our flat-rate price offers.

Business development also remained favorable. External revenues earned by the business unit rose again during the first six months of 2007. Increased farebox revenues more than offset a slight decline in ordered-services fees because of reduced federal funding for regional transport, and performance losses. Higher farebox revenues were mainly generated by back payments arising from settlement of the previous year's transport association revenues and tariff measures.

The remaining improvements in results were driven by external revenues in combination with unrelenting strict cost management. On the other hand, higher costs of materials, due to increased maintenance costs and track usage charges, burdened results.

The increase in gross capital expenditures in comparison with the first half of 2006 is related to the procurement of vehicles needed for tenders that we won and for existing transport contracts.

Urban Transport business unit

Selected key figures	January through June		Change	
€ million	2007	2006	absolute	%
Rail transport performance (million pkm)	2,640	2,550	+90	+3.5
Bus transport performance (million pkm)	4,149	4,170	–21	–0.5
External revenues	929	870	+59	+6.8
EBIT	91	50	+41	+82.0
Gross capital expenditures	9	18	–9	–50.0
Employees (FTE as of June 30)	12,209	12,307	–98	–0.8

Within the Urban Transport business unit the S-Bahn (metro) and bus segments noted favorable developments. Both revenues and profits were higher than the comparable figures posted for the first half of 2006. While transport performance achieved by the S-Bahn segment rose, a slight decline was noted for the bus segment.

External revenues were primarily influenced by higher ordered-services fees for the Berlin S-Bahn. They resulted from a one-time effect associated with the new revaluation of risks. A further reason was the integration of RBB into the bus segment, which contributed to a major increase in external revenues. Performance and tariff reasons drove the favorable development of external revenues at the Hamburg S-Bahn. In addition, ordered-services fees also increased.

The development of both segments was also favorably reflected in their profits. The S-Bahn segment exceeded its comparable year-ago figure due to higher revenues and stringent cost management. However, profits were reduced by higher cost of materials due to increased maintenance costs and station charges. Total profits generated by the bus segment were above the comparable year-ago level and were influenced by the development of revenues as well as higher profits related to the receipt of back payments.

Schenker business unit

Selected key figures	January through June			Change
€ million	2007	2006	absolute	%
External revenues	6,777	6,268	+509	+8.1
EBIT	192	174	+18	+10.3
Gross capital expenditures	89	77	+12	+15.6
Employees (FTE as of June 30)	56,499	52,480	+4,019	+7.7

Performance of the Schenker business unit continued to develop successfully during the first six months of 2007, including an average increase of 10 % in the volume of shipments in European land transport over the comparable year-ago period. In air freight we noted an overall favorable development as freight volumes could be increased on all routes, except for routes originating in North America where volume growth stagnated. The development on the inner-Asian markets was particularly positive. The ocean freight segment posted continued dynamic growth as Schenker benefited from market trends and volumes which once again expanded at an above-average pace during the first six months of the year.

Business also continued to develop favorably during the first half of 2007: External revenues continued to rise and European land transport again posted double-digit growth. Furthermore, air and ocean freight recorded additional gains during the first six months of 2007. The logistics activities again posted very dynamic double-digit growth, just as in the aforementioned sector. On a regional basis, Europe once again made the biggest contribution to total revenues, followed by Asia and North America, with each achieving a very similar share.

Viewed on an overall basis, the profit situation also developed favorably. During the first half of 2007 the European land transport sector experienced high demand for transport services coupled with tight availability of shipping space, as well as unrelenting heavy pressures on margins. Nevertheless, Schenker was able to improve its profit situation with major contributions made, in particular, by the national companies in Germany, Sweden, Norway, Belgium, and Poland. Overall profits grew at a slightly faster pace than in the same year-ago period in air/ocean freight and logistics. However, in ocean freight the market's continuing fast rate of growth led to even greater competitive pressures, which in turn squeezed margins even further. As a result, the unbroken strong increases in volume had a less-than-proportionate impact on revenues and profits.

Capital expenditures were once again focused on the expansion of the European land transport network, and led to a higher level of capital expenditures than in the same year-ago period.

Rail Freight business unit

Selected key figures	January through June		Change	
€ million	2007	2006	absolute	%
Rail transport performance (million tkm)	49,932	48,030	+1,902	+4.0
External revenues	1,932	1,837	+95	+5.2
EBIT	200	134	+66	+49.3
Gross capital expenditures	74	68	+6	+8.8
Employees (FTE as of June 30)	24,275	24,573	–298	–1.2

We consolidated the activities of the previous Railion and Stinnes business units into the new Rail Freight business unit as of the start of 2007.

The positive trend seen in the 2006 financial year continued into the first half of 2007, as developments noted in the Rail Freight business unit were again favorable. Growth was supported by continuing positive economic conditions experienced by industries which play a key role for rail transport. Gains were mainly noted for iron and steel, construction, industrial/consumer goods, forestry products, and chemicals/fertilizer products, as well as especially in intermodal transport. Accordingly, transport performance and external revenues rose further.

The improved profits especially reflect developments noted at Railion Deutschland AG. In general, higher revenues and less-than-proportionate increases in costs contributed to favorable results. In addition, there was a one-time effect on income arising from an adjustment to reserves in the amount of € 15 million.

The modernization of the vehicle fleet, including capital expenditures for rail and freight cars, remained the focal point of our activities.

Track Infrastructure business unit

Selected key figures	**January through June**			**Change**
€ million	**2007**	**2006**	**absolute**	**%**
Train kilometers on the track infrastructure (million train-path km)	521	501	+20	+4.0
thereof non-Group railways	(71)	(61)	(+10)	(+16.4)
External revenues	285	265	+20	+7.5
EBIT	294	147	+147	+100
Gross capital expenditures	1,917	1,366	+551	+40.3
Employees (FTE as of June 30)	40,730	42,290	–1,560	–3.7

The continuing favorable development of the rail transport market is also mirrored in the demand for train-path usage. Demand rose notably in the first half of 2007, driven by DB Group companies in the rail transport and non-Group railways especially for rail freight transport. External revenues also increased accordingly. Additionally, adjustments made to tariff rates as part of the 2007 train-path pricing system also contributed to the increase. Total external revenues generated by construction firms burdened results. These revenues were lower, primarily due to a shift benefiting internal revenues.

Profits were influenced by the higher revenues as well as continuation of rationalization measures. Furthermore, there was a notable increase in inventory changes and internally produced and capitalized assets. Lower personnel expenses and depreciation also had a positive effect.

The main emphasis of the modernization program continued to be placed on the existing network as well as command and control technology, and – in response to demands for high quality and availability made on the track infrastructure – were flanked by unchanging high maintenance expenses. The level of capital expenditures was significantly higher than in the comparable year-ago period, especially because of the mild winter weather.

Passenger Stations business unit

Selected key figures	**January through June**			**Change**
€ million	**2007**	**2006**	**absolute**	**%**
External revenues	173	156	+17	+10.9
EBIT	103	78	+25	+32.1
Gross capital expenditures	182	277	–95	–34.3
Employees (FTE as of June 30)	4,579	4,639	–60	–1.3

External revenues generated by the Passenger Stations business unit rose during the first six months of 2007 due to higher rental revenues and revenues received from non-Group customers for station stops. This was mainly driven by the inauguration of the North-South connection in Berlin at the end of May 2006. Concurrently, the number of station stops made by non-Group railways continued to rise further.

EBIT also developed favorably during the first half of 2007, primarily because of higher external revenues and resolute cost management measures.

Capital expenditures made were primarily driven by major projects such as the Leipzig City Tunnel, the modernization drive in North-Rhine Westphalia, and the Berlin hub. Gross capital expenditures declined in comparison with the same year-ago period. This is because of the inauguration of one of last year's major projects, the North-South Connection in Berlin.

Services business unit

Selected key figures	January through June		Change	
€ million	2007	2006	absolute	%
External revenues	39	43	-4	-9.3
EBIT	98	69	+29	+42.0
Gross capital expenditures	99	94	+5	+5.3
Employees (FTE as of June 30)	26,821	26,853	-32	-0.1

Developments within the Services business unit are mainly influenced by providing services to internal customers.

External revenues posted during the first six months were slightly below the figure recorded for the comparable year-ago period. The comparatively highest external revenues were generated by DB Fuhrpark, DB Systems and DB Telematik.

EBIT improved despite significant price cuts made by almost all of the companies within the business unit, due to additional efficiency programs. Furthermore, the good level of orders at DB Fahrzeuginstandhaltung (vehicle maintenance) impacted favorably on EBIT growth.

Gross capital expenditures were slightly above the level noted in the same year-ago period, with the lion's share of capital expenditures being used by DB Fuhrpark to buy vehicles.

Energy business unit

Selected key figures € million	January through June 2007	2006	absolute	Change %
External revenues	207	169	+38	+22.5
EBIT	82	74	+8	+10.8
Gross capital expenditures	21	27	-6	-22.2
Employees (FTE as of June 30)	1,634	1,679	-45	-2.7

We were once again able to significantly increase external revenues generated by the Energy business unit. Energy services provided by the unit were the key driver of the favorable development noted. Additionally, the revenues from the sale of energy rose due to the higher volume of train kilometers of non-Group customers.

Increased revenues as well as positive foreign exchange effects allowed EBIT to exceed the comparable year-ago figure.

Gross capital expenditures were marginally lower than the level of the comparable year-ago period.

Financial Situation

Financial management

The DB Group's financial management system is described on pages 74 ff. of the 2006 Annual Report. This system remained unchanged during the first half of 2007.

No bonds were issued during the first half of 2007. We redeemed a CHF 750 million (€ 512 million) bond that matured.

The annual reviews conducted by two rating agencies, Moody's and Standard & Poor's, took place at the end of May 2007. We anticipate that the reviews will lead to a reconfirmation of DB AG's favorable credit ratings (Moody's Aa1 and AA from S & P).

Cash flow statement

Summary € million	January through June 2007	2006	absolute	Change %
Cash flow from operating activities	1,689	1,618	+71	+4.4
Cash flow from investing activities	-1,119	-2,530	+1,411	-55.8
Cash flow from financing activities	41	1,105	-1,064	-
Net change in cash and cash equivalents	611	193	+418	-
Cash and cash equivalent as of June 30	922	495	+427	+86.3

Based on our enhanced earnings strength we are able to once again increase cash flow from operating activities. In contrast, the further creation of working capital due to the expansion of our operating activities had a dampening effect.

Cash outflows due to investment activities during the first six months of 2007 were significantly lower than in the comparable year-ago period. The one-time effect generated by the acquisition of BAX in the first half of 2006 played a major role in this change. Additionally, outflows for property, plant, and equipment, and intangible assets amounted to € 2,834 million, or € 462 million more than the comparable amount in the same year-ago period. This was offset, however, by additional inflows from investment grants of € 639 million, which rose to € 1,555 million.

Cash flow from financing activities declined significantly during the first half of 2007. During the first half of 2006 we tapped the capital markets to finance various activities, including proportionate financing for the acquisition of BAX. In contrast, in the first half of 2007 we only redeemed a single bond that had matured. Accordingly, we recorded a total outflow of cash from issuance and redemption of bonds amounting to € 453 million, as opposed to a total inflow of € 965 million posted in the first half of 2006.

Net financial debt

€ million	Jun 30, 2007	Dec 31, 2006	Change absolute	Change %
Long-term financial debt	16,004	17,165	–1,161	–6.8
Short-term financial debt	3,846	2,716	+1,130	+41.6
Financial debt	**19,850**	**19,881**	**–31**	**–0.2**
– Cash and cash equivalents	922	295	+627	–
Net financial debt	**18,928**	**19,586**	**–658**	**–3.4**

Financial debt figures are prepared in accordance with IFRS requirements and state the present value of interest-free loans received from the German government to finance the infrastructure. Financial debt declined slightly as of June 30, 2007. The structure of maturities within our financial debt, in particular, shifted as the total value of bonds maturing in the short-term is higher (+ € 0.3 billion) than in the same year-ago period. Additionally, the volume of commercial paper rose significantly (+ € 0.8 billion) in comparison to June 30, 2006.

In light of the sharp increase in liquidity as of June 30, 2007, net financial debt declined significantly.

Capital expenditures

Gross capital expenditures made during the first half of 2007 amounted to € 2,834 million, a significant 19.5 % increase over the same year-ago figure of € 2,372 million. After taking into consideration investment grants received from third parties, which rose by € 639 million, net capital expenditures totaled € 1,279 million (first half of 2006: € 1,456 million). Once again, the majority of these expenditures were for business units within the Infrastructure and Services Group division. Developments in the Regional Transport and Track Infrastructure business units were the main reason why expenditures rose in comparison with the first half of 2006. Detailed information about developments within the individual business units is available in the "Development of the Business Units" section.

Balance sheet

Total assets rose by 2.2 % from December 31, 2006 to € 49.5 billion. In light of the characteristics of our core rail business, fixed assets continued to hold a dominant position. The rise in total assets was driven by current assets, which advanced by € 1,118 million from December 31, 2006 to € 6,198 million on June 30, 2007. The main reason for this was the increase in trade receivables arising from the expansion of business activities in the Schenker business unit, as well as the notable increase in liquid assets. The structure of our equity and liabilities remained basically unchanged in comparison with the status at the end of 2006. Our improved profit strength enabled us to further reinforce our equity capital position. The equity ratio improved further to 20.4 % (as of December 31, 2006: 19.0 %).

Employees

The number of employees is calculated on the basis of full-time employees (FTE) to permit better comparability within the DB Group and over time. Figures for part-time employees are converted into figures for equivalent full-time employees in accordance with their share of the normal annual working time. As of June 30, 2007, the number of employees had risen by 1,970, or 0.9 % in comparison to the same year-ago date, to 230,895. Further efficiency gains were made in the rail business. The number of employees in the Schenker business unit increased further due to strong internal growth.

Additional Information

Changes in the DB AG Supervisory Board and Management Board

During its meeting on June 27, 2007, the Supervisory Board of DB AG extended the employment agreement with Hartmut Mehdorn, Chairman of the DB AG Management Board, for another three years. The agreement will end in May 2011.

Mr. Peter Debuschewitz left the Supervisory Board effective June 30, 2007. The court appointment for his apparent successor is still pending.

Opportunities and Risks

DB Group's business activities involve opportunities as well as risks. Our business policy is directed at seizing opportunities and actively controlling identified risks through our risk management system.

During the first six months of the 2007 financial year our opportunities/risk position did not change meaningfully in comparison with the date of record on December 31, 2006. DB Group's opportunities and risks are described in detail on pages 101 – 107 in the 2006 Annual Report. These risks could potentially lead to a significant impairment of the DB Group's profits, assets and financial situation. Based on our current assessment of risks, countermeasures, hedges and provisions, no existence-threatening risks are discernible now or in the foreseeable future.

Events after June 30, 2007

Tighter emissions trading rules

On July 6, 2007, the upper house of the German parliament (Bundesrat) passed the Allocation Act 2012 (Zuteilungsgesetz 2012; ZuG 2012). It is anticipated that this law will take effect in early August. The law establishes the allocation of emission certificates for the period 2008 until 2012. The terms of the new law mean that emissions trading will further worsen the existing disadvantages facing electrically-powered and climate-friendly rail transport. A reduced allocation of emission rights and the partial auctioning of certificates will place additional cost burdens on rail transport.

2008 Corporate Tax Reform Act passed

On July 6, 2007, the Bundesrat passed the 2008 Corporate Tax Reform Act (Unternehmenssteuerreformgesetz 2008), which had been previously approved by the lower house of parliament (Bundestag) on May 25, 2007. The current income tax burden on joint-stock companies in Germany of about 40 % will decline to about 30 % when the new law takes effect in 2008. If the 30 % tax rate were applied to the sum of differences and carried-forward losses as of June 30, 2007, it would result in deferred income tax liability of about € 430 million.

We are currently unable to estimate any further effects of the 2008 Corporate Tax Reform Act on the DB Group.

Collective wage agreement reached with Transnet and GDBA unions

On July 9, 2007, DB AG signed a collective wage agreement with a joint bargaining group consisting of the Transnet and the Gewerkschaft Deutscher Bundesbahnbeamten und Anwärter (GDBA) unions covering 134,000 employees in the DB Group. The wage agreement foresees a 4.5 % increase in wage scales as of January 1, 2008. The agreement is valid for 19 months and includes a special payment of € 600 for July until December 2007. The term of the agreement begins on July 1, 2007, and ends on January 31, 2009.

The German Locomotive Engineers Union (Gewerkschaft Deutscher Lokomotivführer; GDL) did not accept the terms of the agreement reached with the two other unions, and at the end of July submitted a strike ballot to its members. The purpose of this vote is to determine if DB employees who are members of the GDL are prepared to strike to achieve their demands.

“Stuttgart 21” and the Wendlingen – Ulm line: agreement signed by DB AG, federal, state, and city officials

On July 19, 2007, Federal Minister of Transport, Wolfgang Tiefensee, Baden-Wuerttemberg’s Minister President Günther Oettinger, Stuttgart’s Mayor Wolfgang Schuster, and Hartmut Mehdorn, Chairman of the DB AG Management Board, signed a Memorandum of Understanding in Berlin pertaining to the realization of infrastructure projects in Southwest Germany. Financing arrangements for the “Stuttgart 21” passenger station project and a new rail line between Wendlingen and Ulm are defined in the Memorandum of Understanding. Total expenditures of € 4.8 billion will be required to link the new connection to the national and international high-speed network.

Changes to the Group portfolio

On July 20, 2007, we signed a contract to acquire the majority of the English Welsh & Scottish Railway Limited (EWS). Additionally, on July 26, 2007, we signed an agreement to acquire a majority stake in Transportes Ferroviarios Especiales (Transfesa), a Spanish transport firm. The acquisition of the majority share is pending approval from the appropriate authorities. These acquisitions further expand DB Group’s position as a leading company in the European rail freight transport sector, and also make a major contribution towards optimizing freight transport within Europe.

In urban transport, we acquired Pan Bus, a Danish bus company based in Viborg, Denmark. Pan Bus has 120 employees and its 58 buses provide urban and regional bus services in Viborg and Limfjord. The purchase agreement was signed on July 31, 2007.

Within the Schenker business unit we plan to fully acquire Spain-TIR, a Spanish logistics group. A corresponding agreement was signed with the owners on August 2, 2007. Pending approval from the appropriate authorities, this acquisition will mark a further expansion of Schenker's European land network.

Standard & Poor's reconfirms DB AG's ratings

On July 31, 2007, Standard & Poor's reconfirmed its ratings (AA /negative/A–1+) for DB AG.

Outlook

Economic expectations

Economic forecasts made by economic research firms, which were available when this report was being prepared, predicted that overall economic conditions in Germany would remain favorable in 2007. Forecasts for international conditions remain more upbeat than for economic development in Germany. The following estimates regarding growth in 2007 are based on the assumption that overall global political developments will remain stable in 2007.

The pace of global economic growth during the current financial year is likely to continue without any noticeable decline. While economic growth in the USA is anticipated to contract year-over-year by one percentage point, favorable developments noted in the Asian region will continue unabatedly. Economic expansion in Japan is expected to remain at the previous year's level and will be increasingly buoyed by consumer spending. The rapid pace of expansion seen in China will continue at a high level supported by rising consumer spending levels and unbroken strong export performance. It is anticipated that the pace of growth is unlikely to decelerate in the remaining Asian countries.

Economic growth within the Eurozone is likely to remain strong, with the rate of growth staying about the same as in 2006. Rising capacity utilization rates and favorable corporate profitability indicate that capital expenditures will continue to rise significantly. Personal consumption is expected to see relatively robust growth. Disposable real incomes will rise noticeably and be supported by increases in employment and higher wage agreements. We anticipate that the gross domestic product posted by EU member states in Eastern and Central Europe will continue to be significantly higher than the average figure for the EU.

Current forecasts for Germany predict a continuation of the economic upswing in 2007 and that the average annual GDP figure will rise by 2.5 %. Capital expenditures for machinery and equipment will remain the primary force driving the economy forward. Following a soft patch at the beginning of the year, private consumption will accelerate again and be supported by real increases in incomes. The export sector of the economy is expected to maintain its fast pace of growth.

Anticipated developments in the relevant markets

Overall economic conditions in Germany in 2007 are expected to improve slightly over 2006.

Against this background we expect that, after declining for years, transport performance in the German passenger transport market will stabilize again. Demand for motorized individual transport is not expected to decline further, and will be close to last year's level. Rail and air transport within Germany, on the other hand, are expect-ed to expand by about 2 % each.

The influence of the favorable effects of an improved economy on the German freight transport sector will increase slightly in 2007. Growth will be driven by the continuing strong performance of the export sector, in particular. We anticipate that overall market growth will accelerate year-over-year to about 7.5 %. Both the road and rail freight transport segments will benefit disproportionately from these conditions.

The forecast we made in our 2006 Annual Report for the international transport and logistics markets remains unchanged.

Anticipated business development

In light of the favorable progress we have seen thus far this year, and the continuing positive development noted in business conditions, we anticipate that our business will develop more favorably in the 2007 financial year than we originally forecast in March 2007. This new forecast is based on the assumption that there will be no industrial conflicts during the second half of 2007. A strike could severely impair our rail transport activities.

- **Revenues:** Based on current estimates, we anticipate that comparable revenues will rise by approximately 5 % in the current financial year.
- **EBIT before special effects:** In light of the favorable developments noted in the first half of the year, as well as our updated expectations for the second half, we currently believe it is possible that we can achieve an EBIT before special items of approximately € 2.4 billion for the 2007 financial year.
- **ROCE:** Based on a modest increase in capital employed and the above-mentioned forecast for EBIT before special items, our ROCE should be about 8 %.
- **Gross capital expenditures:** We estimate that the volume of capital expenditures made during the 2007 financial year will be at the previous year's level.

- **Net financial debt:** We should be able to fully finance our capital expenditures program internally – taking into consideration third-party infrastructure financing. We anticipate that the effects resulting from the inflow and outflow of cash arising from changes in the Group portfolio will basically offset each other, so that there will be no impact on financial debt. We expect to generate unencumbered funds from business operations that will be used to reduce debt.

Based on the aforementioned expectations, we anticipate that the individual business units will also develop more favorably than previously expected. We currently expect to record revenues and profits in all business units that will exceed the comparable figures noted in the 2006 financial year.

Forward-looking statements

This Interim Report contains statements and forecasts pertaining to the future development of the DB Group, its business units, and individual companies. These forecasts are estimates we made based on information that was available at the current time. Actual developments and currently expected results may vary in the event that assumptions that form the basis for the forecasts do not take place, or risks – for example, those presented in the Risk Report – actually occur.

Deutsche Bahn Group does not intend or assume any obligation to update the statements made within this Interim Report.

Consolidated Interim Financial Statements (unaudited)

Consolidated Statement of Income

January 1 through June 30 € million	**2007**	**2006**
Revenues	15,334	14,491
Inventory changes and internally produced and capitalized assets	921	849
Overall performance	16,255	15,340
Other operating income	883	882
Cost of materials	-8,213	-7,954
Personnel expenses	-4,785	-4,698
Depreciation	-1,308	-1,336
Other operating expenses	-1,480	-1,298
Operating profit (EBIT)	**1,352**	**936**
Result from investments accounted for using the equity method	12	5
Net interest income	-454	-454
Other financial result	1	4
Financial result	**-441**	**-445**
Profit before taxes on income	**911**	**491**
Taxes on income	-43	133
Net profit	**868**	**624**
Net result attributable to:		
shareholders of Deutsche Bahn AG	868	617
minority interests	0	7
Earnings per share (€ per share)		
undiluted	2.02	1.43
diluted	2.02	1.43

Consolidated Balance Sheet

Assets

€ million	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Non-current assets			
Property, plant and equipment	39,361	39,462	39,963
Intangible assets	1,578	1,619	1,588
Investments accounted for using the equity method	186	178	183
Available-for-sale financial assets	167	150	150
Receivables and other assets	124	128	117
Derivative financial instruments	33	23	79
Deferred tax assets	1,871	1,800	1,717
	43,320	**43,360**	**43,797**
Current assets			
Inventories	781	710	753
Available-for-sale financial assets	0	0	1
Trade receivables	3,587	3,192	3,166
Other Receivables and other assets	674	643	877
Current tax receivables	68	83	90
Derivative financial instruments	19	7	33
Cash and cash equivalents	922	295	495
Available-for-sale assets	147	150	146
	6,198	**5,080**	**5,561**
Total assets	**49,518**	**48,440**	**49,358**

Equity and liabilities

€ million	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Equity			
Subscribed capital	2,150	2,150	2,150
Reserves	5,302	5,265	5,322
Retained earnings	2,612	1,743	701
Equity attributable to shareholders of Deutsche Bahn AG	**10,064**	**9,158**	**8,173**
Minority interests	44	56	49
	10,108	**9,214**	**8,222**
Non-current liabilities			
Financial debt	16,004	17,165	18,447
Other liabilities	395	437	430
Derivative financial instruments	246	207	386
Retirement benefit obligations	1,558	1,514	1,484
Other provisions	3,989	3,993	4,092
Deferred income	2,759	2,931	3,142
Deferred tax liabilities	74	72	51
	25,025	**26,319**	**28,032**
Current liabilities			
Financial debt	3,846	2,716	2,731
Trade liabilities	3,782	3,568	3,416
Other liabilities	3,570	3,411	3,937
Current tax liabilities	163	80	65
Derivative financial instruments	212	258	77
Other provisions	2,334	2,395	2,481
Deferred income	478	476	397
Available-for-sale liabilities	0	3	0
	14,385	**12,907**	**13,104**
Total assets	**49,518**	**48,440**	**49,358**

Consolidated Statement of Cash Flows

January 1 through June 30 € million	2007	2006
Profit before taxes on income	911	491
Depreciation on property, plant and equipment and intangible assets	1,308	1,336
Result on disposal of property, plant and equipment and intangible assets	-14	-16
Result on disposal of financial assets	-13	-18
Result on sale of consolidated companies	-30	-26
Interest and dividend income	-179	-196
Interest expense	629	642
Foreign currency result	2	4
Result from investments accounted for using the equity method	-12	-5
Other non-cash expenses and income	-23	-61
Changes in inventories, receivables and other assets	-530	-207
Changes in liabilities and deferred income	80	168
Cash generated from operating activities	2,129	2,112
Interest received	18	31
Dividends and capital distribution received	6	8
Interest paid	-424	-490
Taxes on income paid	-40	-43
Cash flow from operating activities	**1,689**	**1,618**
Proceeds from the disposal of property, plant and equipment and intangible assets	194	178
Payments for purchase of property, plant and equipment and intangible assets	-2,834	-2,372
Proceeds from investment grants	1,555	916
Payments for repaid investment grants	-47	-314
Proceeds from the sale of financial assets	17	30
Payments for purchase of financial assets	-10	-49
Proceeds from the sale of shares in consolidated companies less net cash and cash equivalents diverted	24	20
Acquisition of shares in consolidated companies less net cash and cash equivalents acquired	-16	-939
Proceeds from the disposal of investments accounted for using the equity method	0	2
Payments for additions to investments accounted for using the equity method	-2	-2
Cash flow from investing activities	**-1,119**	**-2,530**
Repayment of capital amounts under finance leases	-16	-28
Proceeds from issue of bonds	0	965
Payments for redemption of bonds	-453	0
Proceeds from interest-free government loans	32	20
Payments for redemption of interest-free government loans	-12	-357
Proceeds from borrowings and commercial paper	834	832
Repayment of borrowings and commercial paper	-344	-327
Cash flow from financing activities	**41**	**1,105**
Net change in cash and cash equivalents	**611**	**193**
Cash and cash equivalents at the beginning of the period	295	305
Changes in cash and cash equivalents due to changes in the scope of consolidation	17	0
Changes in funds due to changes in exchange rates	-1	-3
Cash and cash equivalents at the end of the period	**922**	**495**

Consolidated Statement of Changes in Equity

€ million			Reserves								
	Subscribed capital	Capital reserves	Currency translation	Fair value reserve for securities	Fair value reserve for cash flow hedges[1]	Other movements	Total reserves	Retained earnings	Equity attributable to shareholders of Deutsche Bahn AG	Minority interests	Total equity
As of Jan 1, 2007	2,150	5,310	-20	0	-26	1	**5,265**	1,743	9,158	56	**9,214**
+ Capital introduced	0	0	0	0	0	0	**0**	0	0	0	**0**
– Dividend payments	0	0	0	0	0	0	**0**	0	0	0	**0**
+/– Currency translation differences	0	0	0	0	0	0	**0**	0	0	0	**0**
+/– Other changes	0	0	0	0	33	4	**37**	1	38	-12	**26**
+/– Net profit	0	0	0	0	0	0	**0**	868	868	0	**868**
As of June 30, 2007	**2,150**	**5,310**	**-20**	**0**	**7**	**5**	**5,302**	**2,612**	**10,064**	**44**	**10,108**

€ million			Reserves								
	Subscribed capital	Capital reserves	Currency translation	Fair value reserve for securities	Fair value reserve for cash flow hedges[1]	Other movements	Total reserves	Retained earnings	Equity attributable to shareholders of Deutsche Bahn AG	Minority interests	Total equity
As of Jan 1, 2006	2,150	5,310	-17	0	-35	1	**5,259**	84	7,493	182	**7,675**
+ Capital introduced	0	0	0	0	0	0	**0**	0	0	0	**0**
– Dividend payments	0	0	0	0	0	0	**0**	0	0	0	**0**
+/– Currency translation differences	0	0	40	0	0	0	**40**	0	40	0	**40**
+/– Other changes	0	0	0	0	23	0	**23**	0	23	-140	**-117**
+/– Net profit	0	0	0	0	0	0	**0**	617	617	7	**624**
As of June 30, 2006	**2,150**	**5,310**	**23**	**0**	**-12**	**1**	**5,322**	**701**	**8,173**	**49**	**8,222**

[1] Equity capital includes deferred taxes.

Segment Information

January 1 through June 30 € million	Long-Distance Transport 2007	Long-Distance Transport 2006	Regional Transport 2007	Regional Transport 2006	Urban Transport 2007	Urban Transport 2006	Rail Freight 2007	Rail Freight 2006	Schenker 2007	Schenker 2006
Segment revenues										
External revenues	1,623	1,582	3,270	3,220	929	870	1,932	1,837	6,777	6,268
Other external segment revenues	52	35	49	74	28	22	80	83	43	38
Internal segment revenues	90	82	61	70	33	32	243	204	8	7
Total segment revenues	1,765	1,699	3,380	3,364	990	924	2,255	2,124	6,828	6,313
Operating profit before interest (EBIT)	86	58	416	406	91	50	200	134	192	174
Net interest income										
Result from investments accounted for using the equity method	0	0	0	0	0	0	9	0	0	2
Other financial result										
Profit before taxes on income										
Taxes on income										
Net profit										
Segment assets[1), 4)]	3,295	3,530	4,831	4,891	1,457	1,514	3,263	3,096	4,989	4,669
Investments accounted for using the equity method[1)]	0	0	1	6	2	1	20	9	6	7
Total assets[1)]	3,295	3,530	4,832	4,897	1,459	1,515	3,283	3,105	4,995	4,676
thereof goodwill	(0)	(0)	(1)	(0)	(5)	(0)	(171)	(170)	(855)	(878)
Segment liabilities[1), 4), 5)]	928	918	1,378	1,531	400	438	1,653	1,671	2,522	2,350
Segment capital expenditures	76	170	327	243	24	18	79	74	92	916
Additions to assets from acquisitions of companies	0	0	0	0	15	0	5	6	3	839
Additions to assets from capital expenditures	76	170	327	243	9	18	74	68	89	77
Investment grants received	-7	0	-34	-6	-3	-1	0	0	0	0
Net capital expenditures	69	170	293	237	6	17	74	68	89	77
Scheduled depreciation[2)]	177	183	196	199	71	74	112	111	80	70
Impairment losses recognized/reversed[2)]	0	0	0	1	0	0	0	1	0	0
Other non-cash expenditures	1	1	2	3	0	0	1	0	19	6
Other non-cash income[2)]	8	6	6	9	4	1	12	1	1	1
Employees[3)]	14,827	14,795	25,413	26,390	12,209	12,307	24,275	24,573	56,499	52,480

[1)] Segment assets, investments in associated companies, and segment liabilities are stated as of June 30; the remaining items relate to the reporting period. Investments accounted for using the equity method include shares in Scandlines AG with an amount of € 147 million, that were reclassified as of April 1, 2006.

[2)] The non-cash items are included in the segment result shown and are also disclosed separately.

Segment Information by Region January 1 through June 30/As of June 30 € million	Germany 2007	Germany 2006
Segment revenues[1)]	10,997	10,479
thereof external revenues[1)]	(10,134)	(9,639)
Segment assets	43,289	43,565
Net capital expenditures	1,221	1,405

[1)] Previous years' figures were adjusted.

Track Infrastructure		Passenger Stations		Services		Subsidiaries/ Other activities		Other/ Consolidation		DB Group	
2007	2006	2007	2006	2007	2006	2007	2006[5]	2007	2006	2007	2006
285	265	173	156	39	43	306	250	0	0	15,334	14,491
244	239	45	30	92	98	250	263	0	0	883	882
1,881	1,808	321	307	1,187	1,012	1,987	1,719	–5,811	–5,241	0	0
2,410	2,312	539	493	1,318	1,153	2,543	2,232	–5,811	–5,241	16,217	15,373
294	147	103	78	98	69	30	100	–158	–280	1,352	936
										–454	–454
0	0	0	0	1	0	2	3	0	0	12	5
										1	4
										911	491
										–43	133
										868	624
21,023	21,245	3,386	3,383	1,131	1,130	5,857	5,788	–46	–218	49,186	49,028
0	0	0	0	7	1	297	306	0	0	333	330
21,023	21,245	3,386	3,383	1,138	1,131	6,154	6,094	–46	–218	49,519	49,358
(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(–2)	(1,032)	(1,046)
2,644	2,475	449	467	866	879	6,586	7,347	21,984	23,060	39,410	41,136
1,917	1,366	182	277	99	94	61	86	0	–27	2,857	3,217
0	0	0	0	0	0	0	0	0	0	23	845
1,917	1,366	182	277	99	94	61	86	0	–27	2,834	2,372
–1,418	–797	–77	–103	–1	0	–15	–9	0	0	–1,555	–916
499	569	105	174	98	94	46	77	0	–27	1,279	1,456
476	464	68	62	83	86	73	81	–13	–13	1,323	1,317
–15	15	0	0	0	2	0	0	0	0	–15	19
16	9	4	2	2	2	11	12	0	0	56	35
29	35	3	18	3	6	13	19	0	0	79	96
40,730	42,290	4,579	4,639	26,821	26,853	25,542	24,598	0	0	230,895	228,925

[3] The number of employees represents the number of employees as of June 30 (part-time workforce converted into equivalent full-time workforce).
[4] Profit transfer agreements were not assigned to segment assets or liabilities.
[5] Previous years' figures were adjusted.

Rest of Europe		North America		Asia/Pacific		Rest of world		Reconciliation		DB Group	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
3,213	2,919	874	865	975	1,028	158	82	0	0	16,217	15,373
(3,193)	(2,877)	(874)	(865)	(975)	(1,028)	(158)	(82)	(0)	(0)	(15,334)	(14,491)
2,659	2,628	579	801	1,203	789	123	67	1,333	1,178	49,186	49,028
40	38	6	8	10	11	2	1	0	–7	1,279	1,456

Principles and Methods

The unaudited interim financial statements for the period ending June 30, 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the EU. IAS 34 (Interim Financial Reporting) has been followed. The accounting policies underlying the consolidated financial statements for the 2006 financial year have been consistently applied for these interim financial statements.

We have provided the following explanations for the following new standards, interpretations, and changes of the IAS/IFRS standards which are the subject of mandatory adoption during the period under review:

- IFRS 7: Financial Instruments: Disclosures
- IFRIC 7: Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies
- IFRIC 8: Scope of IFRS 2
- IFRIC 10: Interim Financial Reporting and Impairment

The introduction of IFRS 7 has restructured the disclosure obligations relating to the financial instruments of industrial companies as well as banks and similar financial institutions. The disclosure obligations which were previously included in IAS 30 (Disclosures in the Financial Statements of Banks and Similar Financial Institutions) and IAS 32 (Financial Instruments: Disclosures and Presentation) are replaced and extended by IFRS 7; in future, they will be applicable across all sectors. The new regulations will result in a considerable increase in the disclosures in the notes to the financial instruments in the consolidated financial statements.

IFRIC 7 provides information regarding the adoption of IAS 29 in a reporting period in which the functional currency becomes hyperinflationary. The application of IFRIC 7 does not have any effect on the consolidated interim report.

IFRIC 8 specifies whether IFRS 2 is also applicable in those cases in which the consideration for issued shares cannot be clearly determined or is lower than the volume of the issued shares. The application of IFRIC 8 does not have any effects on the consolidated interim report.

In accordance with IFRIC 10, it is not permissible for impairments which have been recognised in relation to goodwill in an interim reporting period relating to investments in capital instruments and financial assets which were valued at cost of purchase to be reversed at a later balance sheet date. IFRIC 10 did not have any effect in the consolidated interim report.

Changes in segment allocation

With effect from January 1, 2007, the former segment Railion and transport activities of the Stinnes Group, which were previously included in the segment Investments / Other, have been combined to form the segment Rail Freight. The previous year figures have been adjusted accordingly. The amounts which were adjusted were of minor significance.

Changes in the Group

There have been the following changes in the group of fully consolidated companies of Deutsche Bahn AG (DB AG):

As of June 30, 2007 Number	**German**	**Foreign**	**Total**
Fully consolidated subsidiaries			
As of Jan 1 [1]	159	286	445
Additions	0	4	4
Disposals [2]	7	11	18
Addition due to change in type of incorporation	27	16	43
Disposals due to change in type of incorporation	0	0	0
As of June 30	**179**	**295**	**474**

[1] Previous years' figures were adjusted with no impact on the consolidated financial statements.
[2] Including ten disposals from intra-Group mergers.

The additions to the scope of consolidation consist of three new companies which were set up in the period under review as well as one purchased company, with costs of purchase totalling € 0.4 million; no goodwill has arisen as a result of these transactions.

The additions attributable to the change in the type of incorporation relate exclusively to companies which previously were shown at amortised cost of purchase (with carrying amounts totalling € 14 million).

The following overview summarises the main effects on the consolidated income statement due to the changes in the scope of consolidation which have taken place compared with the previous year's comparable period:

January 1 through June 30 € million	**2007**	**thereof due to additions to the scope of consolidation 2007**	**Additions due to disposals from the scope of consolidation 2006**
Revenues	15,334	(56)	-31
Inventory changes and internally produced and capitalized assets	921	(0)	-1
Overall performance	16,225	(56)	-32
Other operating income	883	(1)	-2
Cost of materials	-8,213	(-46)	12
Personnel expenses	-4,785	(-7)	13
Depreciation	-1,308	(-1)	1
Other operating expenses	-1,480	(-1)	3
Operating profit (EBIT)	**1,352**	**(2)**	**-5**
Result from investments accounted for using the equity method	12	(0)	0
Net interest income	-454	(0)	0
Other financial result	1	(0)	2
Financial result	**-441**	**(0)**	**2**
Profit before taxes on income	**911**	**(2)**	**-3**
thereof result on disposal of discontinuing activities	(0)	(0)	0
Taxes on income	-43	(0)	2
Net profit	**868**	**(2)**	**-1**

The revenues resulting from additions to the scope of consolidation amounted to € 56 million; of this figure, Fertrans AG accounted for € 24 million, Fertrans GmbH accounted for € 12 million and Regionalbus Braunschweig GmbH (RBB) accounted for € 20 million.

The disposals from the scope of consolidation which occurred in the period under review resulted in revenues declining by a total € 31 million. These comprise primarily the sales of shares in Nuclear Cargo + Service GmbH, Frachtcontor Junge & Co. GmbH, including its subsidiaries, as well as Transkem Spedition GmbH.

The companies which are no longer included in the scope of consolidation have had the following cumulative effect on the net assets, financial position, and results of operations of the DB Group:

As of June 30 € million	2007	thereof DB Gesundheits-service	thereof Nuclear Cargo	thereof Frachtcontor Junge
Sale price				
Received payments	38	(2)	(20)	(16)
+ Directly attributable costs	0	(0)	(0)	(0)
Total sale price	38	(2)	(20)	(16)
– Cash and cash equivalents sold with companies	14	(2)	(0)	(12)
Inflow of cash and cash equivalents through divestitures	**24**	**(0)**	**(20)**	**(4)**

The revenues and results included up to the point of deconsolidation are shown in the following:

As of June 30 € million	2007	2006	thereof DB Gesundheits-service	thereof Nuclear Cargo	thereof Frachtcontor Junge
Revenues	0	31	(0)	(21)	(10)
Net profit	0	1	(-1)	(-1)	(3)

Contingent receivables, contingent liabilities and guarantee obligations

Contingent receivables of € 104 million existed as of June 30, 2007 (as of December 31, 2006: € 144 million). This figure mainly comprises a claim for the refund of building cost subsidies which has been paid, although the extent of the receivable and the time at which the payment was due were not adequately certain as of the balance sheet date.

The contingent liabilities are broken down as follows:

€ million	Jun 30, 2007	Dec 31, 2006
Contingent liabilities from		
Provision of collateral for third-party liabilities	1	1
Provision of warranties	0	1
Other contingent liabilities	232	249
Total	**233**	**251**

The other contingent liabilities also include risks attributable to litigation; these have not been shown as provisions as a result of the expected probability of occurrence of less than 50 %.

In addition, contingencies attributable to guarantees of € 139 million existed as of June 30, 2007 (as of December 31, 2006: € 142 million); these mainly comprise customs guarantees provided by international Schenker companies.

Other financial obligations

The investment spending for which contractual obligations existed as of the balance sheet date but where no performance has been rendered to date is broken down as follows:

€ million	Jun 30, 2007	Dec 31, 2006
Committed capital expenditures		
Property, plant and equipment	4,713	3,980
Intangible assets	1	1
Outstanding capital contributions	297	305
Total	**5,011**	**4,286**

Of the figure stated for outstanding contributions, € 297 million (as of December 31, 2006: € 305 million) related to outstanding contributions in EUROFIMA which have not been called in. The change compared with the figure stated in the previous year is attributable to exchange rate effects.

Other explanations

In the first half of 2007, a bond of DB Finance B.V., Amsterdam , the Netherlands, for CHF 750 million which had become due was redeemed.

On July 6, 2007, the Bundesrat approved the Corporate Tax Reform Act 2008 which was adopted on May 25, 2007 by the Bundestag. When this act comes into force starting in 2008, the income tax burden on corporations in Germany will decline from the current rate of approximately 40 % to approximately 30 %. If the tax rate of 30 % were to be applied to the temporary differences and losses carried forward which were established as of June 30, 2007, this would result in a deferred tax expense of approximately € 430 million.

It is not possible at present to estimate any further effects of the corporate tax reform 2008 on the DB Group.

Events after the balance sheet date

On July 9, 2007, DB AG agreed a wage settlement for 134,000 employees of DB AG with the wage bargaining group consisting of Transnet and the Gewerkschaft Deutscher Bundesbahnbeamten und Anwärter (GDBA). This agreement is due to run from July 1, 2007 to January 31, 2009, and comprises a 4.5 % increase in wage scales as of January 1, 2008 as well as a special payment of € 600 per employee for July to December 2007.

On July 19, 2007, the Federal Minister of Transport Wolfgang Tiefensee, Baden-Wuerttemberg's Minister President Günther Oettinger, Stuttgart's Mayor Wolfgang Schuster and the CEO of DB AG Hartmut Mehdorn, signed a Memorandum of Understanding concerning the implementation of infrastructure projects in Southwest Germany. This Memorandum of Understanding sets out the financing arrangements for the station project "Stuttgart 21" and the new line from Wendlingen to Ulm. The total investment volume is € 4.8 billion.

With the contract signed on July 20, 2007, DB AG acquired a majority stake in English Welsh & Scottish Railway Limited (EWS).

On July 26, 2007, DB AG signed an agreement regarding the acquisition of a majority of shares in the Spanish Transportes Ferroviarios Especiales (Transfesa). This purchase is still subject to the necessary official approvals.

DB Stadtverkehr is taking over the Danish bus company Pan Bus, Viborg, Denmark. Pan Bus operates regional transport in Viborg and Limfjord with 120 employees and 58 buses. The purchase agreement signed between Pan Bus and the municipal transport companies AK Busser A/S – a company of the DB subsidiary Autokraft GmbH – and the Danish bus company Abildskou was signed on July 31, 2007.

The DB subsidiary Schenker plans to acquire a 100 % stake in the Spanish logistics Group Spain-TIR. A corresponding agreement was signed with the shareholders at the beginning of August 2007. Subject to the necessary official approvals, Schenker will further expand its European land transport network with this acquisition.

Financial Calendar

March 31, 2008 Annual results press conference, publication of 2007 Annual Report

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