Deutsche Bahn
2010 Annual Report

At a glance

Selected key figures	2010	2009	Change absolute	Change %
KEY FINANCIAL FIGURES [€ million]				
Revenues	34,410	29,335	+5,075	+17.3
Revenues comparable	32,456	29,335	+3,121	+10.6
Profit before taxes on income	900	1,387	-487	-35.1
Net profit for the year	1,058	830	+228	+27.5
EBITDA adjusted	4,651	4,402	+249	+5.7
EBIT adjusted	1,866	1,685	+181	+10.7
Non-current assets as of Dec 31	44,530	41,308	+3,222	+7.8
Current assets as of Dec 31	7,473	5,995	+1,478	+24.7
Equity as of Dec 31	14,316	13,066	+1,250	+9.6
Net financial debt as of Dec 31	16,939	15,011	+1,928	+12.8
Total assets as of Dec 31	52,003	47,303	+4,700	+9.9
Capital employed as of Dec 31	31,312	28,596	+2,716	+9.5
ROCE	6.0 %	5.9 %	–	–
Redemption coverage	18.1 %	19.4 %	–	–
Gearing	118 %	115 %	–	–
Gross capital expenditures	6,891	6,462	+429	+6.6
Net capital expenditures	2,072	1,813	+259	+14.3
Cash flow from operating activities	3,409	3,133	+276	+8.8
KEY PERFORMANCE FIGURES				
RAIL PASSENGER TRANSPORT[1]				
Passengers (million)	1,950	1,908	+42	+2.2
Volume sold (million pkm)	78,582	76,772	+1,810	+2.4
Volume produced (million train-path km)	674.9	675.9	-1.0	-0.1
RAIL FREIGHT TRANSPORT				
Freight carried (million t)	415.4	341.0	+74.4	+21.8
Volume sold (million tkm)	105,794	93,948	+11,846	+12.6
Capacity utilization (t per train)	502.4	484.0	+18.4	+3.8
RAIL INFRASTRUCTURE				
Train kilometers on track infrastructure (million train-path km)	1,034	1,003	+31	+3.1
thereof non-Group customers	195.4	170.4	+25.0	+14.7
Station stops (million)	143.9	143.3	+0.6	+0.4
thereof non-Group customers	22.0	20.0	+2.0	+10.0
BUS TRANSPORT[1]				
Passengers (million)	784.2	800.2	-16.0	-2.0
Volume sold (million pkm)	9,214	9,261	-47	-0.5
FREIGHT FORWARDING AND LOGISTICS				
Shipments in European land transport (thousand)	80,816	70,052	+10,764	+15.4
Air freight volume (export) (thousand t)	1,225	1,032	+193	+18.7
Ocean freight volume (export) (thousand TEU)	1,647	1,424	+223	+15.7
OTHER FIGURES				
Length of line operated (km)	33,723	33,721	+2	–
Passenger stations	5,700	5,707	-7	-0.1
Employees as of Dec 31	276,310	239,382	+36,928	+15.4
Rating Moody's/Standard & Poor's/Fitch	Aa1/AA/AA	Aa1/AA/AA	–	–

[1] Excluding DB Arriva.

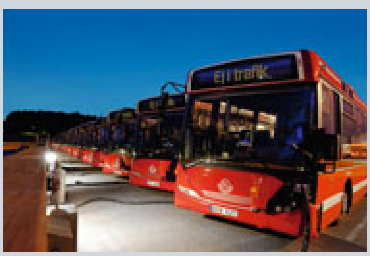
DB Group’s business units

DB BAHN LONG-DISTANCE

The DB Bahn Long-Distance business unit provides national and cross-border long-distance rail transport services. We connect 150 German cities to major European cities such as Amsterdam, Brussels, Paris and Zurich via our long-distance rail services. Daily scheduled rail service is the core business of long-distance transport. We want to convince customers of our offers and expand our market share by keeping our promise of providing quick and comfortable connections directly into cities at attractive prices. In addition to our services in Germany we are gradually expanding our international range of offers.

DB BAHN REGIONAL

As of January 1, 2011, all of our regional bus and rail transport activities in Germany, as well as cross-border regional transport services to and from Germany, were bundled together in the DB Bahn Regional business unit. Our rail transport offers connections to major metropolitan areas as well as rural destinations via our extensive regional transport network. We are active with 22 different companies in the bus transport segment, making us the biggest provider in Germany.



DB ARRIVA

As of January 1, 2011 we bundled together all of our regional transport activities outside of Germany (with the exception of cross-border routes to and from Germany) in the new DB Arriva business unit. The business unit comprises bus and/or rail transports in eleven European countries: Denmark, Great Britain, Italy, the Netherlands, Poland, Portugal, Sweden, Slovakia, Spain, the Czech Republic and Hungary. These activities will be expanded into the 12th country in the 2011 financial year when DB Arriva inaugurates bus services in Malta.

DB SCHENKER LOGISTICS

DB Schenker Logistics supports industrial and trade customers in the global exchange of goods: in land transport, worldwide air and ocean freight services, as well as in the areas of contract logistics and supply chain management. Our presence in approximately 2,000 locations in over 130 countries enables us to assert ourselves in markets known for having rapid rates of growth and tough competition.

As a land transport specialist in Europe, we link together key European business regions via our dense network of regularly scheduled transports. We are equally specialized in providing global solutions in the areas of air and ocean freight as well as providing the related logistical services. Our logistics centers make it possible to connect all modes of transport thereby offering customers a wide selection of value-added services.

DB SCHENKER RAIL

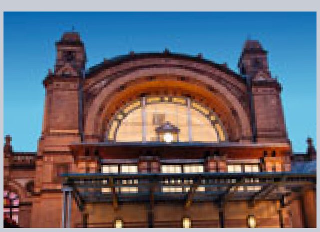
DB Schenker Rail is the leading freight railway in Europe and is represented in 12 European countries: Belgium, Bulgaria, Denmark, Germany, France, Great Britain, Italy, the Netherlands, Poland, Romania, Switzerland and Spain. We offer block train, single wagon, and combined transport services, as well as special know-how in the iron, coal and steel (Montan) area, chemicals, petroleum-based products, agricultural products, forestry, consumer goods freight, building materials and waste disposal areas.

DB SERVICES

The availability of reliable services is a central prerequisite for smoothly operating mobility and logistical services and thus for the competitiveness of rail transport. DB Group companies are the main customers of the primarily transport-related infrastructure management and infrastructure-linked services.

DB NETZE TRACK

The DB Netze Track business unit is the service provider for all train operating companies (TOC) in Germany that use our nearly 33,600-km-long rail network. Due to its location, our rail network, which is the longest in Europe, is quite important for the transport business in Europe. We ensure the safe operation of our rail infrastructure, the marketing of customer-oriented track usage offers, as well as the preparation of conflict-free schedules.

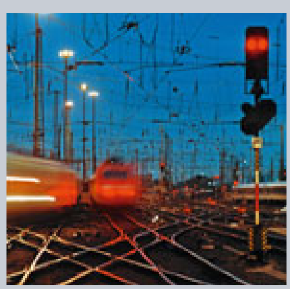


DB NETZE STATIONS

Our approximately 5,700 passenger stations not only serve as gateways to the rail system, they also act as hubs connecting the various modes of transport in addition to their roles as marketplaces and calling cards for cities and regions. The activities of DB Netze Stations business unit encompass the operation of the passenger stations as traffic stations as well as the development and marketing of train station space.

DB NETZE ENERGY

The DB Netze Energy business unit bundles together the responsibility to provide TOCs with power derived from a range of energy sources with the technical know-how needed to perform this task. We operate a high-performance energy infrastructure system to provide power and diesel fuel to mobile and stationary consumers. In addition to planning, maintenance, marketing and operation of technically complex energy networks, our range of services also includes the sustainable generation and procurement of traction and stationary energy, which is also provided to customers from the industrial, trade and services sectors.



BACK ON TRACK

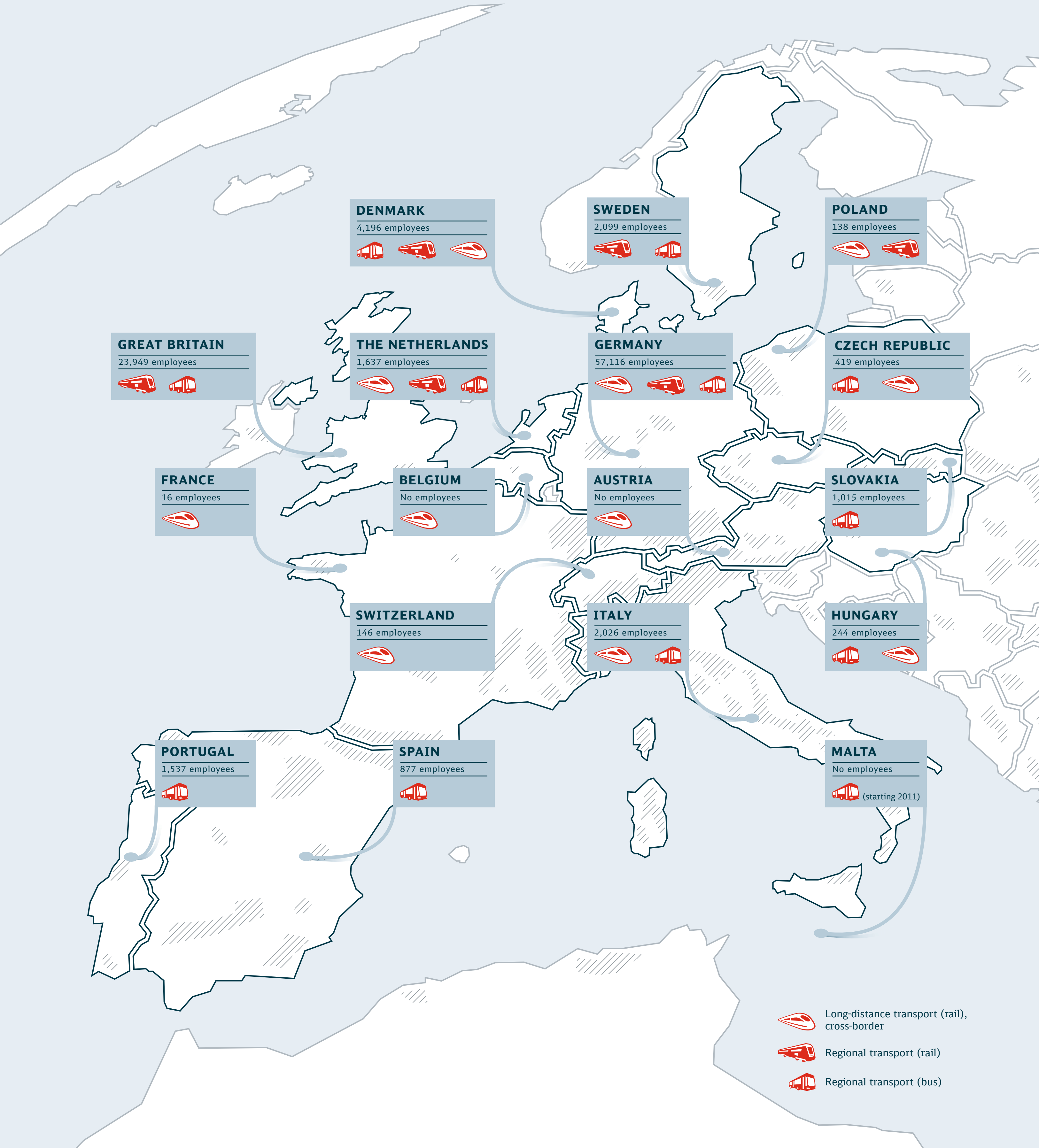
DB Group after the economic crisis

PASSENGER TRANSPORT

Mobility offers are part of our core competencies. We are active across Europe in 17 countries with bus and/or rail transport provided by our DB Bahn Long-Distance, DB Bahn Regional and DB Arriva business units. Our passenger transport business proved to be robust during the economic crisis and acted as a stabilizing pillar in our Group portfolio.

95,000

EMPLOYEES IN EUROPE



220 EUROPEAN LONG-DISTANCE CONNECTIONS PER DAY IN 80 CITIES

No. 1 in bus transport in Germany

2008	2009	2010
773.2	800.2	784.2

Bus transport passengers (millions, excluding DB Arriva)
The development in the bus transport sector was barely influenced by the economic crisis. The business is driven by the development of tenders and demographic trends.

Rail transport passengers (millions, excluding DB Arriva)
The rail transport showed strong robustness in the economic crisis. Demand was primarily influenced by operating factors.

The acquisition of Arriva means that we are also very well positioned in the European regional transport market. Arriva not only operates the well-known red double-decker buses in London, it also runs rail transports and water buses.

TRANSPORT AND LOGISTICS

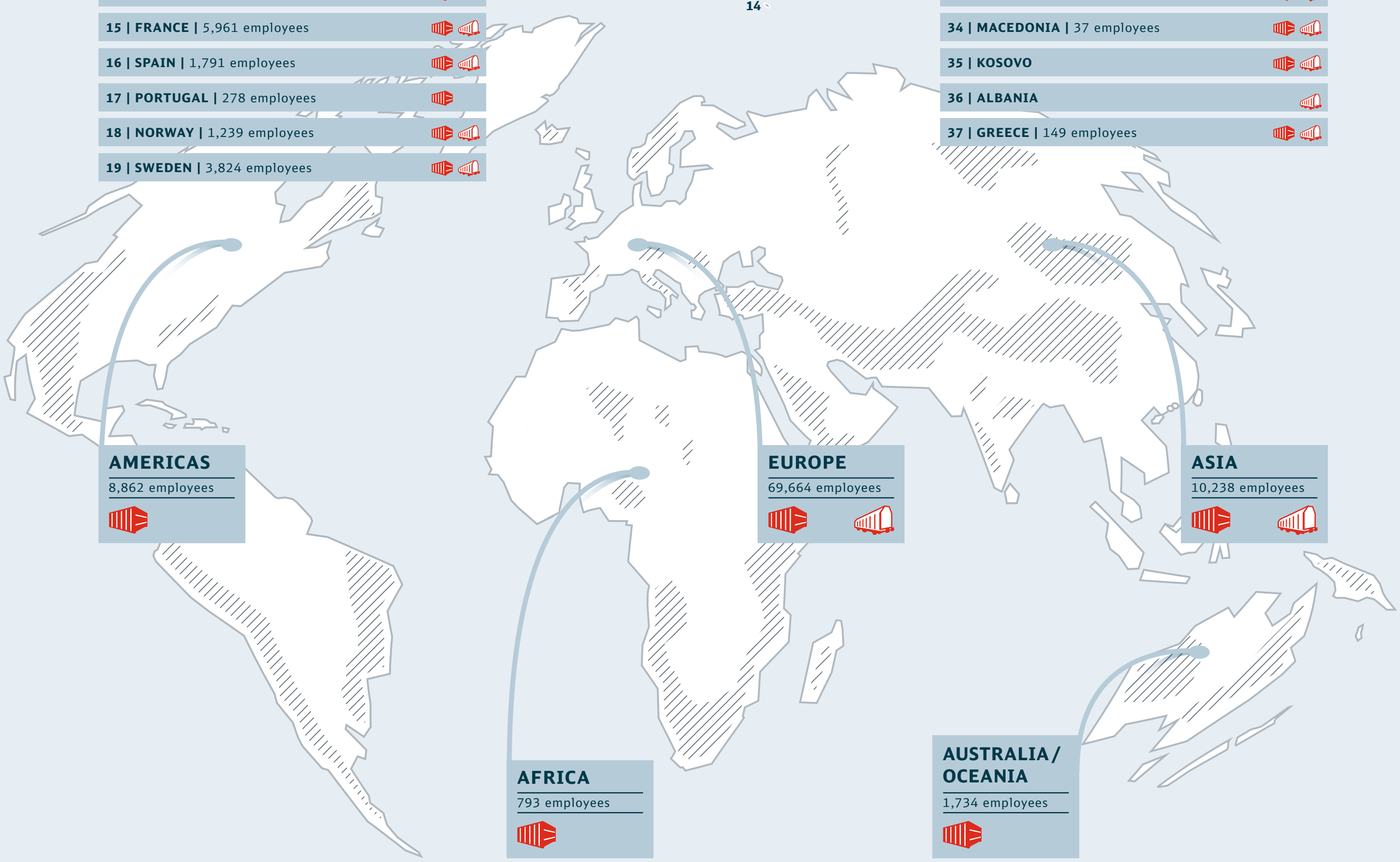
We have positioned ourselves with a single market appearance under the DB Schenker brand as a strong partner to transport and logistics customers around the world. The effects of the economic crisis were particularly felt by the rail freight transport and air freight segments.

91,000

EMPLOYEES AROUND THE WORLD

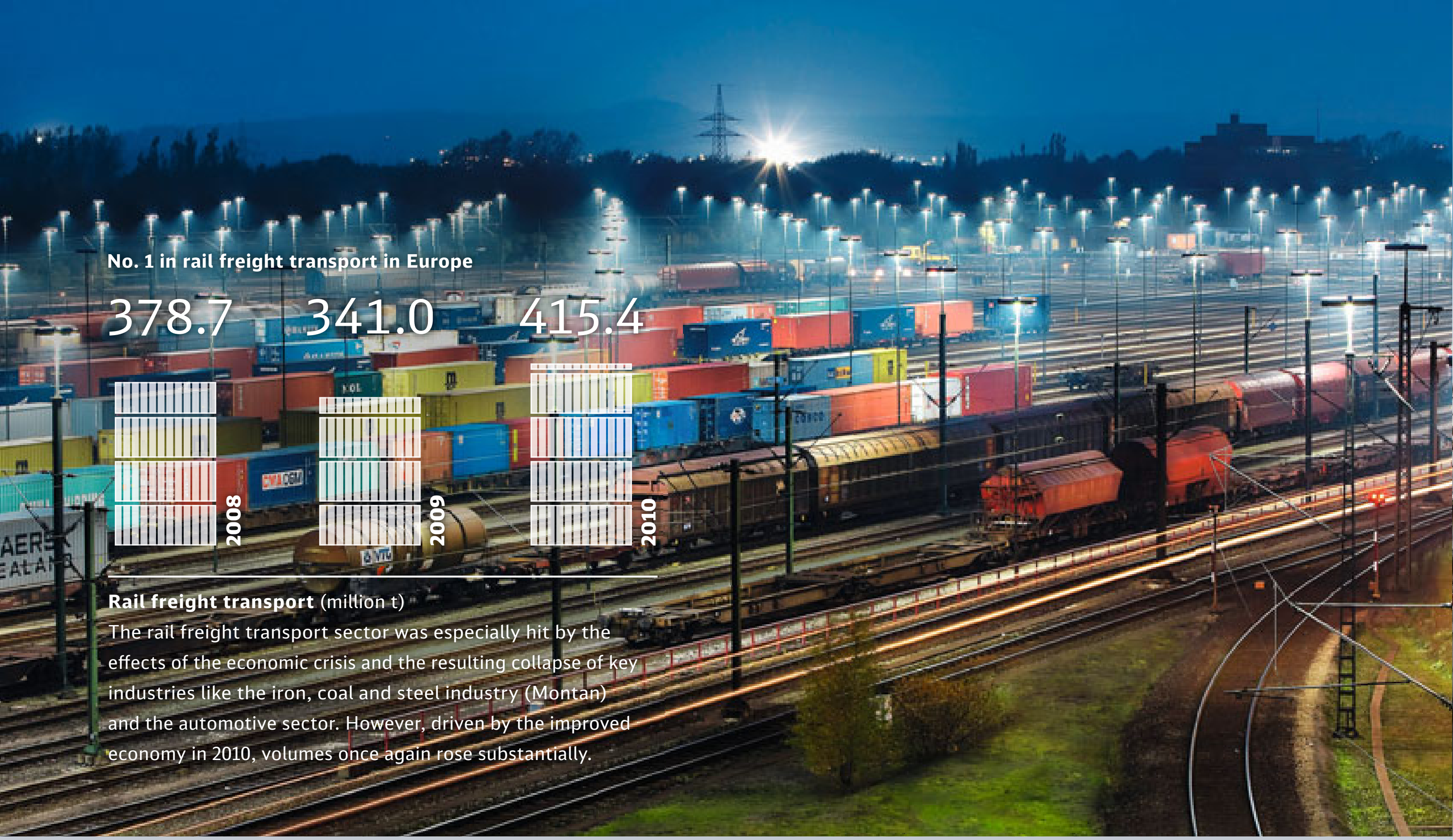
1 | IRELAND | 137 employees
2 | GREAT BRITAIN | 4,329 employees
3 | DENMARK | 516 employees
4 | GERMANY | 32,336 employees
5 | THE NETHERLANDS | 2,083 employees
6 | BELGIUM | 499 employees
7 | LUXEMBOURG | 32 employees
8 | CZECH REPUBLIC | 777 employees
9 | SLOVENIA | 126 employees
10 | AUSTRIA | 1,667 employees
11 | SWITZERLAND | 554 employees
12 | CROATIA | 99 employees
13 | ITALY | 1,435 employees
14 | MALTA
15 | FRANCE | 5,961 employees
16 | SPAIN | 1,791 employees
17 | PORTUGAL | 278 employees
18 | NORWAY | 1,239 employees
19 | SWEDEN | 3,824 employees

20 | FINLAND | 1,284 employees
21 | ESTONIA | 153 employees
22 | LATVIA | 71 employees
23 | LITHUANIA | 50 employees
24 | WHITE RUSSIA
25 | UKRAINE | 63 employees
26 | MOLDOVA | 27 employees
27 | SLOVAKIA | 128 employees
28 | POLAND | 7,028 employees
29 | HUNGARY | 346 employees
30 | ROMANIA | 1,284 employees
31 | BOSNIA-HERZEGOVINA | 38 employees
32 | SERBIA | 43 employees
33 | BULGARIA | 317 employees
34 | MACEDONIA | 37 employees
35 | KOSOVO
36 | ALBANIA
37 | GREECE | 149 employees



Logistics
(DB Group companies or partners)

Rail freight transport
(DB Group companies or partners)

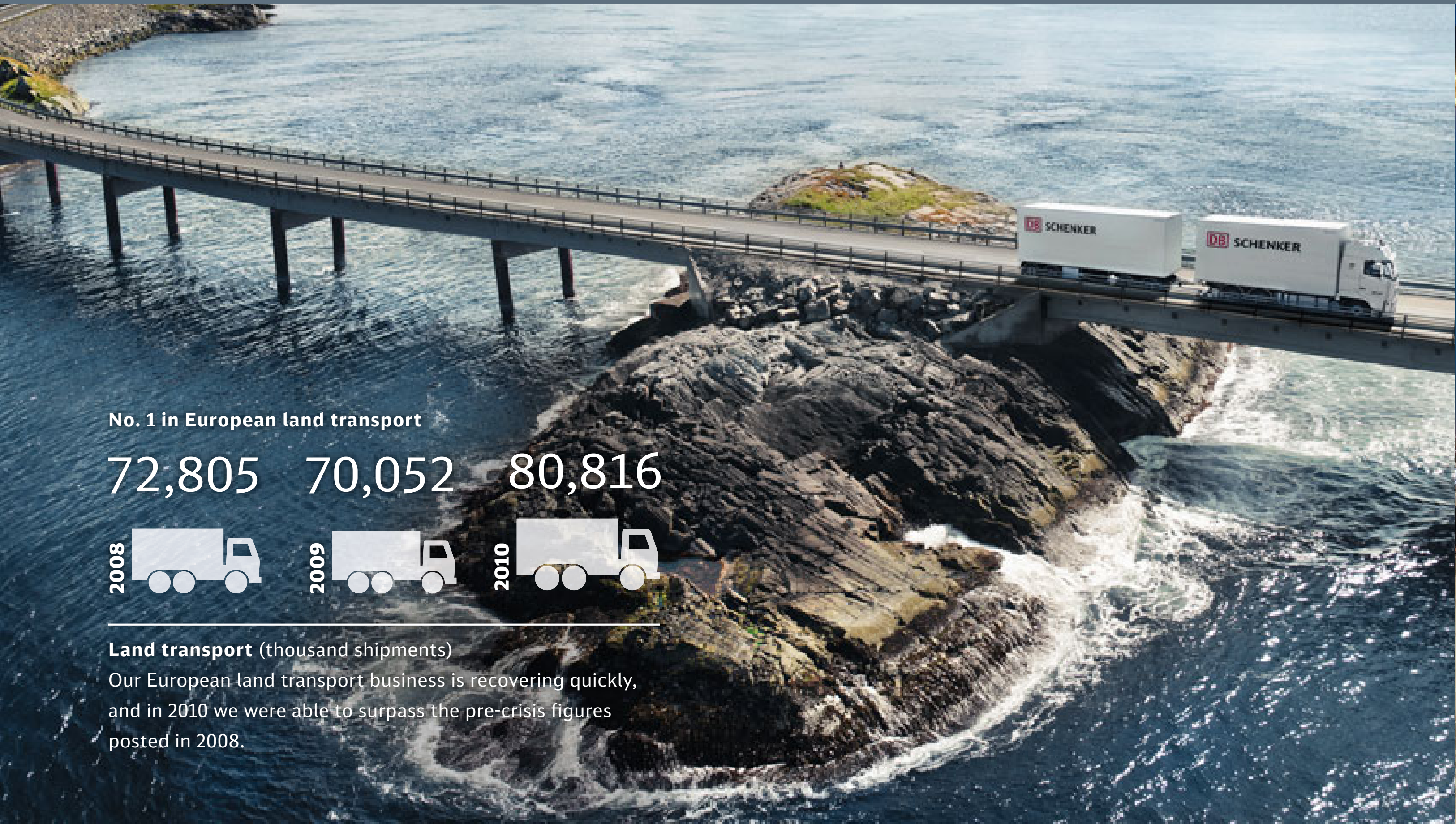


No. 1 in rail freight transport in Europe

2008	2009	2010
378.7	341.0	415.4

Rail freight transport (million t)
The rail freight transport sector was especially hit by the effects of the economic crisis and the resulting collapse of key industries like the iron, coal and steel industry (Montan) and the automotive sector. However, driven by the improved economy in 2010, volumes once again rose substantially.

THE LEADING ROAD AND RAIL TRANSPORT NETWORKS IN EUROPE



No. 1 in European land transport

2008	2009	2010
72,805	70,052	80,816

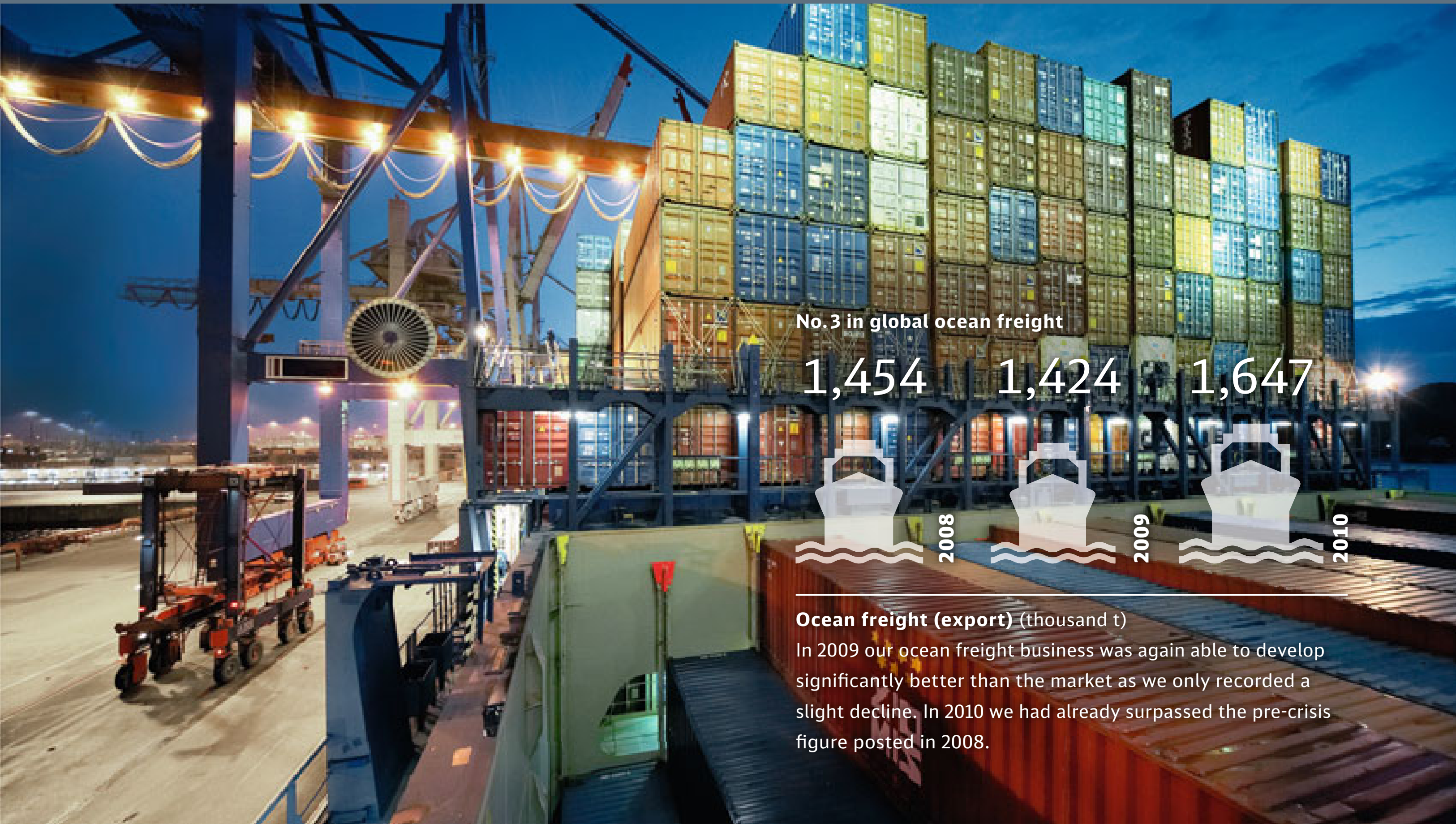
Land transport (thousand shipments)
Our European land transport business is recovering quickly, and in 2010 we were able to surpass the pre-crisis figures posted in 2008.

No. 2 in global air freight

2008	2009	2010
1,229	1,032	1,225

Air freight (export) (thousand t)
The air freight business posted major declines in 2009. The recovery seen in 2010 was even more dynamic, even though we were not yet able to fully attain our pre-crisis level.

AND LEADING GLOBAL AIR AND OCEAN FREIGHT NETWORKS



No. 3 in global ocean freight

2008	2009	2010
1,454	1,424	1,647

Ocean freight (export) (thousand t)
In 2009 our ocean freight business was again able to develop significantly better than the market as we only recorded a slight decline. In 2010 we had already surpassed the pre-crisis figure posted in 2008.

INFRASTRUCTURE

Rail transport needs a high-performing infrastructure. Our rail network is one of the most modern – and with about 33,600 km it is also the longest – in Europe. The network's central location in the heart of Europe is particularly important for the European transport corridors. Following the decline caused by the economic crisis, demand has once again risen sharply in 2010.

49,600

EMPLOYEES IN GERMANY

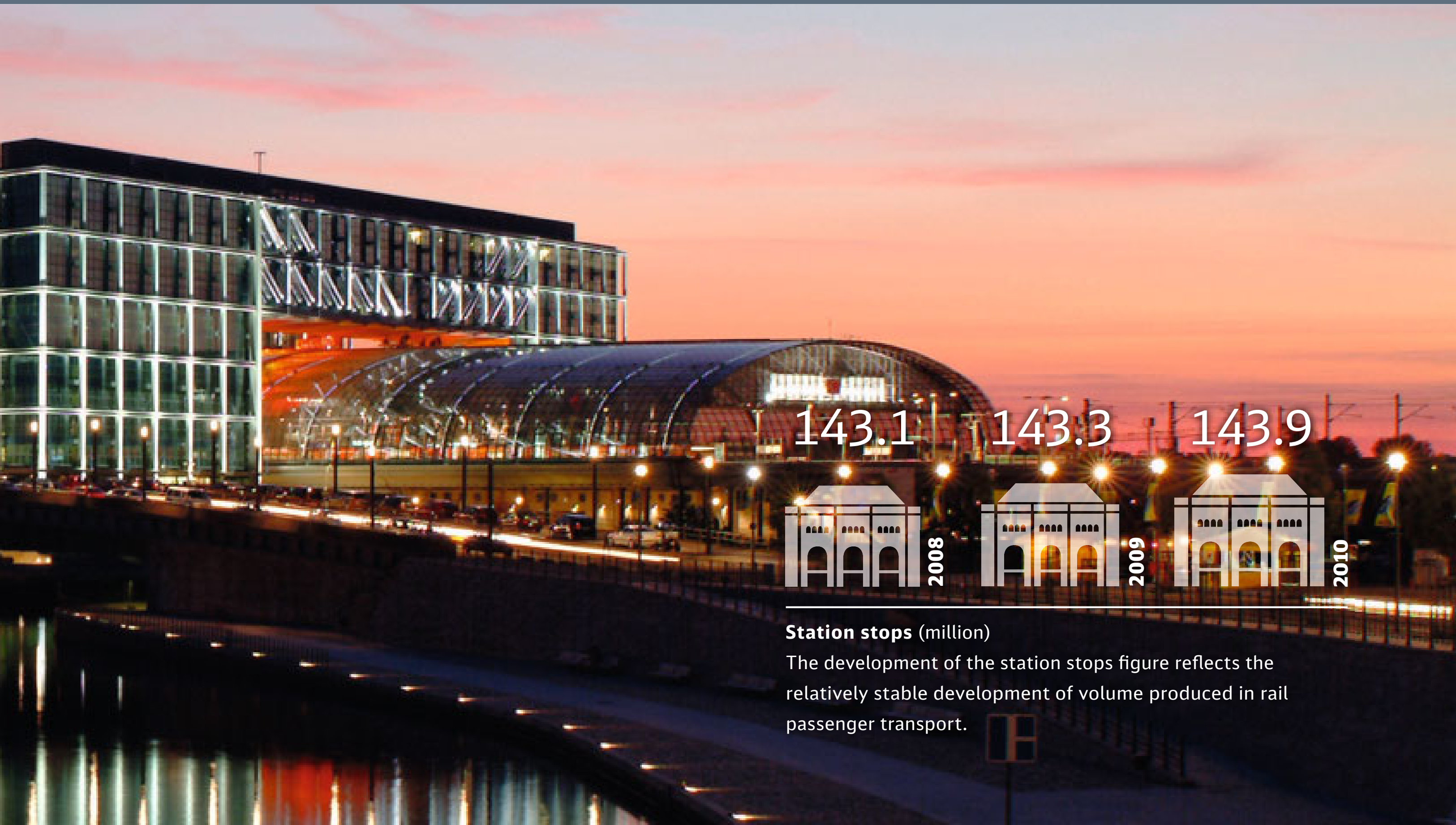
EC/IC/ICE network
(schematic representation)

2008	2009	2010
1,043	1,003	1,034

Train kilometers on track infrastructure
(million train-path km)
Development of demand for train-path was particularly influenced by the drop in rail freight transport noted in the previous year, and then by the onset of the significant recovery in 2010.

33,600 KM – THE LONGEST RAIL NETWORK IN EUROPE

5,700 PASSENGER STATIONS IN GERMANY



Station stops (million)

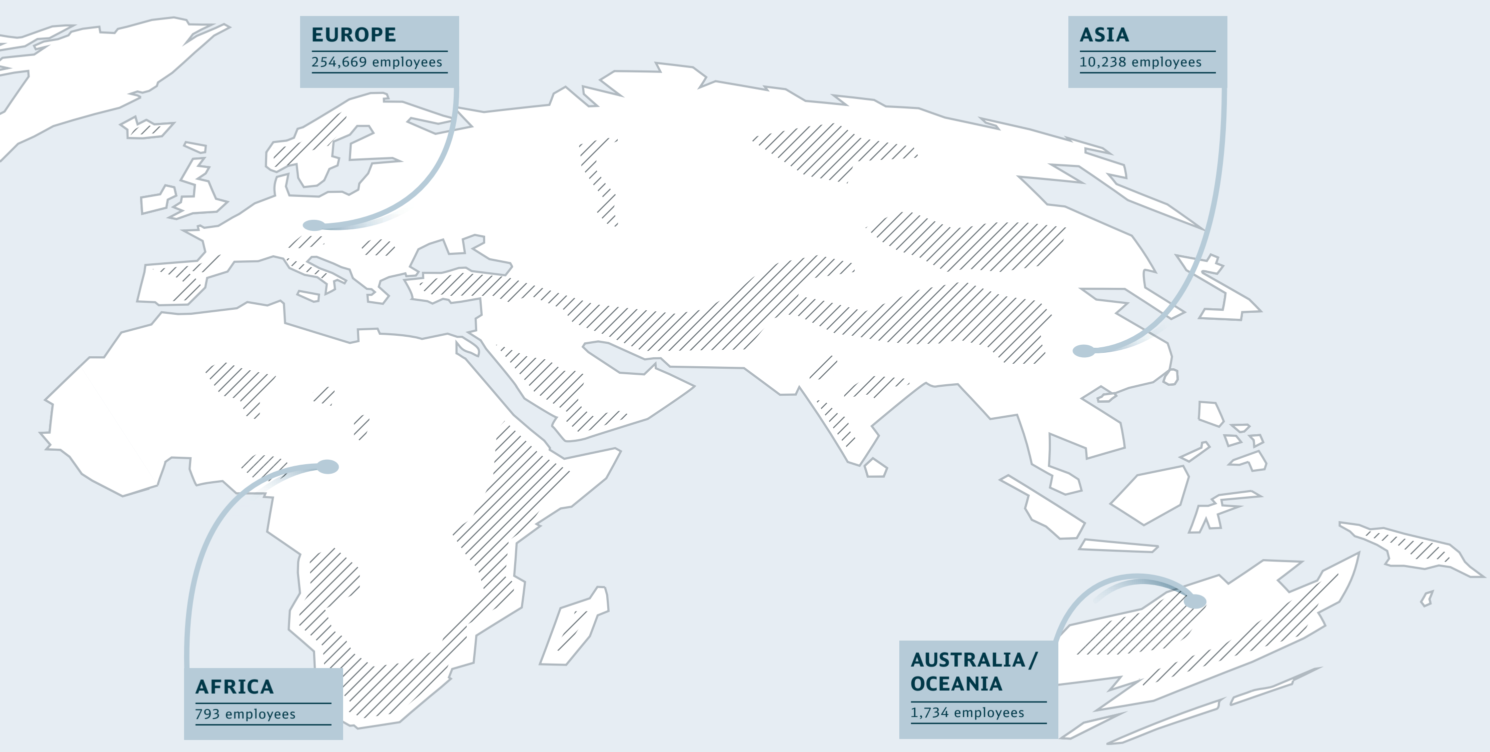
The development of the station stops figure reflects the relatively stable development of volume produced in rail passenger transport.

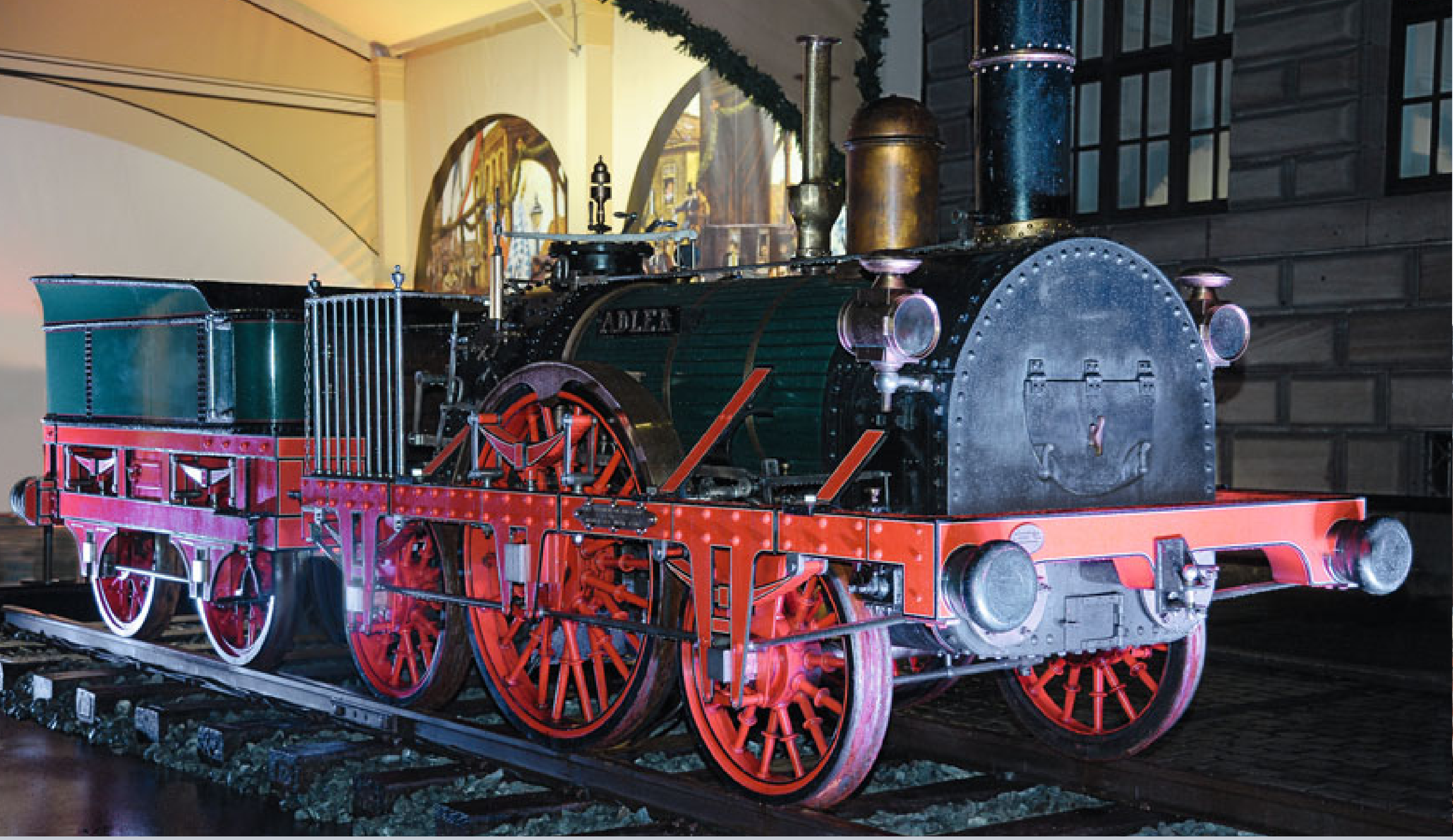
Our sustained success over the long-term is becoming increasingly dependent on our employees, their qualifications as well as their willingness and ability to perform. This is because of the growing shortage of skilled labor due to demographic development as well as the changing demands impacting on job requirements.

276,000

EMPLOYEES AROUND THE WORLD IN 130 COUNTRIES, AND ABOUT 9,000 TRAINEES IN GERMANY

DB Group has been one of the biggest companies training young people in Germany for years. For us, training and educating people, even beyond our own needs, is part of our responsibility to society. We train young people in more than 25 occupational areas.





WORKING ON THE RAILWAY FOR
175 YEARS IN GERMANY

FROM THE FIRST RUN OF THE ADLER IN 1835
TO THE NEW ERA OF HIGH-SPEED TRAINS

CONTENTS


DR. RÜDIGER GRUBE
CEO and Chairman
of the Management Board
of Deutsche Bahn AG

Chairman's letter

Dear ladies and gentlemen,

First, I would like to express my thanks to our customers and our employees for the trust they placed in us, because they were the ones who made it possible for us to get back on track for growth following the global financial and economic crisis. Furthermore, we also recovered from the negative effects faster than we had expected. Our corporate structure proved to be stable during the crisis and quick to expand when the economy rebounded. And with revenues of 33.4 billion euros – excluding Arriva – we are almost back up to the record level set in 2008. Moreover, our adjusted EBIT figure of 1.9 billion euros has also improved notably.

In order to further develop our rail transport activities we launched four initiatives in 2010: the Customer and Quality Initiative, Capital Expenditures Initiative, Engineering Initiative, as well as our Market Initiative. Along with profitable and sustainable growth these initiatives are primarily aimed at improving our performance as a railway. The key lever for achieving this is having greater availability of our vehicles and an improved infrastructure. We also launched numerous measures to improve passenger service and travel information. Our goal here is to achieve a sustainable improvement – above all in Germany – so we can convince even more people to travel via rail.

Following the acquisition of Arriva our Passenger Transport division is now present in 13 European countries. With this move we created a platform for further growth that will enable us to actively participate in the opening of the local transport markets across Europe. Another milestone was the premiere of the ICE in London. The future connection from Germany to the British capital is a shining example of the gradual expansion of cross-border routes. Meanwhile, in our home market of Germany, which will naturally remain the backbone of our business, we were able to win 65 percent of the train kilometers awarded in the regional transport market in 2010.

The main focus of the Transport and Logistics division was on recovering from the global economic crisis. We defended our leading position in the transport and logistics market while at the same time the DB Schenker Logistics business unit posted an unusually strong 27 percent increase in revenues, and the DB Schenker Rail business unit raised their revenues by 13 percent.

Numerous projects were either continued or newly launched by the Infrastructure division to expand and modernize our rail network, our train stations and our energy procurement processes. The start of construction on the Stuttgart–Ulm rail project marked a decisive breakthrough for us. The financing of the rail requirements plan remains a major political task. We are absolutely adamant here in insisting that Germany must have a rail infrastructure that can successfully cope with future demands.

In 2010 challenges arose in the area of overall regulatory conditions in Germany and Europe. We believe that the priorities in this area should be placed on the actual opening of the national markets – as has been the case in Germany since the Rail Reform Act of 1994 – as well as on an entrepreneurial orientation of the rail sector. Furthermore, reducing bureaucracy and enhancing the speed and efficiency of processes must also remain important goals.

During the year under review our employees were a matter of particular importance for the members of the Management Board and myself. Once again we were one of the biggest occupational trainers in Germany thereby securing our future workforce in times of demographic change. The Management Board placed special emphasis on the continued development of our corporate culture. In this context we introduced a sustainable process which we will fill with life at all levels of our organization. I would especially like to thank our employees for their dedicated efforts in 2010.

In 2011 we will continue to resolutely take the steps needed to reach our goal of becoming a clearly customer-oriented railway and a successful service company.

Sincerely yours,

Dr. Rüdiger Grube
CEO and Chairman
of the Management Board
of Deutsche Bahn AG

Management Board

From left to right

DR. RICHARD LUTZ
CFO
Born in 1964
Appointed until 2013

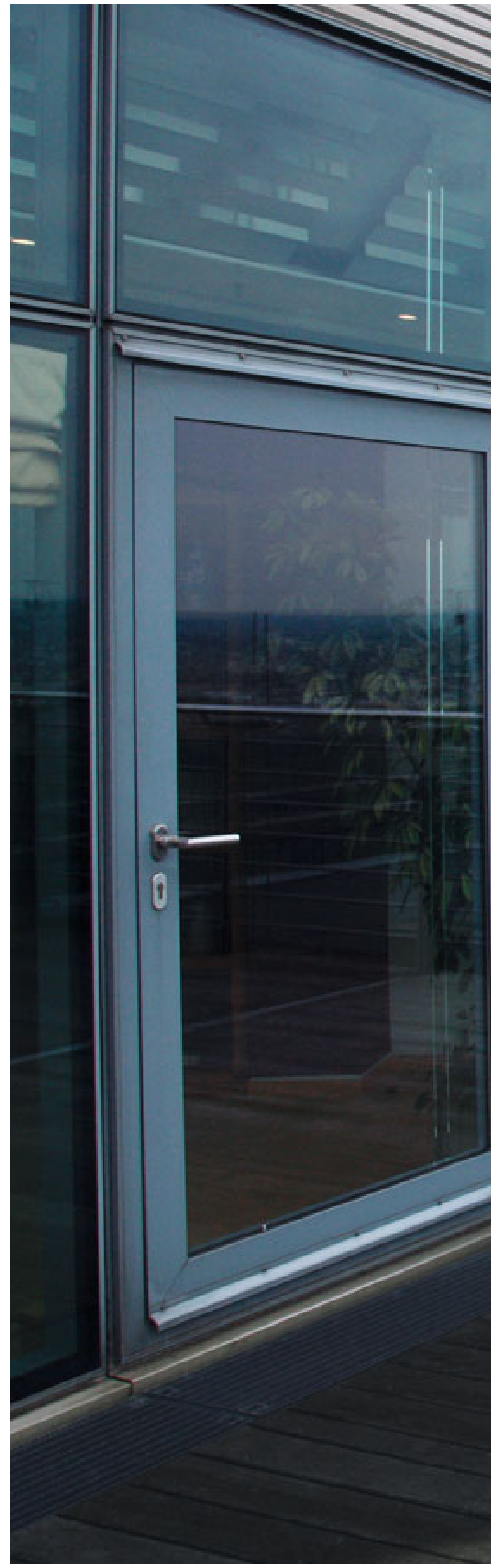
GERD BECHT
Compliance, Privacy and Legal Affairs
Born in 1952
Appointed until 2014

DR. RÜDIGER GRUBE
CEO and Chairman
Born in 1951
Appointed until 2014

DR. VOLKER KEFER
Rail Technology and Services, Infrastructure
Born in 1956
Appointed until 2012

ULRICH WEBER
Personnel
Born in 1950
Appointed until 2014

Information with respect to the CVs are available at:
www.deutschebahn.com/man-board




DB

Report of the Supervisory Board

During the year under review the Supervisory Board carried out its supervisory functions in accordance with the legal requirements, the company's Articles of Association and its bylaws. It extensively advised and supervised the Management Board in the management of the company as well as the management of its business operations. The Management Board informed the Supervisory Board regularly, without delay and comprehensively, especially about all issues regarding corporate planning, and the business, strategic and financial development of Deutsche Bahn AG (DB AG) and its subsidiary companies. All business issues of fundamental importance were discussed in plenary meetings and the relevant Supervisory Board committees based on reports prepared by the Management Board. Significant deviations in the actual business development were pointed out by the Management Board and examined by the Supervisory Board. The Chairman of the Supervisory Board remained in close contact with the Chairman of the Management Board and was kept regularly informed about Deutsche Bahn Group's (DB Group) current business developments, pending business decisions and risk management. The Supervisory Board was involved in all decisions of fundamental importance for DB AG. No member of the Supervisory Board attended fewer than half of the meetings of the Supervisory Board.

MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board was newly constituted in March 2010 at the end of its previous term. During the year under review the Supervisory Board met for its constituent meeting as well as four regular meetings and one extraordinary meeting. In three cases, resolutions were adopted on the basis of written procedures. The meetings of the Supervisory Board were prepared by meetings of the Executive Committee, the Personnel Committee and the Audit and Compliance Committee.

The focal points of discussions in the plenary meetings were the development of DB Group's revenues, results and employment situation, as well as significant capital expenditure, participation and divestment projects. Furthermore, the Supervisory Board also considered DB Group's strategy as well as the strategies pursued by the individual divisions. In addition, the Supervisory Board dealt intensively with the technical deficiencies affecting the ICE fleet and the S-Bahn (metro) vehicles in Berlin, which had major operational and financial repercussions on the rail passenger transport business. Moreover, during the year under review the Supervisory Board repeatedly requested reports on the weather-related disturbances in rail transport operations that took place, as well as the measures taken to preclude them. In many of its meetings the Supervisory Board also dealt with the status of the major Stuttgart 21 Project. The main purpose of the extraordinary meeting of the Supervisory Board held in April 2010 was to deliberate the takeover offer for Arriva Plc (Arriva), Sunderland/Great Britain, for which the Supervisory Board gave its consent. The progress of the acquisition process as well as the integration of Arriva into DB Group were discussed during the subsequent meetings of the Supervisory Board. Due to the legal requirements imposed by anti-trust law, the Supervisory Board consented to the divestment of Arriva's activities in Germany in December 2010.

In December 2010 the Supervisory Board took DB Group's mid-term plan covering 2011 to 2015 under consideration, and consented to DB Group's budget for the 2011 financial year and its capital expenditure plans.

There were no conflicts of interest reported involving members of the Management Board and Supervisory Board which had to be disclosed to the Supervisory Board.

MEETINGS OF THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established four permanent committees to facilitate its work and increase its efficiency. The Executive Committee of the Supervisory Board met six times during the year under review and was in continual contact with the Management Board regarding all fundamental business policy issues. This was also the method used to prepare various key issues, in particular, for the Board's meetings.

PROFESSOR DR. DR. UTZ-HELLMUTH FELCHT

Chairman of the Supervisory Board of Deutsche Bahn AG

During the year under review the Audit and Compliance Committee held four meetings and one telephone conference, and primarily dealt with the quarterly financial statements, the six-month financial statements and the related review results, as well as the six-month review of major capital expenditure projects.

Additional focal points were the 2010 forecast and DB Group's mid-term plan covering the period 2011 to 2015. The Audit and Compliance Committee kept itself informed about the operational difficulties experienced by the S-Bahn (metro) Berlin, the technical deficiencies in the ICE fleet, as well as the progress and development of costs associated with the major Stuttgart 21 project. Furthermore, the Audit and Compliance Committee also considered issues pertaining to accounting and risk management, the further development of corporate governance due to the passage of the Public Corporate Governance Code and the Accounting Law Modernization Act, and the resulting changes to the rules of procedure for the Audit and Compliance Committee. The Audit and Compliance Committee also kept itself informed about the business development of acquisitions, the issuing of the audit mandate to the auditor, as well as the results of the internal audit and compliance-related investigations.

The Chairman of the Audit and Compliance Committee maintained regular contact with the CFO and the auditor, and regularly and extensively reported to the plenary meeting regarding the Committee's work.

During the year under review the Personnel Committee met three times to prepare personnel decisions for the Supervisory Board, and in particular prepared a peer group comparison as an addition to the Long-Term Incentive Plan for the Management Board. Moreover, on behalf of the Supervisory Board the Personnel Committee prepared the target agreements for the members of the Management Board for the 2011 financial year.

The Mediation Committee, which was established in accordance with Article 27, Para. 3 of the Codetermination Act (MitbestG), did not have to meet during the year under review.

CORPORATE GOVERNANCE

During the year under review the Management Board and Supervisory Board again considered the further development of Corporate Governance. With the Cabinet resolution of July 1, 2009, the Federal Government adopted the German Public Corporate Governance Code. The German Public Corporate Governance Code contains the essential provisions of existing laws regarding the management and supervision of unlisted companies in which the Federal Republic of Germany holds a majority stake, as well as internationally and nationally recognized standards of good and responsible management. The Supervisory Board was intensively engaged in implementing the Public Corporate Governance Code within DB Group and took the necessary related decisions.

Furthermore, the passage of the Accounting Law Modernization Act (BilMoG) in May 2009 redefined the main emphasis of audit committee work as described in the German Stock Corporation Act (AktG). Therefore, the rules of procedure for the Supervisory Board's Audit and Compliance Committee were clarified to the extent that, as part of its supervisory function, the Audit and Compliance Committee will also regularly inform itself about the effectiveness and appropriateness of the risk management and the internal control systems in accordance with the requirements stated in Article 107, Para. 3 (2) of the AktG. The DB AG Supervisory Board consented to the revision of the rules of procedure for the Audit and Compliance Committee.

ANNUAL FINANCIAL STATEMENTS

The annual financial statements and the management report of DB AG prepared by the Management Board as well as the consolidated financial statements and Group management report for the period ending December 31, 2010 were audited by the auditor elected by the Annual General Meeting, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Berlin, and received the auditor's unqualified certification. In addition, the auditor also audited the risk management system as part of the annual audit and did not raise any objections.

The auditor's report was the subject of the Audit and Compliance Committee meeting held on March 28, 2011 and was also extensively discussed during the Supervisory Board's financial statements meeting on March 30, 2011 that took place in the presence of the auditor who signed the auditor's report. The auditor reported on the fundamental results of the audit and was available to answer questions. The Supervisory Board concurred with the results of the audit.

The Supervisory Board examined DB AG's annual financial statements and management report, as well as the consolidated financial statements and the Group management report for the year under review, as well as the proposed allocation of profits, and did not express any reservations. The annual financial statements of DB AG for the 2010 financial year were approved, and are thus adopted.

The auditor also audited the report prepared by the Management Board concerning relations with affiliated companies. The auditor has issued an unqualified auditor's certificate, and reported on the result of the audit.

The Supervisory Board examined this report, and did not express any reservations regarding the closing statement of the Management Board included in the report and the results of the audit by the auditor.

CHANGES IN DB AG'S SUPERVISORY BOARD AND THE MANAGEMENT BOARD

Professor Dr. Dr. Utz-Hellmuth Felcht was elected Chairman of the Supervisory Board on March 24, 2010. He succeeds Dr. Werner Müller whose mandate ended on this date due to the expiration of his term of office.

The term of office of the following members of the DB AG Supervisory Board ended on March 24, 2010: shareholder representatives Mr. Georg Brunnhuber and Mr. Niels-Lund Chrestensen; employee representatives Mr. Jörg Hartkorn and Ms. Heike Moll. New members elected to the Supervisory Board effective March 24, 2010 were: Mr. Patrick Döring and Professor Dr. Knut Löschke were elected as shareholder representatives. On March 11, 2010 Messrs. Mario Reiß and Wolfgang Joosten were newly elected to the Supervisory Board as employee representatives.

Dr. Walther Otremba, who resigned his mandate as member of the Supervisory Board effective March 8, 2010, was succeeded by State Secretary Dr. Hans Bernhard Beus, who was seconded to the Supervisory Board effective March 9, 2010.

Effective March 31, 2010 Mr. Diethelm Sack resigned his mandate as member of the DB AG Management Board, where he was the Chief Financial Officer. He was succeeded effective April 1, 2010 by Dr. Richard Lutz. Effective March 31, 2010 Mr. Stefan Garber also resigned his mandate as member of the DB AG Management Board, where he was the head of the Infrastructure division. He was succeeded on April 1, 2010 by Dr. Volker Kefer who will serve for the remainder of his existing term. Dr. Kefer had already served as the provisional head of the Infrastructure division since December 9, 2009. Dr. Kefer is also responsible for the Rail Technology and Services Division.

At this point, the Supervisory Board would also like to thank the former members of the Management Board and Supervisory Board for their committed and constructive support on behalf of the company.

The Supervisory Board thanks the Management Board, all employees as well as the DB AG employees' representatives and its affiliated companies for their dedicated efforts during the year under review.

Berlin, March 2011

For the Supervisory Board
Sincerely,

Professor Dr. Dr. Utz-Hellmuth Felcht
Chairman of the Supervisory Board
of Deutsche Bahn AG

Corporate Governance report

- **The Corporate Governance report is part of the Group management report**
- **Good corporate governance is a significant foundation for corporate success**
- **Public Corporate Governance Code recommendations observed with one exception**

Corporate governance regulations are designed to ensure good, responsible and value-driven corporate governance. The Federal Government established the Public Corporate Governance Code of the Federal Government (PCGK) on July 1, 2009 to create standards of good corporate and investment governance. The PCGK contains significant provisions of current laws for managing and supervising non-listed companies in which the Federal Government holds a majority stake, and it also includes internationally and nationally recognized standards for good and responsible governance. The objective of the PCGK is to make corporate governance and oversight more transparent and understandable, and to more clearly define the Federal Government's role as a shareholder representative. At the same time, it is intended to promote the awareness of good corporate governance.

We believe that good corporate governance is a significant foundation for the success of Deutsche Bahn Group (DB Group). Our goal is to increase the company's value in the long term, thereby promoting the interests of customers, business partners, investors, employees and the public while preserving and expanding their trust in DB Group.

The Supervisory Board of DB AG has adopted the → *by-laws* [1] for the Management Board and Supervisory Board of Deutsche Bahn AG (DB AG) to meet PCGK requirements. The PCGK applies to the DB Group companies to the legal extent possible and technically appropriate in view of the special features of a Group structure. Group-wide compliance with the PCGK principles was established by approval of sample rules of procedure for the Supervisory Boards of the Group companies.

DECLARATION OF CONFORMITY

The Management Board and Supervisory Board of DB AG jointly declare: "Since the last declaration of conformity made on March 24, 2010, DB AG has complied with the recommendations of the Public Corporate Governance Code of the Federal Government adopted by the Federal Government on July 1, 2009 with the following exception: During the 2010 financial year the Directors and Officers Liability insurance policy (D&O insurance) taken out by DB AG for the Supervisory Board members of companies within the Group deviated from the recommendation stated in section 3.3.2 PCGK and did not contain a deductible amount. The decision-making process regarding the structure of an appropriate deductible amount was not concluded in 2010. An agreement concerning an appropriate deductible amount for Supervisory Board members will be reached in 2011. DB AG also intends to observe the remaining PCGK recommendations in the future."

COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

As a German stock corporation, DB AG's Management Board and Supervisory Board are subject to a dual level management and supervisory structure. These two committees are strictly separated, both in terms of their membership and in terms of their responsibilities. The Management Board is solely responsible for managing the company. The Supervisory Board supervises the Management Board's activities and is responsible for appointing and removing members of the Management Board.

In the interest of creating the best possible company management system, we place great value on maintaining a continuous dialogue between the Management Board and the Supervisory Board, and work together in a trustful and efficient manner for the benefit of the company. The Management Board regularly informs the Supervisory Board, in a timely and comprehensive manner, about all issues that are relevant for the company – especially planning, business development, the risk situation and risk management as well as the internal controlling system.

[1] → ***www.db.de/bylaws***

An overview of the ⟶ *members of the Management Board and the Supervisory Board* [1], including the mandates they hold, is included in the Group notes.

Management Board

The Management Board is solely responsible for managing the company. It is bound to the company interests and obligated to permanently increase the value of the company. It sets company objectives and defines the strategies with which these objectives are to be attained. The Management Board makes decisions regarding all matters of fundamental and significant importance for the company.

Details about the personnel changes in the Management Board can be found in the ⟶ *Group management report* [2] and the ⟶ *Report of the Supervisory Board* [3].

The DB AG Management Board consists of six divisions. In addition to the Chairman's division, the Managing Board consists of the following divisions: Finance/Controlling; Personnel; Infrastructure; Compliance, Privacy and Legal Affairs; and Rail Technology and Services.

The members of the Management Board must report any conflicts of interest to the Supervisory Board without delay and inform their colleagues on the Management Board. No such cases occurred during the year under review.

In order to ensure an integrated Group management approach, the DB AG Management Board's meetings are normally held concurrently with meetings of the DB Mobility Logistics (DB ML AG) Management Board.

Supervisory Board

The Supervisory Board advises and supervises the Management Board's work in managing the company. The DB AG Supervisory Board has 20 members, and in accordance with the terms of the Codetermination Act ten of these members are shareholder representatives, and ten are employee representatives. Some of the shareholder representatives are appointed, and some are elected by the Annual General Meeting. The members on the employee side are elected according to the requirements of the Codetermination Act. Currently, the Supervisory Board includes two women. The Chairman of the Supervisory Board is Professor Dr. Dr. Utz-Hellmuth Felcht. Any ⟶ *personal or business relationships* [4] between individual Supervisory Board members and the company are listed in the Group's notes.

The members of the Supervisory Board must disclose any conflicts of interest which arise to the Supervisory Board without delay and must also inform their colleagues on the Supervisory Board. No such cases occurred during the year under review.

Transactions of fundamental importance, as well as Management Board decisions that will have a significant effect on the company's business activities and its assets, financial situation or earnings situation, require the approval of the Supervisory Board. The Management Board informs the Supervisory Board of DB Group's business development and circumstances on at least a quarterly basis. The Management Board also regularly informs the Supervisory Board of measures taken within DB Group to comply with laws and internal company rules (Compliance). The Supervisory Board's duties also include auditing and approving DB AG's annual financial statements, auditing DB AG's Management Report, the Group consolidated financial statements, and the Group Management Report for DB AG. The Supervisory Board also supervises the accounting process; the efficiency of the internal controlling system, risk management system and internal auditing system; and the annual audit.

In addition, the Chairman of the Supervisory Board is in regular contact with the Management Board, and particularly with the Chairman of the Management Board, and deliberates DB Group's strategy, business development and risk management with them. The Chairman of the Management Board regularly informs the Chairman of the Supervisory Board about events that have a significant impact on evaluating the business situation and development of DB AG as well as the management of the company.

During the 2010 financial year, there were again no consulting agreements or other comparable service or work agreements between the members of the Supervisory Board and DB AG.

JOINT SUPERVISORY BOARD MEETINGS

In order to increase the efficiency of their deliberations, the DB AG Supervisory Board and the DB ML AG Supervisory Board regularly hold joint meetings. Each Supervisory Board's resolutions are decided by its own members. It is fundamentally possible to hold separate Supervisory Board meetings.

[1] ⟶ **Page 258 ff.** [2] ⟶ **Page 60** [3] ⟶ **Page 27** [4] ⟶ **Page 238**

SUPERVISORY BOARD COMMITTEES

In order to carry out its supervisory tasks in the best possible manner, the Supervisory Board has taken advantage of the possibility to form committees and created the following committees: Executive Committee, Audit and Compliance Committee, Personnel Committee and a Mediation Committee. An overview of the → *members of these committees* [1] can be found in the Group notes. The Supervisory Board's report explains the → *work done by the committees* [2] during the year under review. → *A description of the individual committees' functions* [3] can be found on our Web site.

TRANSPARENCY

Our → *Web site* [4] provides all of the important information regarding the Group and the annual financial statements, the interim report and the financial calendar, as well as information about any securities transactions that must be disclosed. In addition, we regularly provide information about current developments within the framework of our investor relations activities and our corporate communications.

RISK MANAGEMENT

Good management also includes the responsible handling of opportunities and risks which arise in connection with business activities. This is why the early identification and limitation of business risks is of such great importance to the Management Board and Supervisory Board.

It is the Management Board's duty to create appropriate risk management and monitoring systems within the company and to continue further developing both of these. The Accounting Law Modernization Act (BilMoG) defined the tasks of the Supervisory Board with regard to monitoring the accounting process and the effectiveness of the internal controlling system, as well as the risk management system and internal auditing system. In order for the Supervisory Board to fulfill this task, it must be provided with the necessary information so it can evaluate the appropriateness and functionality of the systems. The Management Board has established internal controlling system reports within the framework of a Group-wide project for this purpose. These regular reports on the internal controlling system inform the Audit and Compliance Committee about a project's progress and about the appropriateness and effectiveness of the internal controlling system. In addition, the Management Board reports to the Audit and Compliance Committee about significant risks facing DB AG and DB Group and how they are being handled by the Management Board. It also checks if the early risk detection system meets the requirements of Article 91 Para. 2 of the AktG (Stock Corporation Act).

COMPLIANCE

The Integrated Compliance Management system in DB Group ensures Group-wide compliance with laws and regulations, and is a significant building block of our corporate culture. The activities of DB AG are subject to national and international requirements as well as our own values and rules. The corporate values of DB Group have been summarized in a → *Code of Conduct* [5] that applies to all companies within the Group. The objective of the Code of Conduct is to help the organs and employees of DB Group observe and implement specific rules of conduct with regard to society, competitors, elected officials and business partners, as well as vis-à-vis the owner and in their interactions with one another. We use a wide range of training programs based on a risk-awareness approach to educate our employees on the meaning of the Code of Conduct as well as the definitive laws and regulations. Departmental managers and the responsible organizational units are responsible for ensuring that they and their employees comply with regulations.

In order to ensure a rule-compliant corporate organization, we further developed the integrated compliance management system introduced last year with a clearly preventive focus, particularly with regard to the decentralized structures in the business units and subsidiaries.

Further information about the topic of compliance can be found in the → *Compliance report* [6].

[1] → **Page 261** | [2] → **Page 24 f.** | [3] → **www.db.de/committees** | [4] → **www.db.de/ir-e**
[5] → **www.db.de/coc** | [6] → **Page 40 f.**

ACCOUNTING AND AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

On March 24, 2010, the Shareholders' Meeting appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Berlin, as the auditor for the 2010 financial year. The Audit and Compliance Committee prepared the Supervisory Board's suggestion for selecting the auditor. After the auditor had been confirmed by the Shareholders' Meeting, the Committee worked with the auditor to determine the main points of the audit. It was again agreed with this year's auditor that the Chairman of the Audit and Compliance Committee would be informed immediately of any possible grounds for exclusion or bias if these were not resolved immediately. In addition, it was agreed that the auditor would immediately inform the Committee Chairman of any separate discrepancies or potential irregularities in the Declaration of Conformity.

SUPERVISORY BOARD EFFICIENCY AUDIT

The Supervisory Board regularly audits the efficiency of its activities. The efficiency audit is carried out every two years. The next audit will take place in 2011.

COMPENSATION REPORT

The compensation report describes the compensation system and individual compensation for the members of the Supervisory Board and the Management Board.

Compensation of the Management Board

The compensation system for DB AG's Management Board aims to provide appropriate compensation to the members of the Management Board in accordance with their duties and areas of responsibility, and to directly consider the performance of each Management Board member as well as the success of the company.

The appropriate level of compensation is regularly reviewed through a comparison process. This process reviews the level of Management Board compensation in comparison with the external market (horizontal appropriateness) and with other compensation within the company (vertical appropriateness). If this process reveals a need to modify the compensation system or the compensation amount, the Personnel Committee of the Supervisory Board will make corresponding suggestions to the Supervisory Board for approval.

COMPENSATION COMPONENTS

The total compensation for Management Board members consists of a fixed basic compensation, a performance-linked annual director's fee, and a long-term bonus program with a multi-year measurement basis (long-term incentive plan). Total compensation also includes benefit commitments, other commitments, and ancillary benefits.

Fixed basic compensation is a cash compensation linked to the financial year that is based on the scope of responsibility and the experience of each Management Board member. The individually defined fixed income is paid out in 12 equal installments.

The annual performance-linked director's fee is calculated using a factor linked to the achievement of business targets based on key performance figures (director's fee factor) and the achievement of individual targets (performance factor). The director's fee factor and the performance factor are multiplicatively linked. The size of the director's fee factor depends on the level of success in attaining the business goals set by corporate planning. The parameters for this relationship are equal parts operational success (EBIT) and return on capital employed (ROCE).

The performance factor reflects the success in meeting personal targets. The target fee corresponds to the annual director's fee that the Management Board member receives for fully meeting performance goals during a "normal financial year" (meeting the objectives). If company profits do not meet the planned objectives, the fee factor – regardless of personal performance – can be reduced to zero in extreme cases. Thus the annual director's fee can be omitted completely. If planned objectives are significantly exceeded and the maximum performance factor is also achieved, the director's fee can amount to 2.6 times the target fee.

The economic and personal targets of the Management Board members are agreed with the Management Board members in writing each year, based on recommendations made by the Supervisory Board's Personnel Committee.

Together with the plan established by the Supervisory Board, the personal targets form the basis for assessing the annual director's fee. Thus all of the significant parameters for total compensation are established at the beginning of the financial year.

At the end of a financial year, the Group results are used as the basis for calculating the director's fee factor and personal performance factor for each member of the Management Board. The target income is attained if the Group performance goals as well as the individual targets have been fully met. The final decision is made by the Supervisory Board and prepared by the Personnel Committee.

The long-term incentive is determined according to the sustained increase in the value of the company. This measurement basis rewards the attaining and/or exceeding of mid-term operational earnings targets and their effect on the company's value. The term of the plan will be four years, and it will be redrafted on a rolling basis each year.

At the end of each planning period, the increased value attained in comparison with the business goals and the disbursement amount are determined.

The target value of the long-term incentive plan introduced in 2010 is approximately two-thirds of the previous director's fee. The disbursement amount for the long-term incentive plan has an upper limit and can vary between 0 % and 300 %. Claims from the long-term incentive plan are inheritable.

In December 2010, the Supervisory Board decided to supplement the plan requirements for the long-term incentive plan by adding a peer group comparison, beginning in the 2011 financial year. In the future, the disbursement amount of the long-term incentive plan will be modified according to the company's external performance in comparison with a peer group.

The members of the Management Board are entitled to an appropriate severance arrangement if the contract is terminated before the contractually agreed-upon termination date and no material cause exists for which the members of the Management Board themselves are responsible. The severance arrangement is based the remaining term of the contract, the agreed target compensation and, if applicable, the pension benefits already owed by DB AG for the remainder of the contract.

In accordance with recommendations made by the PCGK, DB AG included a compensation cap in all Management Board contracts. According to this, payments made to a Management Board member upon premature termination of Management Board duties cannot, without good cause as defined by Article 626 of the BGB (German Civil Code), exceed the value of two years' salary, including variable compensation components.

The members of the Management Board do not receive any additional compensation for mandates exercised in control bodies of other Group companies and affiliated companies.

PENSION ENTITLEMENTS

The Supervisory Board defined a general retirement age of 65. After leaving the company, the members of the Management Board are entitled to pension payments. A Management Board member is entitled to a lifelong pension if the term of employment ends due to permanent disability, or if the contract is terminated before the agreed-upon termination date or is not extended and no material cause exists, or if the Management Board member refuses to continue the contract under the same or more beneficial conditions.

Company pension commitments equal a percentage of the basic compensation, based on how long the Management Board member has been with the company. Pension commitments include lifelong retirement and/or survivor benefits. There is no lump-sum option.

Furthermore, DB AG has taken out a reinsurance policy covering company pension benefits for Management Board contracts concluded before January 1, 2009.

CONTRACTUAL ANCILLARY BENEFITS

As contractual ancillary benefits, the members of the Management Board are, among other things, entitled to a company car and driver for business and personal use, a personal first-class BahnCard (BahnCard 100 First) for all of the company's rail routes, and standard insurance coverage. A housing allowance is granted for second homes as required for business purposes. These non-cash benefits, if they cannot be granted on a tax-free basis, are taxed as non-monetary benefits for which the Management Board members are individually responsible. In December 2010, the Supervisory Board approved the assumption of costs by the company for any personal and building security measures necessitated by membership on the Management Board. Taxes on any resulting non-cash benefits will be paid by the company. Just like all members of the Group's executive staff, Management Board members may choose to take part in the company's deferred compensation program.

The members of the Management Board are covered by liability insurance against financial losses (D&O insurance) incurred due to working for DB AG. In the 2010 financial year, this insurance was offered as a group insurance policy with the legally established deductible; it provides coverage for potential financial losses arising from carrying out Management Board activities.

COMPENSATION OF THE MANAGEMENT BOARD IN THE 2010 FINANCIAL YEAR

The director's fee for the previous financial year falls due at the end of the month in which the company's Annual General Meeting takes place. The members of the DB AG Management Board will receive the following compensation for their duties during the year under review:

Total compensation of the Management Board [€ thousand]	Annual income for 2010					
	Fixed compensation	Variable compensation short-term[1]	Variable compensation long-term[2]	Benefits in connection with premature termination of duties	Other[3]	**Total**
ACTIVE MANAGEMENT BOARD MEMBERS ON DECEMBER 31, 2010						
Dr. Rüdiger Grube	900	1,850	165	–	31	**2,946**
Gerd Becht	650	1,150	105	–	23	**1,928**
Dr. Volker Kefer	400	820	75	–	27	**1,322**
Dr. Richard Lutz (since April 1, 2010)	300	595	56	–	19	**970**
Ulrich Weber	650	1,160	105	–	9	**1,924**
MANAGEMENT BOARD MEMBERS WHO LEFT DURING THE YEAR UNDER REVIEW						
Stefan Garber (up to March 31, 2010)	138	–	–	1,850	7	**1,995**
Diethelm Sack (up to March 31, 2010)	163	–	–	213[4]	5	**381**
TOTAL	**3,201**	**5,575**	**506**	**1,850**	**121**	**11,466**

[1] Pending decision by the Supervisory Board.
[2] Long-term variable compensation refers to the pension provisions for long-term incentives.
[3] Non-cash benefits accruing from travel benefits and usage of company cars as well as insurance and housing allowances.
[4] Mr. Sack received a prorated director's fee for 2010 at the end of his Management Board contract.

As compensation for the premature termination of his duties, Mr. Stefan Garber received a one-time severance payment of € 1,850 thousand. Starting on April 1, 2010, he will receive a company pension of € 550 thousand. Furthermore, should Mr. Garber receive income from independent or non-independent employment during the time between his departure from DB AG and his 63rd birthday, the resulting income – if it exceeds € 330 thousand annually – will be offset against his pension during this time. Mr. Diethelm Sack, who also stepped down from the Management Board in 2010, did not receive any severance compensation. He concluded a consulting contract with DB AG lasting through December 31, 2011. With regard to the provisions made for pensions of departing members of the Management Board, only the payments agreed upon in the Management Board contract were granted.

The existing D&O insurance policy will provide insurance coverage for a period of five years after the end of Management Board duties.

No member of the Management Board received any benefits or promises of benefits from third parties related to his activities as a member of the Management Board during the year under review.

PENSION BENEFITS OF THE MANAGEMENT BOARD IN THE 2010 FINANCIAL YEAR

During the year under review, an amount totaling € 2,896 thousand was added to the pension provisions.

Addition to the pension provisions (service cost)[1)] [€ thousand]	2010
ACTIVE MANAGEMENT BOARD MEMBERS ON DECEMBER 31, 2010	
Dr. Rüdiger Grube	961
Gerd Becht	761
Dr. Volker Kefer	193
Dr. Richard Lutz[2)] (since April 1, 2010)	36
Ulrich Weber	899
MANAGEMENT BOARD MEMBERS WHO LEFT DURING THE YEAR UNDER REVIEW	
Stefan Garber (up to March 31, 2010)	46
Diethelm Sack[3)] (up to March 31, 2010)	-
TOTAL	**2,896**

1) The service cost for Management Board members appointed during the year under review is based on estimated values; for part-time members of the Management Board, the amount is prorated.
2) For new Management Board appointments from within the Group, the service cost for prior acceptances is not taken into account.
3) Already funded.

Provisions made for pensions of previous members of the Management Board are shown in total in the notes to the Group consolidated statements.

Compensation of the Supervisory Board for the 2010 financial year

Compensation of the Supervisory Board was most recently regulated by the Annual General Meeting decision on September 21, 2010. In addition to being reimbursed for their cash outlays and the value-added tax due on their compensation and cash outlays, the members of the Supervisory Board receive fixed annual compensation of € 20,000, as well as performance-linked annual compensation. The performance-linked compensation varies depending on the relationship between the operational results (EBIT) shown in the Group's annual financial statements for the financial year and the comparable previous year's figures, as well as attaining specific operational performance figures. The performance-linked compensation is limited to a maximum of € 13,000.

The Chairman of the Supervisory Board receives compensation equal to twice the above figure, while his deputy receives compensation equal to one and a half times the above figure. Furthermore, compensation received by each member of the Supervisory Board increases by 25 % for being a member of a committee. The compensation increases by 100 % for being the chairman of the Executive Committee or the Audit and Compliance Committee, and by 50 % for being the chairman of the Personnel Committee. Membership and chairmanship of the committee to be formed in accordance with Article 27 Para. 3 of the MitbestG (Federal Codetermination Act) are not taken into consideration.

In addition, the members of the Supervisory Board receive an attendance fee of € 250 for each meeting of the Supervisory Board or Supervisory Board committee they attend. In addition, Supervisory Board members also have the choice of receiving either a personal BahnCard 100 First or five free train tickets.

The members of the Supervisory Board are covered by financial loss liability insurance (D&O insurance) for risks associated with working for DB AG. This insurance is designed as a group insurance policy without a deductible and provides coverage for financial losses that may occur during the performance of Supervisory Board activities. In addition, a group accident insurance policy exists for members of the Supervisory Board. The company pays the premiums for these policies.

Members of the Supervisory Board who were not members of the Supervisory Board for a full financial year receive one-twelfth of their compensation for every month or part of a month that they were members. The rule applies correspondingly to the increases in compensation for the Chairman of the Supervisory Board as well as his deputy, and to increased compensation for membership and chairmanship of a Supervisory Board committee.

Payment of compensation takes place after the conclusion of the Annual General Meeting that voted to approve the Supervisory Board's activities in the previous financial year.

Taxes due on compensation received, including the personal BahnCard 100 First or the five free train tickets, are the individual responsibility of each member of the Supervisory Board.

Members of the Supervisory Board currently do not hold shares in the company, nor do they hold options that entitle them to purchase shares in the company.

Subject to the approval of the activities of the Supervisory Board by the Annual General Meeting on April 5, 2011, the members of the Supervisory Board will receive the following compensation for their activities during the year under review:

Total compensation of the Supervisory Board [€ thousand]	Fixed compensation	Variable compensation	Attendance fees	Incidental payments	Total
					Annual income for 2010
SUPERVISORY BOARD MEMBERS ON DECEMBER 31, 2010					
Prof. Dr. Dr. Utz-Hellmuth Felcht	58	8	2	0	**68**
Alexander Kirchner	40	5	2	1	**48**
Dr. Hans Bernhard Beus	17	2	2	0	**21**
Christoph Dänzer-Vanotti	20	3	1	0	**24**
Patrick Döring	17	2	1	0	**20**
Dr. Jürgen Großmann	20	3	1	5	**29**
Dr. Bernhard Heitzer	20	3	2	0	**25**
Jörg Hensel	20	3	1	1	**25**
Klaus-Dieter Hommel	20	3	1	5	**29**
Wolfgang Joosten	17	2	1	5	**25**
Günter Kirchheim	30	4	3	1	**38**
Helmut Kleindienst	25	3	2	1	**31**
Dr. Jürgen Krumnow	40	5	2	1	**48**
Dr. Knut Löschke	17	2	1	5	**25**
Vitus Miller	20	3	1	1	**25**
Ute Plambeck	20	3	1	0	**24**
Mario Reiß	17	2	1	5	**25**
Regina Rusch-Ziemba	25	3	2	0	**30**
Prof. Klaus-Dieter Scheurle	35	5	4	1	**45**
Dr. Heinrich Weiss	20	3	1	5	**29**
SUPERVISORY BOARD MEMBERS WHO LEFT DURING THE YEAR UNDER REVIEW					
Dr. Werner Müller	18	2	1	0	**21**
Georg Brunnhuber	5	1	0	1	**7**
Niels Lund Chrestensen	5	1	0	1	**7**
Horst Hartkorn	5	1	0	1	**7**
Heike Moll	5	1	0	1	**7**
Dr. Walther Otremba	5	1	0	0	**6**
TOTAL	**541**	**74**	**33**	**41**	**689**[1)]

[1)] Including compensation for Supervisory and Advisory Board activities in subsidiary companies: € 808 thousand.

No pension commitments exist for members of the Supervisory Board.

The members of the Supervisory Board did not receive any compensation during the year under review for any personally provided services.

Employee representatives donate almost all the compensation they receive as members of the Supervisory Board to the Hans Böckler Foundation.

03 GROUP INFORMATION

Financial communication

- → **Investor relations further intensified**
- → **Five bonds in three currencies issued**
- → **Ratings once again reconfirmed in year under review**

INVESTOR RELATIONS

One of the major objectives of our investor relations work is to establish and maintain sustainable communications with investors, analysts and rating agencies. We therefore provide regular, comprehensive and prompt information regarding our financial activities and the development of DB Group.

We notably intensified our investor relations activities during the year under review. During the course of events and one-on-one talks in Europe (Germany, France, Switzerland, Great Britain, the Netherlands and Italy) and Asia (Tokyo, Singapore, Hong Kong and Beijing) we engaged in active discussions with existing and potential new investors. In doing so we laid the foundation for the successful bond issues we floated during the year under review.

After three euro-denominated bonds were issued in the previous year, we successfully accompanied the issuance of five bonds in 2010: three euro bonds, one bond denominated in Japanese yen and another in Swiss francs. All of the bonds were greeted with great interest by international investors, with regional emphasis on investors in Germany, France, Switzerland and Japan.

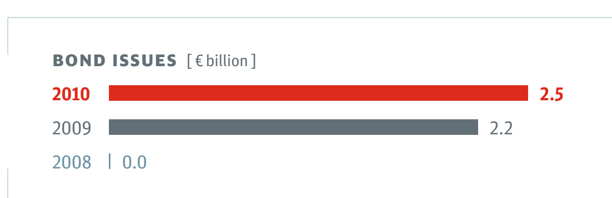
A further focal point during the year under review was the maintenance and further expansion of our → *IR Web site* [1]. We publish all of our annual and interim reports in the Internet. Furthermore, the investor relations site also contains comprehensive information about DB Group, corporate presentations, answers to frequently asked questions, as well as extensive information about our capital market activities and our ratings. Moreover, a special newsletter allows subscribers to automatically receive the latest information via e-mail.

If you wish to contact us, you can find all the needed information in the rear cover of this report or on our → *IR Web site* [1].

BOND ISSUES

ISIN	Issuer	Currency	Volume (million)	Coupon	Maturity	Term in years
XS0515937406	Deutsche Bahn Finance B.V.	EUR	500	3.500	June 2020	10
XS0524471355	Deutsche Bahn Finance B.V.	EUR	500	3.750	July 2025	15
XS0549869989	Deutsche Bahn Finance B.V.	JPY	47,100	1.130	October 2020	10
XS0554975325	Deutsche Bahn Finance B.V.	EUR	500	3.375	November 2022	12
CH0120096398	Deutsche Bahn Finance B.V.	CHF	750	1.750	June 2020	9.5

During the year under review we tapped the capital market via our financing subsidiary Deutsche Bahn Finance B.V. (DB Finance), Amsterdam/the Netherlands for a total of € 1,500 million through the issuance of three benchmark Eurobonds; a benchmark bond denominated in Japanese yen with a volume of JPY 47,100 million and one benchmark bond denominated in Swiss francs for CHF 750 million. The main purpose of the bonds was to refinance one maturing bond with a total volume of € 1,000 million and to partially finance the amount paid to acquire Arriva.



[1] → ***www.db.de/ir-e***

The year under review was marked by a further improvement of overall global economic conditions, which generally supported the bond markets and provided particular support to DB Group.

We floated euro denominated bond issues in June, July and October 2010 with terms of 10, 15 and 12 years, respectively. Each of these issues had a volume of € 500 million and was primarily sought after by investment funds and insurance firms located in France and Germany. During the year under review we issued two foreign currency bonds as part of our efforts to broaden our investor base: a ten-year bond for JPY 47,100 million, which met with great demand among Japanese investors, and a bond denominated in Swiss francs (CHF), which was also greeted with great interest. Following a first tranche of CHF 400 million issued in November, we went on to successfully float a second tranche for CHF 350 million. Both tranches have a term of nine and a half years and were mainly purchased by institutional investors. We entered into interest rate/currency swaps with correspondingly identical expiration dates to avoid risks arising from currency exchange rates.

VALUE MANAGEMENT

Value management key figures [%]	2010	2010 excl. DB Arriva	2009	Target
Return on capital employed (ROCE)	6.0	6.4	5.9	10
Redemption coverage	18.1	21.2	19.4	30
Gearing	118	98	115	100
Net financial debt/EBITDA (no unit)	3.6	3.1	3.4	2.5

The objective of our financial management system is to expand our corporate value on a sustainable basis. Further information on → *value management* [1] can be found in the Group management report.

We use the ROCE parameter (return on capital employed) as the key metric to reflect the development of our Group portfolio and for investment allocation. We use a figure of 9.6% before taxes as our cost of capital based on a mid-term target capital structure.

Additional key figures used in our value management system for controlling the level of debt are redemption coverage, gearing and net financial debt/EBITDA.

RATING

Ratings DB AG	First issued	Last confirmation	Current ratings: Short-term	Long-term	Outlook
Moody's	May 16, 2000	November 26, 2010	P-1	Aa1	stable
Standard & Poor's	May 16, 2000	February 17, 2011	A-1+	AA	stable
Fitch	February 17, 2009	May 13, 2010	F1+	AA	stable

During the year under review we were again in continual contact with the rating agencies' analysts. The acquisition of → *Arriva* [2] played a major role in our discussions with the rating agencies. Directly after DB AG announced its intention to acquire Arriva, Moody's and Standard & Poor's (S&P) reconfirmed their ratings. Fitch also reconfirmed its good credit rating for DB AG during the year under review.

The ratings issued by all three rating agencies have remained unchanged since they were first issued (Moody's and S&P: in 2000; Fitch: in 2009). The outlook for our three ratings is "stable."

We therefore now have three, unchanged, good ratings issued by three independent international rating agencies.

The → *rating agencies' publications* [3] regarding DB AG may be found on our IR Web site.

[1] → **Page 78 ff.** [2] → **Page 60** [3] → **www.db.de/rating-e**

Compliance report

⟼ **Decentral units added to compliance organization**
⟼ **Systematic compliance-risk management introduced**
⟼ **Group cornerstone agreement reached on protection of employee privacy**

COMPLIANCE – UNDERSTANDING AND PRINCIPLES

Compliance is an integral part of DB Group's corporate and management culture. We understand compliance to mean that all of our business activities fully comply with applicable laws and internal rules.

We already defined these principles last year in a ⟶ *Code of Conduct* [1] that is binding for all employees, executives, managing directors and members of the Management Board. The purpose of the Code is to ensure that our dealings with customers, business associates, competitors, employees and the owner are based on integrity and fair and legal behavior. The Code of Conduct also reflects the significantly expanded understanding of what compliance means. While the main emphasis of compliance activities in the past was on investigating and prosecuting white-collar criminality, today's understanding of compliance is broader and has a preventive focus.

Redefined compliance organization

During the course of the year under review our central compliance organization was almost completely restructured and will be further expanded by the addition of decentral units. The purpose of this was to ensure that compliance is firmly anchored where business actually takes place and responsibilities are located. The new regional contact persons will be able to better respond to local conditions and business-specific requirements. They will also bring a broader – and above all more individualized – focus, for example at our subsidiary companies in Germany or within the framework of consulting projects abroad. This move sets the signals for modern, globally oriented compliance-risk management. In addition to implementing the organizational and personnel changes, the major tasks handled during the year under review included the completion of an analysis examining weak areas for compliance, the structure of the whistle-blower management system, the continual further development of the training concept, as well as the introduction of a compliance-risk management system based on a systematic risk analysis.

Introduction of compliance-risk analysis

During the year under review we developed and installed a systematic compliance-risk analysis. Within the framework of a precisely targeted analysis of our compliance risks, all business units and selected companies across the Group were evaluated and classified. In addition to the fundamental business activities, the analysis covered basic issues related to corporate culture, ⟶ *corporate governance* [2] and very specific subjects such as corruption, property offenses, anti-trust law, environmental protection and privacy. The results present a comprehensive overview of risks facing the business units and certain subsidiary companies. Commensurate countermeasures were agreed on at the end of this process for the purpose of hindering or stopping white-collar crime, conflicts of interest and unfair competitive practices, among other issues.

Compliance training expanded

Within the framework of our prevention work we developed a comprehensive awareness-raising and training program for our employees in Germany and abroad. We use face-to-face events, workshops and numerous E-Learning modules to teach participants key legal requirements and internal guidelines in a practice-oriented manner. This is how we are anchoring our Group-wide standards of business behavior.

Advisory services offered by the Compliance Help Desk team to employees and executives also provides them with greater certainty for handling various situations within the Group. During the year under review the Help Desk team received inquiries concerning a wide range of compliance-related issues from all Group areas.

Focus on compliance with anti-trust law

A separate unit staffed with specialized lawyers has been established for handling compliance issues related to anti-trust laws. This unit serves the entire Group. An updated guideline defining correct behavior vis-a-vis competitors was published in 22 languages during the year under review and sets uniform standards across the Group. Moreover, separate guidelines describe the special requirements involved in abiding with the provisions of anti-trust law in the various markets and business areas where we are active.

[1] ⟶ *www.db.de/coc*

[2] ⟶ ***Page 28 ff.***

Executives and employees are made aware of anti-trust law issues and trained as part of Group-wide face-to-face training sessions. The training sessions are customized to meet the exact needs of the individual business unit where the training is being held.

Our anti-trust lawyers trained about 3,500 employees in anti-trust law in 40 countries between 2008 and 2010. As of the year under review the face-to-face training sessions have been expanded to cover the business units in the Passenger Transport division. In view of the advances made in liberalizing the markets, anti-trust law considerations also play an important role in international activities.

Furthermore, more than 20,000 employees participated in an E-Learning program during the year under review. These Internet-based programs present the major rules of anti-trust law as it applies to specific business units.

Our experts for anti-trust law compliance continuously advise employees from all Group companies regarding concrete issues related to anti-trust law, like developing cooperating agreements or formulating commercial conditions. Our compliance teams conduct risk analyses in Group companies whose business practices are likely to be impacted by anti-trust law. They also analyze the competitive situation in various markets for potential conflicts with anti-trust law. This way we can take effective action to counter possible weaknesses at an early stage.

GREATER VALUE PLACED ON PRIVACY

Another core element of our compliance work is the exemplary anchoring of privacy across the Group. This was significantly upgraded and newly positioned as a customer and employee-oriented quality feature. We established a fundamentally new privacy organization structure in the previous year, which has resulted in a growing sensitivity in the handling of person-related data and observing the related legal requirements.

A new Group Privacy Officer (GPO) was appointed in May 2010, who is responsible for privacy matters within the Group and reports directly to the Management Board. However, pursuant to the terms of the Privacy Act, the GPO acts autonomously. Employee privacy issues and customer privacy issues are handled by two separate departments which were especially established for these purposes. In the future the central privacy organization will be supported nationally by specialist personnel and authorized privacy organization representatives. Their task is to ensure the effective implementation of privacy rules in the individual operational and organizational units.

Group works council agreement reached on employee privacy

In addition to the updated organization and structure of the privacy section we also made a fundamental change in the way employee data is handled within the Group. Following intensive negotiations, representatives of the employee and employer sides signed a cornerstone paper on employee privacy on November 24, 2010. This paper defines the various aspects needed to ensure that the privacy rights of employees are observed and also establishes the foundation for a fair and transparent Group privacy protection policy. This agreement represents a new start in view of the events that took place in 2009. It should contribute to restoring the trust of our employees, executives, business associates and customers.

Regular and broad-based privacy audits will ensure that quality is being maintained in this area as they will check if the privacy rules are being observed across the Group. The resulting findings will also be made available to the representatives of interest groups in the future. Due to the regulating cycle of agreed measures and checks, privacy audits contribute towards ensuring the effectiveness of the measures and to a sustained improvement of the privacy level within Group companies.

Privacy advisory board established

The work of the Group privacy organization was complemented in May 2010 by the establishment of a privacy advisory board. The independent advisory body supports the Management Board in the area of privacy questions. The advisory board acts autonomously and consists of twelve members. Mr. Klaus-Dieter Hommel, Deputy Chairman, of the Railway and Transport Workers Union (EVG) will chair the advisory board. The privacy advisory board meets four times a year. Its members consist of employee representatives as well as privacy experts from the worlds of science, associations and business.

Deutsche Bahn celebrates 175 years of railways in Germany

- Deutsche Bahn part of the tradition associated with 175 years of railways in Germany
- This tradition also represents a commitment to the future for us
- This is why we celebrated the anniversary with numerous highlights during 2010
- Hundreds of thousands of people attended our numerous anniversary events

KICK-OFF EVENT

Railway history in Germany began 175 years ago when the first steam-driven locomotive (the "Adler" or eagle) ran from Nuremberg to Fürth on December 7, 1835. Today, 175 years later, Germany has the densest railway network and the most extensive train service in the world. Dr. Rüdiger Grube, CEO and Chairman of the Management Board of DB AG: "Railways have always brought people together and thrilled them. They contributed toward the exchange of ideas and the rapid spread of progress. Today, we look back

on a fascinating history, without omitting its darker pages. However, we are looking ahead: to the opportunities and challenges facing the integrated rail system in view of climate change and growing flows of traffic."

IT BEGAN WITH THE "ADLER"

The locomotive from England, the train driver from England – the first run of a train on a German stretch of track was already a harbinger of the international

character that is increasingly indicative of rail transport today. The run of the Adler on December 7, 1835 from Nuremberg to Fürth at a speed of 35 km/h and 200 passengers made the Franconian city the birthplace of the railway in Germany.

ICE AS A ROLLING AMBASSADOR

An ICE train served as a rolling ambassador for the "175 years of railways in Germany" celebrations across the nation. Covered with special anniversary artwork, the train was sent on its journey on March 4, 2010 in the historical Kaiserbahnhof (Emperor's

Station) in Potsdam by Enak Ferlemann, Parliamentary State Secretary in the Federal Ministry of Transport, and DB CEO, Dr. Rüdiger Grube. Numerous guests from the worlds of politics and business attended the naming ceremony along with the Mayors of Nuremberg and Fürth, Dr. Ulrich Maly and Dr. Thomas Jung. The ICE spent the entire anniversary year traveling throughout Germany.

SPECIAL EXHIBIT IN DB MUSEUM NUREMBERG

The railway museum (today: DB Museum) has been located in Nuremberg since 1899. The museum was rebuilt in recent years and has permanent exhibits covering the history of the German railway from its beginnings through to the fall of the Berlin Wall.

About 200,000 visitors from around the world were attracted to its special railway anniversary exhibit in 2010. Between July 7, 2010 and February 27, 2011 the special “Planet Railway” exhibit presented key historical and current railway subjects arranged in ten stages with productions and unique content.

DB ANNIVERSARY TOUR

As part of our DB Anniversary Tour, 15 train station festivals took place between June and November 2010 in all German Federal states, offering live music, prize contests and information booths, and made the anniversary year known throughout Germany. Always on an entire Sunday this meant “Celebrate and win with us.”

The DB Anniversary Tour offered a colorful program for the entire family.

Attractive prizes were waiting for the visitors, including an Ameropa city vacation and a Mobility BahnCard 100 at the end of the tour. Visitors received insights into the past, present and future of the railway. Information columns displayed news about DB’s employees, current mobility offers and climate protection.

TICKET OFFERS

We offered some very special price offers to our customers as part of the 175th anniversary of the railway in Germany celebrations. During the anniversary year our customers could join us in celebrating and travel throughout Germany with low-priced tickets.

These offers included the Anniversary Ticket and two Anniversary Passes valid for either 175 hours or one month, with which 150,000 customers traveled during the anniversary year. The passes were valid from June 13 through August 31, 2010 and additionally on December 7, 2010, the birthday of the railway in Germany. Holders of these passes could also visit the DB Museum in Nuremberg for free.

ANNIVERSARY YEAR ENDS: A GRAND FINALE

A grand finale ceremony on December 7, 2010 at the DB Museum marked the end of the anniversary year celebrations. Exactly 175 years after the first journey of the “Adler” from Nuremberg to Fürth German Chancellor Dr. Angela Merkel gave the ceremonial address in front of numerous guests from industry, politics, culture and media. During the event our guests were able to look back at the success story of the railway and also catch a glimpse of the future of a mode of transport that is, like no other, positioned to solve the increasing mobility challenges.

Annual review 2010

JANUARY

Opening of the RUHR.2010 European Capital of Culture, for which we are one of the main sponsors.

DB CEO Dr. Rüdiger Grube, Minister of Transport Peter Ramsauer and NRW Minister President Jürgen Rüttgers open the newly renovated Essen Central Station, a € 57 million project. The station served as an attractive entrance portal for RUHR.2010.

DB Schenker operates air-freight transport of relief materials for the organization "Luftfahrt ohne Grenzen" ("Wings of Help"), to people in the earthquake catastrophe region in Haiti.

We conclude a long-term electricity supply contract for electrical energy from the Märkisch-Linden wind farm.

The various construction companies in DB Group are combined into DB Bahnbau Gruppe GmbH. This will allow our rail infrastructure services to be offered from a single source in the future.

FEBRUARY

We conclude an agreement with Alstom to exchange all wheelsets in the ICE T fleet.
→ *Page 83*

DB Schenker Rail establishes the Xrail alliance with six European freight rail companies in order to make the quality of trans-border single-wagon transport more reliable and customer-oriented.
→ *Page 89*

We order 48 electrical trainsets for regional transport in Berlin and Brandenburg at a cost of € 200 million.

DB Schenker Logistics opens its first center for information technology in Nanjing, China in order to combine IT functions for the Asian-Pacific DB Schenker organization. We invest € 1.5 million in the 1,400-square-meter center.

MARCH

DB Group becomes a national sponsor of the FIFA Women's World Cup 2011 in Germany.

We hold a ceremony in Potsdam celebrating the start of the "175 years of railways in Germany" anniversary year.
→ *Page 42 f.*

Professor Dr. Dr. Utz-Hellmuth Felcht becomes the new Supervisory Board Chairman of DB AG.

DB Bahn Urban and MAN Nutzfahrzeuge (commercial vehicles) sign a master agreement for 600 buses worth more than € 150 million.

DB Bahn Regional is awarded the contract to operate the Dresden S-Bahn (metro) starting in December 2010. The contract has a volume of 3.1 million train-kilometers annually and a term of 17 years.
→ *Page 82*

The new Essen Central Station is ceremonially reopened.

DB Schenker Rail is a member of Xrail, an alliance between six European freight rail companies.

The Dresden S-Bahn (metro) will continue to be operated by DB Bahn Regional.

APRIL

Our long-distance trains transport up to 30 % more passengers as the ash cloud restricts air travel. All available trains are in use, and additional employees are available at the stations to assist passengers.

With the train schedule change, DB Regio Tyne & Wear in the UK inaugurates operation of the metro network in Newcastle, Sunderland and the surrounding areas.
⟶ *Page 83*

Together with SJ, the Swedish national railway, DB Regio Sverige wins the tender for operating regional transport lines in the northern part of Sweden.
⟶ *Page 82*

In Bergheim near Salzburg, Austria, the most modern freight forwarding terminal in DB Schenker's European land transport network – with an investment volume of approximately € 26 million – starts its operations.

MAY

As part of the anniversary year celebrating 175 years of railways in Germany, we create three offers for our customers: the Anniversary Ticket and two Anniversary Passes which allow rail passengers to travel nationwide for a low price.

DB Schenker Rail Bulgaria begins operations in Pirdop, Bulgaria. This expansion means that the DB Schenker Rail network is now present with its own national company in the growth region of Southeastern Europe.

The new DB Schenker logistics terminal near the Bulgarian capital of Sofia starts operations. The terminal – one of the country's most modern freight transport hubs – was built in Bozhurishte, 20 minutes outside the gates of Sofia, with an investment volume of € 10 million.

JUNE

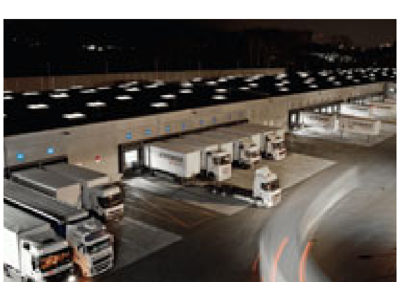
The DB anniversary tour begins in Kiel, celebrating the rail anniversary at 15 stations nationwide. ⟶ *Page 42 f.*

DB Schenker Rail regularly offers a continuous container train, the "Moscovite," from Duisburg to the Russian capital of Moscow. Travel time for the approximately 2,200 km route is seven days.

Paperless rail travel becomes an option – instead of presenting printed online tickets, travelers can show the conductor a picture-message confirmation on their cell phones.

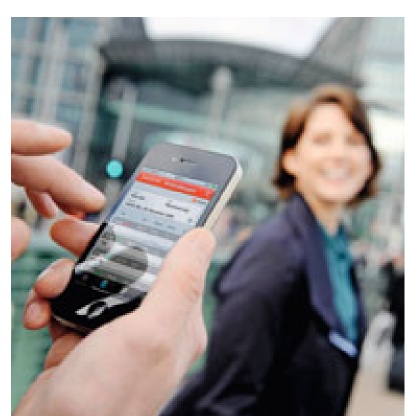
By the spring of 2011, DB Schenker rail will transport approximately 12,500 t of prefabricated concrete walls for multiple apartment complexes from Neubrandenburg to Sweden. DB Schenker Rail sends the first eight of more than 400 special containers in total to Scandinavia via rail.

DB Schenker's newly opened freight forwarding terminal in Bergheim, Austria.



We offer three anniversary tickets to commemorate "175 years of railways in Germany."

Paperless travel with mobile tickets – the travel ticket is sent to your cell phone.



JULY

The special exhibition “Planet Railway” opens at the DB Museum in Nuremberg, presenting a global perspective on trains from their beginnings and into the future. ⟶ *Page 42 f.*

We invest approximately € 120 million to electrify the 73 km section from Reichenbach to Hof on the Dresden–Chemnitz–Hof–Nuremberg “Saxony-Franconia route.”

DB Bahn Regional wins three tenders for local rail passenger transport: the Warnow network, the Werdenfels network in Bavaria, and the tender to operate the Hanover S-Bahn (metro). ⟶ *Page 82*

DB Carsharing, our rental-car system, offers environmentally friendly electric cars for rail customers and the general public at Frankfurt central station. This allows for carbon-neutral mobility when transferring between rail and automobile transport.

DB Schenker takes over another 20,000 square meters of logistics space at the Industriepark Bremen. The hall is completely renovated and upgraded.

AUGUST

The vehicle show “Adler, Rocket & Co.” opens at the DB Museum Nuremberg, displaying nine groundbreaking locomotives from six European countries.

The European Commission grants conditional approval for our purchase of British passenger transport company Arriva. With Arriva, we significantly expand our position in the European regional transport market. ⟶ *Page 60*

Audi transports complete vehicles via carbon-neutral transport between Ingolstadt and Emden, using DB Schenker Rail’s Eco-Plus offer. ⟶ *Page 115*

We expand our bonus program and introduce the free “bahn.bonus Card” customer card. This gives all rail passengers the opportunity to collect bahn.bonus points when they buy tickets. The card can be ordered online at *www.bahn.de/bahnbonuscard*.

SEPTEMBER

We launch our Customer and Quality Initiative and plan to make additional investments in quality and service over the next five years to increase reliability, improve comfort and service along the entire travel chain, and ensure sufficient customer information and good service in unusual situations. ⟶ *Page 105*

Rail infrastructure operators DB Netz AG and Réseau Ferré de France (RFF) agree to collaborate more closely in the areas of scheduling, environment and infrastructure improvements.

Allianz Pro Schiene names Darmstadt the “Metropolitan station of the year.” Baden-Baden is given top scores for customer friendliness, making it the station of the year in the small-town station category.

With just under 56,000 train-path applications, DB Netz AG sets a record for rail transport orders in the 2011 network schedule.

The special exhibition “Planet Railway” at the DB Museum presents a history of railways.

The Rocket locomotive from the “Adler, Rocket & Co.” vehicle exhibition.

The awards ceremony for the winner of the “Small-town station of the year”: Baden-Baden.

OCTOBER

We take an ICE train through the Eurotunnel to London for the first time and introduce the ICE 3 at London's St. Pancras International station. We had previously conducted a successful test run in the Eurotunnel.

The completely remodeled Alte Mainzer tunnels are reactivated after about four years of construction. Their cross-sections were expanded and they received a new reinforced-concrete shell.

The "DB Navigator" iPhone application passes the 1-million download mark, further expanding its leading role in the travel category for Apple iTunes downloads.

The "20 years of German unity" promotional ticket sold to commemorate the 20th anniversary of German reunification is a great success, with more than 360,000 trips sold.

DB Schenker and Kraft Foods inaugurate an ultramodern 93,000-square-meter warehouse in Groveport (Columbus, Ohio), North America.

NOVEMBER

Approximately six weeks of mediation talks in Stuttgart about the Stuttgart – Ulm rail project end with a final evaluation by Dr. Heiner Geißler. ⟶ *Page 121*

Extreme winter hits many parts of Germany in late November leading to numerous delays and train cancellations. The maximum speed for trains is lowered to 200 km/h throughout Germany in order to prevent clumps of ice on the bottom of the cars from kicking up gravel as they fall off and damaging the vehicles.

We create a broader nationwide presence with our new "ServiceStore DB" concept. More ServiceStore DB locations are opened at smaller and medium-sized stations, providing rail customers and residents a single source for all their travel needs ranging from tickets to travel supplies.

We start up a new data processing center in Berlin-Mahlsdorf that is one of the most modern in Europe. We invest approximately € 24 million in the new building.

DECEMBER

We celebrate the anniversary of "175 years of railways in Germany" with German Chancellor Dr. Angela Merkel at a ceremony in Nuremberg.

A French TGV and a German ICE meet on the new rail bridge between Strasbourg and Kehl – we hold a ceremony to inaugurate the new bridge over the Rhine.

We order 27 double-deck trains from Bombardier Transportation. They will be used in long-distance transport starting in 2014 and will allow the IC to be used as a double-decker train on some routes. ⟶ *Page 84*

Following the pilot phase, we put the Querdurchs-Land (Across the Country) ticket back on the market. Single passengers and up to four additional persons can use it from Monday to Friday to travel throughout Germany on regional transport trains.

We take an ICE to London for the first time.

More ServiceStore DB locations are opened at small and medium-sized stations.

An official ceremony is held to open the rail bridge between Kehl and Strasbourg.

Group profile

⟼ **DB Group's governance remains unchanged**
⟼ **New business unit as of 2011 financial year: DB Arriva**
⟼ **European passenger transport market gains in importance**

GROUP GOVERNANCE

DB AG has been a stock corporation established in accordance with German law since it was first founded in 1994. The business portfolio of Deutsche Bahn Group (DB Group) consists of nine business units.

Following the restructuring that took place in 2008, Deutsche Bahn AG (DB AG) manages the DB Netze Track, DB Netze Stations and DB Netze Energy business units directly. The remaining six business units fall under the management of our fully owned subsidiary, DB Mobility Logistics AG (DB ML AG). Within the DB Group, DB AG and DB ML AG both function as management holding companies that lead the Group. Very close cooperation between the Management Boards of DB AG and DB ML AG is ensured by the fact that the membership of both boards is almost identical and because the boards hold joint meetings. Further details may be found in the ⟶ *Corporate Governance report* [1]. This structure enables synergies between the individual companies to be realized.

The business units are responsible for the conduct of business operations. Our structure is rounded out by central group and service functions, some of which are performed by DB AG while the others are performed by DB ML AG.

An ⟶ *overview of the holdings* [2] may be found in the Group notes.

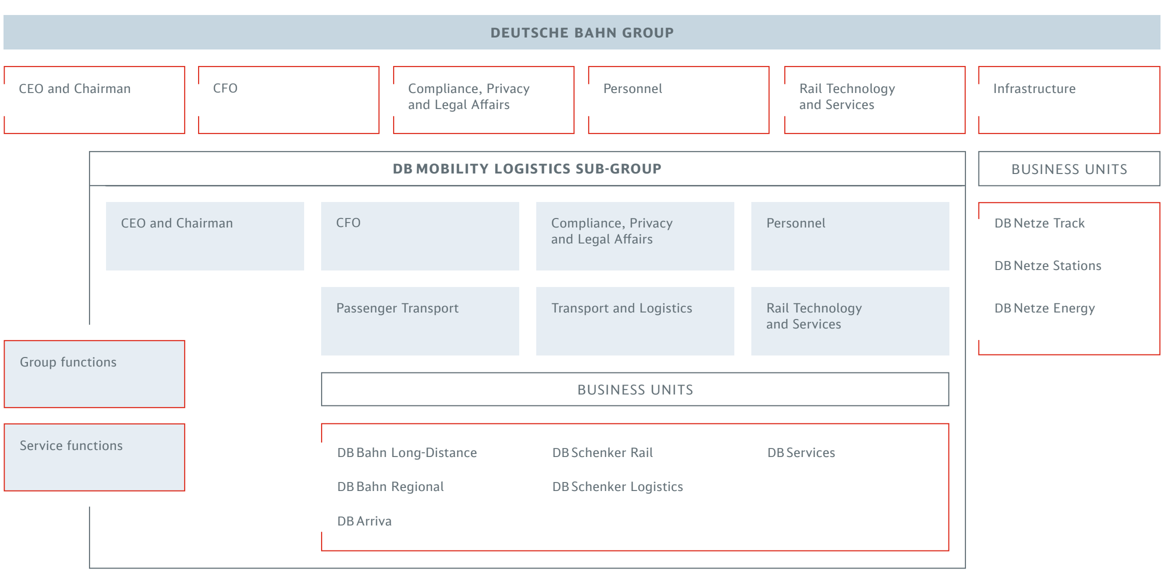
OUR MARKETS

DB Group provides national and international services, whose target markets are reflected in our Group brand appearance under "Mobility – Networks – Logistics."

We are active worldwide and represented in over 130 countries. Our aim in all relevant markets is to convince customers with the quality of our services and to further improve our earnings and financial strength.

Our primary goal in passenger transport is to maintain our strong market position in Germany over the long term and sustainably reinforce our position in Europe.

GROUP STRUCTURE (SINCE JANUARY 1, 2011)



[1] ⟶ **Page 28 ff.** | [2] ⟶ **Page 241 ff.**

Our takeover of ⟶ *Arriva* [1] during the year under review is a further sign that the European markets will also become increasingly significant for us in the future.

The gradual opening of European markets represents an important strategic perspective for rail: in the area of long-distance rail passenger transport, the cross-border transport market has been open since 2010. This will generate additional opportunities for rail transport that we plan to realize with competitive offers either on our own or in partnership with other railways.

The liberalization of the European passenger transport markets is, however, progressing at different speeds across Europe. Germany is leading the rest of Europe in the liberalization of national long-distance rail passenger transport markets. National long-distance markets in other countries have not yet been opened in many cases.

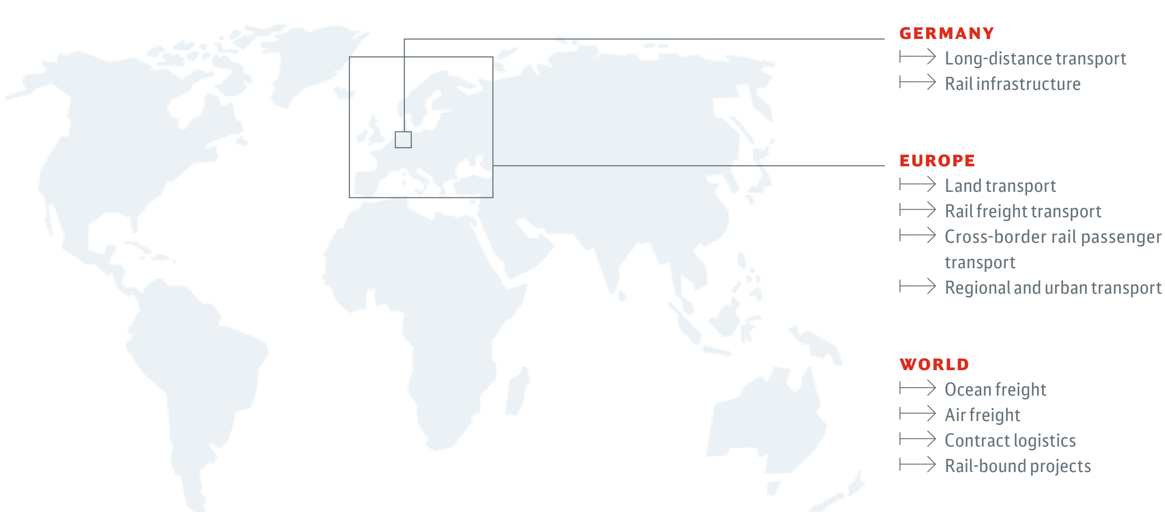
Tenders for regional and urban transport contracts are increasingly being opened for bids from all of Europe and we want to increasingly benefit from this situation in the future. Since we acquired Arriva we are active in the regional bus and/or rail transport business in 12 European countries and thus have a good platform for further growth.

In Germany we have assumed dual responsibility for the rail mode of transport as our integrated Group structure, making us both the operator and leading user of the rail infrastructure. We want to further develop the rail mode of transport thereby additionally strengthening the transport infrastructure, which is so important for Germany as a business location. At the same time we create the prerequisites needed to master the increasing flows of traffic in Europe.

Just as we did in the passenger transport markets, we also strategically positioned ourselves early on in the transport and logistics sector to meet current and future market demands: thus DB Schenker represents our international logistical performance capabilities in clearly defined market segments. Our extensive internationally oriented service portfolio in worldwide air/ocean freight and contract logistics, as well as a dense network in European land transport, enable us to take advantage of opportunities arising in strongly growing markets. This also allows us to ensure the future of rail freight transport in Germany as we integrate our German strengths into our high-performance, international logistics networks. The bottom line here is that we maintain customer contact in all of our markets while we open up new opportunities for growth.

The demand for international logistics services is rising due to the increasing internationalization and cross-border orientation of production structures and material flows in our customers' markets. We are meeting these challenges with intermodal transport chains and integrated products and sector solutions. The European rail transport market has been completely opened

RELEVANT MARKETS



[1] ⟶ ***Page 60***

up since 2007. Here we serve all relevant corridors and are active in all significant countries with our own subsidiaries or partnerships.

Our know-how is also increasingly in demand for the realization of rail projects worldwide.

Our DB International subsidiary participates around the world in various roles in rail projects, such as the construction of a rail-bound transport system in Qatar.

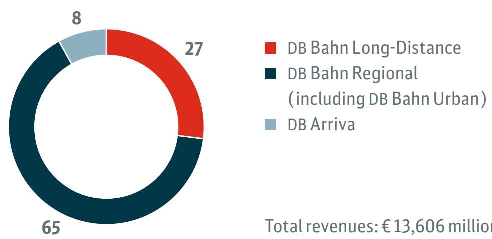
OUR BUSINESS UNITS

Passenger Transport

Mobility services are one of the core competencies of DB Group. Our DB Bahn Long-Distance, DB Bahn Regional and DB Arriva business units focus on providing the mobility services customers want.

Our Passenger Transport division offers rail and bus transport as well as other increasingly important intermodal mobility products. We are developing our transport services with an eye on our customers's needs and transforming them into comprehensive mobility services. This applies to both national and international mobility and concurrently involves optimizing the crossover points where passengers switch from one mode of transport to another. Our aim is to intelligently link rail transport offers to other modes of transport via a smoothly functioning crossover process. Already today, the CityTicket function of the BahnCard and the supplemental booking possibility via City mobil when buying tickets make it easy for passengers to continue traveling at their destinations via public transport. Together with our business partners we are making the uncomplicated use of public transport at any time a reality for our customers thanks to our e-ticketing project called → *Touch&Travel* [1].

Passenger Transport 2010 [%]



Total revenues: € 13,606 million

Based on our position in our home market, and the new Arriva activities we acquired during the year under review, we are currently one of the leading mobility providers in Europe. Against this backdrop, we are pursuing our goal of reinforcing our position as the leading provider of mobility services in Germany and further expanding our position in the rest of Europe.

MARKET POSITIONS PASSENGER TRANSPORT 2009

No. 2 in rail passenger transport in Europe [based on revenues]	No. 1 in public local passenger transport in Europe [based on revenues]	No. 2 provider of passenger transport services in Europe [based on revenues]
1. SNCF	1. DB	1. SNCF
2. DB	2. SNCF	2. DB
3. Trenitalia	3. RATP	3. Air France-KLM
4. NS	4. First Group	4. Lufthansa
5. First Group	5. Transport for London	5. Trenitalia

Data for competitors based on business/research reports and own calculations.

[1] → ***www.touchandtravel.de***

DB BAHN LONG-DISTANCE BUSINESS UNIT

KEY FIGURES 2010
- 125.7 million passengers
- 36.0 billion pkm volume sold
- € 3,729 million total revenues
- € 117 million adjusted EBIT
- 15,270 employees

The DB Bahn Long-Distance business unit offers national and cross-border long-distance rail transport services. Regularly scheduled daily service is the core business of long-distance transport. We want to convince customers of our offers and expand our market share by keeping our promise of providing quick and comfortable connections directly into cities at attractive prices. Furthermore, DB AutoZug also offers car transport and night train transports. Beyond our services in Germany we are gradually building up our international offerings.

Improving the quality of our services and products is at the core of our activities along with the expansion of our competitiveness in an increasingly liberalized market environment. The stabilization and optimization of our vehicle fleet is the indispensable foundation for realizing this.

As part of our efforts to increase our international share of market we particularly focus on further developing our international routes in cooperation with other European railways.

DB BAHN REGIONAL BUSINESS UNIT

As of January 1, 2011, all of our regional bus and rail transport activities in Germany, as well as cross-border regional transport services to and from Germany, were bundled together in the DB Bahn Regional business unit.

Our rail transport business offers connections to major metropolitan areas as well as rural destinations via our extensive regional transport network. Regionally positioned transport operations link planning and provision of services locally in cooperation with contracting agencies and transport associations. Our aim: an integrated local rail and bus transport offer designed to meet local transport needs. We have built a streamlined, market-aligned organizational structure based on the principles of customer orientation and profitability.

Competition in the German rail passenger local transport market has been very tough for years. We want to secure our market position as the largest provider of local transport services in Germany through coordinated transport concepts, a modern fleet and convincing quality and good service.

We are active in the bus transport segment with 22 different bus companies in Germany in the public road transport business, either serving our own commercial interests or on behalf of cities or counties. We have positioned ourselves with this business unit so that we will be able to realize opportunities as this market, which is still very fragmented, opens and develops. Additionally, we will participate in the liberalization of the long-distance bus transport market with own services offered.

DB ARRIVA BUSINESS UNIT

As of January 1, 2011 we bundled together all of our local and regional transport activities outside of Germany (with the exception of cross-border routes to and from Germany) in the new DB Arriva business unit. The business unit comprises Arriva's bus and rail transports and our previous activities in Denmark, Great Britain and Sweden.

DB Arriva's range of services extend from bus transports in London, water buses in Denmark, through to extensive rail transport in Great Britain, the Netherlands and Scandinavia.

DB Arriva is active in a total of 11 European countries: Denmark (bus and rail), Great Britain (bus and rail), Italy (bus), the Netherlands (bus and rail), Poland (rail), Portugal (bus), Sweden (bus and rail), Slovakia (bus), Spain (bus), the Czech Republic (bus) and Hungary (bus). In the 2011 financial year DB Arriva will begin bus services in its 12th country, Malta.

DB Arriva's core competencies include cooperating with national, regional and local contracting organizations as well as the fulfillment of transport contracts and meeting complex requirements demanded by contracting organization.

The focus of the DB Arriva business unit is on continually improving its quality and service, winning (or retaining) transport contracts. And expanding its business, especially in the opening European markets.

DB Arriva already has a good market position as the leading provider of bus transport in Denmark and is one of the leading providers of bus transport services in Great Britain, the Netherlands and Portugal.

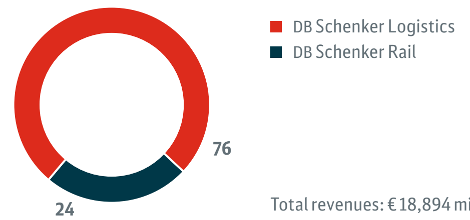
Transport and Logistics

We have positioned ourselves with a single market appearance under the DB Schenker brand as a strong partner to transport and logistics customers around the world.

As a globally integrated logistics service provider, DB Schenker operates the leading freight railway in Europe. DB Schenker stands out from the rest because of its dense network of locations in the world's most significant economic regions, in air and ocean freight, in European land transport, as well as in contract logistics and supply chain management. This combination of capabilities enables us to offer quick and efficient solutions for the various requirements of customers from trade and industry.

We offer our customers worldwide solutions from bulk goods to parcels via all modes of transport along the entire logistics chain. We can do this by connecting our position in European rail transport and European land transport with our strong position in the worldwide air and ocean freight business as well as in contract logistics and supply chain management.

Transport and Logistics 2010 [%]



Total revenues: € 18,894 million

International markets are growing together and the outsourcing of complete service packages is advancing. These trends will continue in the next few years. This means that not only will transport needs increase, the demands facing all partners will also rise. In view of current and future customer requirements it is also necessary to integrate rail freight transport into comprehensive logistics offers. We oriented our activities to achieve this early on.

MARKET POSITIONS TRANSPORT AND LOGISTICS 2009

No. 1 in European rail freight transport [based on tkm]
1. DB Schenker
2. SNCF
3. PKP
4. Rail Cargo Austria
5. Trenitalia

No. 1 in European land transport [based on revenues]
1. DB Schenker
2. DHL
3. Dachser
4. DSV
5. Geodis

No. 2 in worldwide air freight [based on t]
1. DHL
2. DB Schenker
3. Kuehne + Nagel
4. Panalpina

No. 3 in worldwide ocean freight [based on TEU]
1. DHL
2. Kuehne + Nagel
3. DB Schenker
4. Panalpina

No. 5 in global contract logistics [based on revenues]
1. DHL
2. CEVA Logistics
3. Kuehne + Nagel
4. Wincanton
5. DB Schenker

Data for competitors based on business/research reports and own calculations.

DB SCHENKER RAIL BUSINESS UNIT

KEY FIGURES 2010

- 415.4 million t freight carried
- 105.8 billion tkm volume sold
- € 4,584 million total revenues
- € 12 million adjusted EBIT
- 32,618 employees

Today, we are already Europe's biggest provider of international network services in rail freight transport. The European market offers us great growth potential, especially on long and heavy-volume routes. This is why we have strategically positioned ourselves quite well in Europe with our own companies as well as with cooperating partners thus enabling us to also offer our customers a uniform level of quality in our international transport business.

DB Schenker Rail consists of three regions: East, Germany/Central and West. The regions are supplemented by four centrally handled functions: production, sales, finance and human resources. Business activities in the regions are conducted by our own companies as required by the market either as full TOC, dedicated production or sales companies.

Our range of products extends from open network systems for transport of single wagons or wagon groups, through to block trains as point-to-point transports, to selected additional logistical services (e.g. road/rail transshipment of bulk goods in railports, or maintenance services) and a full spectrum of services associated with combined transport. DB Schenker Rail has special know-how in the areas of iron, coal and steel (Montan) area, chemicals, petroleum-based products, agricultural products, forestry, consumer goods freight, building materials and waste disposal.

DB SCHENKER LOGISTICS BUSINESS UNIT

KEY FIGURES 2010

- 81 million shipments in European land transport
- 1.2 million t air freight
- 1.6 million TEU ocean freight
- € 14,310 million total revenues
- € 304 million adjusted EBIT
- 58,671 employees

Our presence in about 2,000 locations in over 130 countries enables us to assert ourselves as a global player in markets known for having rapid rates of growth, tough competition and consolidating at an increasing pace. We are one of the leading providers in the fields of European land transport, global air and ocean freight as well as contract logistics. Our aim is to hold and expand this position in the future. This is the reason why we further reinforced our networks systematically in the past few years by making major investments in logistics centers, our IT infrastructure and in acquisitions. At the same time, we were able to further optimize the cost-effectiveness and quality of our offers.

Our land transport business connects key European business regions via our dense network of regularly scheduled transports. Our portfolio of services ranges from shipping parcels to less-than-carload shipments through to partial and complete loads.

In the area of air freight we offer the full spectrum of advanced and highly qualified services at a global level. We are also present around the world when it comes to offering customers the complete range of ocean freight services. Our strengths include our knowledge of special conditions in local markets plus intensive customer support coupled with our global know-how.

Our long years of experience in the contract logistics business has enabled us to build a series of replicable and yet flexible standard services for various industries. The foundation of these services in our worldwide network of logistics centers is located at the key junctions of global flows of goods. Our customers expect a modular range of solutions from a logistics service provider as well as demand-oriented capacities at any time – for individual projects as well as global procurement and distribution concepts. Our supply chain management expertise enables us to develop integrated solutions that are tailor-made to our customers' requirements and effectively link together the services of our individual carriers and our logistics centers.

Services

DB SERVICES BUSINESS UNIT

KEY FIGURES 2010
- € 3,114 million segment revenues
- € 129 million adjusted EBIT
- 25,131 employees

The availability of reliable services is a central prerequisite for smooth provision of mobility and logistical services and thus for the competitiveness of rail transport.

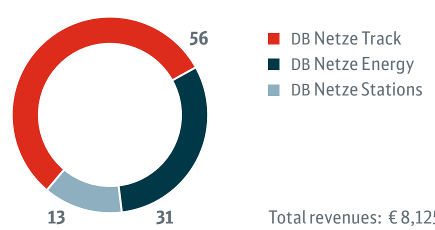
DB Group companies are the main customers of the primarily transport-related infrastructure management and infrastructure-related services. Non-Group business is aimed above all at optimizing capacity utilization, quality and price benchmarking, and the future positioning of the business unit's supplementary infrastructure-related offers. The business unit consists of six different divisions:

- DB Vehicle Maintenance offers comprehensive inspection and maintenance works as well as conversion, modernization, revision of rail vehicles and the reconditioning of components such as wheel sets, bogies or brakes at 15 locations in Germany. DB Waggonbau Niesky is also active in producing freight wagons and components.
- DB Systel, the IT and telecommunications service provider of DB Group, develops and operates as a full service provider of IT and telecommunications solutions for the travel and logistics market. The portfolio covers the entire IT value-added chain: from consulting and conception to development right up to operation and support. Customers also include mobile telephone network and landline carriers, DSL providers and cable network operators. The range of services also includes high-security digital radio networks such as the GSM-R network.
- DB Services is the nationwide leading system service provider for professional facility management and industrial services. The range of services includes professional technical and infrastructural facility management in commercial, administration, transport and industrial buildings. Furthermore, the passenger rail cars in operation are cleaned inside and out on a daily basis. DB services' non-Group customers include shipping companies, airports and airlines.
- DB Fleet Management is the mobility and fleet manager of DB Group and one of the leading suppliers with around 26,000 vehicles across Germany. Furthermore, DB Fleet Management also carries out mobility and fleet management services for other companies and the German armed forces. With DB Carsharing we offer a comprehensive mobility network in 160 locations with about 2,200 vehicles. With the car sharing model Flinkster we are accommodating urban mobility needs. The range is rounded out by our bicycle rental system, Call a Bike.
- DB Communication Technology is the specialist in area services in the technical sector. The range of services covers maintenance and repair of IT and network technology, safety engineering and multimedia passenger information systems. This also includes automation technology and media services.
- DB Sicherheit (security) bundles security functions in DB Group and offers guard and security services for travelers, employees, goods, railway facilities and real estate. DB Sicherheit is the leading supplier in the public transport sector in Germany.

Infrastructure

A high-quality and reliable infrastructure is the central prerequisite for smooth rail transport and therefore the long-term competitiveness of rail transport.

Infrastructure 2010 [%]



Total revenues: € 8,125 million

In order to optimize our services we have bundled our infrastructure expertise under the brand "DB Netze." Free and easy access to the rail infrastructure in Germany, individual services and high reliability – this is what our business units DB Netze Track, DB Netze Stations and DB Netze Energy stand for. We establish the requirements for safe, reliable, efficient and environmentally friendly movement of passengers and goods via rail transport through our integrated infrastructure management system.

DB NETZE TRACK BUSINESS UNIT

KEY FIGURES 2010
- 1,032 million train-path kilometers
- € 4,580 million total revenues
- € 601 million adjusted EBIT
- 39,849 employees

The DB Netze Track business unit is the service provider for the over 370 train operating companies (TOCs) – including 340 non-Group railways. All of them use the German rail network, which is about 33,600 km long and the largest in all of Europe. Due to its central location this network is highly significant for the whole transport economy in Europe.

The German rail network has been open for use to all TOCs authorized in Germany without discrimination since 1994. DB Netz AG independently ensures non-discriminatory access to our infrastructure.

The notable increase in usage by non-Group TOCs has been visible as a trend for years. In the interim, the non-Group TOCs hold a 19 % share of total demand for train path (previous year: 17 %).

We create the foundation for high-performance and reliable rail transport with a high-quality rail network that is oriented towards the needs of TOCs. We ensure the safe operation of our rail infrastructure (long-distance/major metropolitan areas network, regional network, marshaling yards and maintenance facilities), the marketing of customer-oriented track usage offers and the preparation of schedules in close collaboration with the TOCs. In addition to this, we also carry out maintenance and repair work, further develop the rail infrastructure by making capital expenditures in the existing network, modern command and control technology. We also build new lines and upgrade old ones. The financing of the infrastructure by the Federal and the state governments plays a central role in all of these activities.

DB NETZE STATIONS BUSINESS UNIT

KEY FIGURES 2010
- 140.9 million station stops
- € 1,044 million total revenues
- € 217 million adjusted EBIT
- 4,636 employees

Our passenger stations not only serve as gateways to the rail system, they also act as hubs linking various modes of transport together in addition to their roles as marketplaces and calling cards for cities and regions. The business unit's activities encompass the operation of passenger stations as traffic stations as well as the development and marketing of train station space. We are responsible for ensuring non-discriminatory access to our infrastructure. The number of station stops of non-Group customers has been increasing for years. In addition to construction measures, emphasis is placed on comprehensive service competence, a high level of safety, good customer information and functional route management. Moreover, there is also the aspect of the rental business strengthening our earning power, especially in train stations that are highly frequented by customers.

DB NETZE ENERGY BUSINESS UNIT

KEY FIGURES 2010
- 10,326 GWh traction current
- 481 million l diesel
- € 2,501 million total revenues
- € 82 million adjusted EBIT
- 1,536 employees

The DB Netze Energy business unit bundles together the responsibility to provide TOCs with power derived from a range of energy sources with the technical know-how needed to perform this task. In addition to planning, maintenance, marketing and operation of technically complex energy networks, the sustainable generation and procurement of traction and stationary energy are also included in our range of services. As an independent energy manager we guarantee smooth operations and supply traction power and fuels on a non-discriminatory basis to all TOCs in Germany. Furthermore, we provide energy services for customers from industry, trade and the services sector.

04 GROUP MANAGEMENT REPORT

Overview

- **Positive effects from the world economy's noticeable recovery during the 2010 financial year**
- **Rail freight transport and worldwide logistics post significant rates of increase**
- **Favorable forecast for the 2011 financial year**

Selected key figures [€ million]	**2010**	2009	Change	
			absolute	%
Passengers rail and bus (million) 1)	2,734	2,708	+26	+1.0
Volume sold rail passenger transport (million pkm) 1)	78,582	76,772	+1,810	+2.4
Volume sold rail freight transport (million tkm)	105,794	93,948	+11,846	+12.6
Train kilometers on track infrastructure (million train-path km)	1,034	1,003	+31	+3.1
Shipments in European land transport (thousand)	80,816	70,052	+10,764	+15.4
Air freight volume (export) (thousand t)	1,225	1,032	+193	+18.7
Ocean freight volume (export) (thousand TEU)	1,647	1,424	+223	+15.7
Revenues	34,410	29,335	+5,075	+17.3
Revenues comparable	32,456	29,335	+3,121	+10.6
EBIT adjusted	1,866	1,685	+181	+10.7
EBITDA adjusted	4,651	4,402	+249	+5.7
Net profit for the year	1,058	830	+228	+27.5
ROCE	6.0 %	5.9 %	–	–
Net financial debt as of Dec 31	16,939	15,011	+1,928	+12.8
Net financial debt as of Dec 31 (excluding DB Arriva)	13,966	15,011	–1,045	–7.0
Gross capital expenditures	6,891	6,462	+429	+6.6

1) Excluding DB Arriva.

During the year under review, Deutsche Bahn Group (DB Group) was once again able to achieve significant volume increases in all of the relevant markets, which allowed it to continue the growth trend that was interrupted in the previous year due to the economic and financial crisis.

In particular, this applies to rail freight transport as well as to our worldwide transport and logistics activities, which incurred significant losses in some areas during the previous year. In the area of global ocean freight as well as in European land freight, the volumes for the year under review were once again higher than the pre-crisis level in 2008. Worldwide air freight nearly reached its pre-crisis level after a sharp decline in 2009. The main driver of this development was the significant improvement of the → *macroeconomic environment* [1], particularly in Asia and in our home market of Germany.

The → *performance of our business units for passenger transport* [2], which during the previous year was affected only slightly by the negative environmental conditions, was also favorable. Increases were recorded in both long-distance and regional transport. Higher demand for train-path, particularly in rail freight transport, had a positive effect in the infrastructure area.

The volume increases are reflected in a corresponding → *revenue increase* [3] across all business units.

Significant effects on the profit, financial and asset situation during the year under review also result from the → *change in the scope of consolidation* [4]. Here, the acquisition of the British passenger transport company Arriva, concluded at the end of August 2010, played a decisive role with a revenue contribution of about € 1 billion. After this acquisition, there were also changes made to the → *organizational structure* [5] of DB Group that will take effect starting in the 2011 financial year.

The → *development of profits* [6] was positive overall in the year under review, though somewhat lessened by the restricted vehicle availability, the unusual weather conditions and the significantly higher maintenance costs for vehicles and infrastructure.

Our Group-wide reACT program, initiated during the previous year, moved into the implementation phase during the year under review after the completion of the conceptual work. The results from the further implementation of the project were as positive as expected for the year under review, and the targets were met.

[1] → **Page 61 ff.** | [2] → **Page 85 ff.** | [3] → **Page 72 ff.** | [4] → **Page 72** | [5] → **Page 84** | [6] → **Page 75 ff.**

Detailed information about the performance of the individual business units may be found in the ⟶ *chapter "Business units"* [1].

In contrast to the previous year, DB Group's overall development was hardly influenced by ⟶ *special items* [2] during the year under review. The adjusted profit measures and the ⟶ *adjusted profit and loss statement* [2] do not include the special items for the year under review and the previous year.

Despite the significantly lower number of special items, the development of ⟶ *net profit for the year* [3] was clearly positive for the year under review.

The development of our ROCE ⟶ *value management key figure* [4] was hampered in the year under review by the complete inclusion of Arriva's capital employed, together with adjusted EBIT contributions that were accounted for only proportionally. Excluding the Arriva acquisition, the ROCE figure rose to 6.4%.

As of December 31, 2010, ⟶ *net financial debt* [5] was significantly higher than the same year-ago figure due to the Arriva acquisition. The acquisition also affected the development of the ⟶ *value management key figures of redemption coverage and gearing* [6]. Excluding the acquisition, we were once again able to reduce our net financial debt significantly, by about € 1 billion.

DB Group also had very smoothly functioning access to capital markets during the year under review and was able to obtain outside capital for refinancing expiring debts and for acquiring Arriva, at attractive conditions.

Our ⟶ *capital expenditure activities* [7] were also at a high level in the year under review. Gross capital expenditures increased noticeably in the year under review. In the area of rail infrastructure, the additional resources from the ⟶ *economic stimulus packages* [8] were also felt.

ASSESSMENT OF THE ECONOMIC SITUATION BY THE MANAGEMENT BOARD

On the basis of the development in the year under review, the Management Board of Deutsche Bahn AG (DB AG) considers the economic situation of DB Group to be positive.

During the year under review, DB Group once again reported increases in revenues, operating earnings and ROCE, both on a comparable basis and after taking changes in the scope of consolidation into account.

Using a comparable basis, the development of DB Group in the year under review – with the exception of revenue development – corresponds to the forecast made in our 2009 annual report for the 2010 financial year. The area of revenue development reflected the development of the economic conditions, which was much more favorable than we projected and led to greater revenue growth than expected.

Our strategic approach proved to be solid during the crisis, and during the year under review it made a significant contribution towards our substantial recovery. Following the notable effects of the financial and economic crisis in the previous year, DB Group was able to resume the growth trend that was established in the years up to 2008.

Our analyses show that the long-term megatrends in our markets (globalization, climate change and resource scarcity, liberalization and deregulation as well as demographic change) will continue to define the basis of our strategy, and should have a positive effect on our business development. The ⟶ *strategic objectives* [9] of DB Group will therefore remain unchanged.

Business development of DB Group was favorable at the beginning of the 2011 financial year allowing the Management Board to confirm its expected forecast at the time of preparing the 2010 annual report. Based on the current perspective, the Management Board assumes that the revenues and adjusted EBIT will continue to develop and improve according to the statements made in the ⟶ *outlook* [10].

[1] ⟶ **Page 83 ff.** | [2] ⟶ **Page 75 f.** | [3] ⟶ **Page 76** | [4] ⟶ **Page 78 ff.** | [5] ⟶ **Page 98 f.** | [6] ⟶ **Page 80 f.**
[7] ⟶ **Page 100 ff.** | [8] ⟶ **Page 60** | [9] ⟶ **Page 104 ff.** | [10] ⟶ **Page 131 ff.**

Business and overall conditions

- ⟼ **Successful takeover of the passenger transport company Arriva**
- ⟼ **Notable economic recovery seen in 2010**
- ⟼ **Transport markets resume growth**

RESOURCES FROM THE ECONOMIC STIMULUS PACKAGES ARE TAPPED

In order to counter the effects of the economic crisis and save employment in Germany, the Federal Republic of Germany approved an economic stimulus program that was to run until 2011. Additional information on this subject may be found on page 121 of the DB Group's 2009 Annual Report.

Economic Stimulus Package I, containing € 620 million, stopped at the end of 2010. Economic Stimulus Package II, containing about € 775 million, will remain in the implementation phase for another year. All of the orders were placed in the market during the year under review. A total of about € 699 million was drawn down from both of the economic stimulus packages. The main emphasis of capital expenditures made in conjunction with the economic stimulus packages was placed on accelerating requirement plan projects within the DB Netze Track business unit (including upgrading the Nuremberg-Erfurt line) and modernization measures (improving the appearance, weather protection features, safety and passenger information) at small and mid-sized train stations in the DB Netze Stations business unit.

CHANGES IN DB GROUP

Changes in the DB AG Management Board

Stefan Garber laid down his mandate as a member of the Management Board of DB AG, with responsibility for the Infrastructure division effective March 31, 2010. He was succeeded on April 1, 2010 by Dr. Volker Kefer, who had already served as the provisional head of the Infrastructure division since December 9, 2009, for the remaining term of his existing appointment. Dr. Volker Kefer will also remain responsible for the Rail Technology and Services division that he also heads as member of the Management Board of DB Mobility Logistics AG (DB ML AG).

Diethelm Sack resigned his mandate as member of the Management Board of DB AG and CFO effective March 31, 2010. He was succeeded by Dr. Richard Lutz, who was appointed a member of the DB AG Management Board for a term of three years as of April 1, 2010. Dr. Richard Lutz was appointed to concurrently serve as a member of the Management Board and CFO of DB ML AG.

Corporate Governance report

The ⟶ *Corporate Governance report* [1], which also contains the compensation report, is part of the group management report.

Acquisition of the British passenger transport company Arriva

On May 18, 2010 we submitted a binding offer to the shareholders of the British passenger transport company Arriva Plc (Arriva), Sunderland / Great Britain, to acquire all of the shares in Arriva thereby fully taking over the company.

On June 17, 2010 85.1 % of Arriva's shareholders representing 90.4 % of the company's outstanding shares voted to accept our takeover offer. In accordance with British takeover law, once the acceptance level of 75 % has been reached all shareholders are bound to accept the takeover offer. Following the Court hearings on August 24 and 26, 2010 and the registration of the court orders, the Scheme of Arrangement whereby DB Group acquired all of the shares of Arriva took effect on August 27, 2010. The listing of Arriva's shares was cancelled on August 31, 2010. As of this date Arriva became a fully owned subsidiary of DB UK Holding Limited, Doncaster / Great Britain, and a part of DB Group. As of September 1, 2010 Arriva has been fully included into the scope of consolidation with the exception of Arriva Germany.

Per commitments made to the EU Commission, DB Group had to sign a legally binding agreement with an appropriate buyer to divest all of Arriva's activities in Germany by December 11, 2010. On December 8, 2010 the Supervisory Board approved an agreement to sell Arriva Germany Group to a consortium consisting of Ferrovie dello Stato, an Italian railway company, which also served as consortium manager, and Cube Transport SCA, a Luxemburg-based infrastructure fund. On February 16, 2011 the European Commission approved the selected buyers and further stated that they had no cartel-related objections to the purchase thus clearing the way for the deal to be closed and fully concluded on February 25, 2011.

[1] ⟶ *Page 28 ff.*

Squeeze-out at DB Schenker Rail Polska

During the year under review DB Group extended a voluntary takeover offer to the minority shareholders of DB Schenker Rail Polska S.A., Jaworzno/Poland; DB Schenker Rail Rybnik S.A., Rybnik/Poland and DB Schenker Rail Zabrze S.A., Zabrze/Poland, to raise the percentage of shares held in all three companies to well over 95%. Following a successfully executed squeeze-out arrangement, we subsequently increased our stakes to 100% in each of the companies and became the sole owner of these three companies.

Consolidation of activities in Hungary

During the year under review we used the opportunity to obtain the remaining 50% of shares in each of the two joint ventures in Hungary: MASPED-RAILOG and Masped-Schenker. We then merged the activities of all our Hungarian companies into Schenker Nemzetközi Szallitmanyozasi es Logisztikai Kft, Budapest/Hungary.

BUSINESS ENVIRONMENT

Management Board evaluation of the business environment

The continuing recovery of the global economy in 2010 sparked growth in our key markets and therefore on the development of our business.

During the year under review we noted that the prices of two commodities (oil and coal) of importance to our development were driven higher by economic growth. The year under review was also marked by a weaker euro due, in particular, to the refinancing difficulties experienced by individual countries within the Eurozone.

The vast majority of our activities in the passenger transport sector are highly dependent on economic developments within our home market, Germany. During the year under review these developments were supported by the favorable change in the labor market and rising incomes. Within this environment our rail passenger transport business once again developed favorably. With the takeover of Arriva the European passenger transport market will play an increasingly important role for us in the future.

Within the rail freight transport sector the strong development seen in key industries like the steel (Montan) industry, along with sharp gains in combined transport, which were driven, in particular, by the dynamic upturn in Germany, led to a strong recovery – despite not reaching the pre-crisis level. On an overall basis, however, our rail freight transport business did get back on track for growth following the collapse seen in the crisis year of 2009.

Our globally oriented freight forwarding and logistics activities were favorably influenced, in particular, by notable gains seen in capital spending, industrial production as well as global trade. This in turn led to a significant expansion of our business activities. We grew at least as fast as the market in those markets that are relevant for our business, and we also returned to pre-crisis levels in these markets.

Development of GDP reflects the economic and financial crisis

Change in gross domestic product (GDP) [%]	2010	2009
World[1]	+4.0	-2.3
USA	+2.9	-2.6
China	+10.3	+9.2
Japan	+4.0	-6.3
Eurozone	+1.7	-4.1
Germany	+3.6	-4.7

[1] Total selected industrial and emerging countries.
Data for 2009/2010 is based on information available on February 22, 2011.
Source: Consensus Forecasts, FERI, Federal Statistical Office, Germany.

The global economy recovered sharply in 2010 posting a 4% rate of growth. However, the pace slackened during the year under review. Global trade returned to its pre-crisis level as it expanded by 13.5%. Economic performance noted in the emerging Asian and Latin-American markets posted substantially higher growth rates than the industrialized nations and were significantly higher than their pre-crisis levels. Performance seen in rapidly growing economies like China and India were key forces driving the expansion of the global economy. The industrialized nations were less dynamic as their recovery was more moderate. Although their economic performance was significantly higher than in the depths of the financial crisis, in most cases they had not yet returned to their pre-crisis levels. The pace of economic growth slowed towards the middle of 2010 due to the expiration of economic stimulus programs and necessary measures taken by governments to consolidate their budgets. The unchanged tense situation in the financial and real estate sectors, rising levels of government debt, and, in some cases, high unemployment dampened economic growth in many industrialized countries.

The pace of economic growth in the USA slowed notably after the first half of the year 2010 due to the expiration of the government's economic stimulus program and inventory buildup. The gross domestic product (GDP) of the USA rose by 3%, mainly as a result of increased consumer spending that represents about 70% of total economic output in the USA. The situation in the labor market remained tense as the unemployment rate was stuck at a historically high level due to sluggish job growth. Capital expenditures, and especially spending for plant and equipment, expanded strongly due to the effects of pent-up demand and more attractive refinancing conditions offered to companies. The foreign trade sector did not generate much good news as imports grew somewhat larger than exports.

Asia retained its status as the fastest-growing region. A more restrictive lending policy was imposed in China in the second half of the year. Together with higher interest rates and the cautious appreciation of the exchange rate in conjunction with the expiry of economic stimulus programs, this move led to the desired cooling-off of the Chinese economy. Exports contracted during the course of the year due to weaker demand in the USA. Despite the slower pace of growth, the Chinese GDP remained at a high level as it grew by 10.3%. Therefore China replaced Japan as the second-largest economy in the world.

The recovery in Japan weakened in the second half of 2010 as economic growth slowed due to the higher yen, which in turn stifled exports. Domestic demand contracted due to expiring economic stimulus programs. Additionally higher unemployment dampened consumer spending. Nevertheless, GDP exceeded the previous year's level by 4%.

GDP rose by 1.7% in the Eurozone. Growth was primarily driven by the strong development of the German economy. The recovery of Europe's economy was primarily burdened by the end of economic stimulus programs and government spending cuts taken to consolidate their budgets. The low level of interest rates favorably influenced consumer spending and capital expenditures for plant and equipment. The French economy recovered from the recession at a steady pace that, however, was only average compared to the rebound seen in the other Eurozone countries. Consumer spending expanded and posted a positive contribution to growth although it was held back by high unemployment and weak development of disposable income. Although the level of gross capital expenditures recovered moderately, it stayed in the year under review below the 2009 level. Exports mirrored the recovery of the global economy and expanded substantially. Imports also rose significantly. A clearly restrictive fiscal policy burdened economic recovery in Great Britain along with the darkening situation in the foreign trade sector. Despite the very moderate increase in real incomes, and a barely improved situation in the labor market, private spending rose as consumers brought forward purchases ahead of the planned increase in the value-added tax rate starting at the beginning of 2011.

Development noted in the new EU member countries was uneven. GDP noted for Poland, the Czech Republic and Slovakia rose sharply in comparison to the previous year due the recovery of industrial production – especially the very important automobile sector. In contrast, the Baltic states, Hungary, Romania and Bulgaria were all burdened by heavy levels of government and consumer debt as well as the resulting need to consolidate the economy. Domestic demand was hobbled by sinking real disposable incomes, high unemployment and tight credit.

Germany's GDP rose by 3.6%, which was the fastest pace among all of the Eurozone countries. The German economy particularly benefited from the sharp increase in global trade. The breadth of the recovery gained increasingly during the course of the year. In addition to double-digit growth in foreign trade, domestic demand also rose as consumer spending and capital expenditures by the business sector expanded notably. Production in the manufacturing industry, especially the heavily export-dependent chemical, automotive and machine-making industries, posted substantial gains due to strong (foreign) demand. The steel industry also benefited from the favorable development of its customers as steel production surged by 34% to nearly 44 million tons. The situation in the labor market tracked the economic recovery and improved continually. Since May 2010 the number of people employed and employees subject to social security contributions was higher than the same year-ago level. Short-time working arrangements in force declined steadily over the year. The average number of persons employed during the year rose by about 0.5%. The good labor market and income situation supported consumer spending which increased slightly. Driven by sharp rise in prices for oil-based products, the cost of living in Germany rose by 1.1% over the previous year, while fuel prices rose by 11% over the same year-ago period.

Mixed development in the energy market

Developments in the energy market were mixed during the year under review. Internationally traded products like crude oil and coal developed differently than nationally or regionally traded products like power and emissions rights. The prices for crude oil and coal were driven by a surprisingly strong growth of the global economy and continued to rise for part of the year, while, in contrast, future prices noted on the German power market declined.

While crude oil prices were mainly determined by general sentiment in the capital markets during the first half of 2010, fundamental data played a greater role in driving prices during the second half of 2010. Although the supply situation in 2010 was noticeably favorable based on average figures for the past five years it did, however, successively worsen towards the end of 2010. In the interim, some market players anticipate that a possible supply gap could occur in 3 to 5 years. This could in fact happen if current growing demand – mainly driven by emerging markets – continues unabated. Demand in the industrialized countries has also stabilized and rose during the final months of the year under review due to the early onset of winter. While the trading range for North Sea Brent oil in the first ten months of 2010 took place almost solely between 70 and 85 USD/barrel (bbl), it was trading above 90 USD/bbl at the end of 2010. The average price for the year was over 80 USD/bbl, which was the second-highest annual average price of all times. The weakness of the euro compared to the USD exacerbated the higher prices when converted into euros.

Prices noted for 50-hertz power (base load electricity) on the futures market developed unevenly during the year under review. Prices fell in the first quarter, rose in the second quarter and then fell again in the second half of the year. Contract prices for delivery in 2011 remained in a range between € 45 and € 55/MWh during the year under review and stabilized at € 50/MWh at the end of the year. In contrast to crude oil and coal, which reached historic averages in recent years, the average annual price for futures contracts for base load electricity remained at the previous year's level and below the level seen in the years 2006 to 2008. In contrast to futures prices, spot prices climbed during the course of the year and experienced significantly lower volatility.

During the year the coal markets posted the sharpest recovery among the energy markets. The spot market in Rotterdam rose by about 50 % while the future markets gained about 10 %. The coal markets were driven by heavy demand from India and China and at the end of 2010 coal prices were almost 100 % over the average noted for the years 2004 to 2006. In contrast, prices for CO_2 emissions rights showed little movement and were € 13/t at the beginning of the year and moved between € 14 and € 16/t at the end of 2010.

Euro faces severe test

Following the global economic and financial crisis in 2009, which mainly hit banks, the main focus of problems shifted to individual countries during the year under review. Refinancing problems also arose in certain countries due to economic stimulus programs, numerous guarantee commitments and capital contributions to banks by individual governments. During the first half of 2010 the value of the euro fell from USD 1.43 per euro to USD 1.19. Confidence in the euro returned in the second half of 2010 after the Eurozone countries, together with the European Central Bank (ECB) and the International Monetary Fund (IMF), were able to prevent the threatened insolvency of Greece. The euro once again advanced to over USD 1.40. This development was supported by a further easing of monetary policy in the USA. However, during the remaining course of the year Greece, Ireland, Portugal and Spain, in particular, faced increasing refinancing pressures. The euro retreated again as speculative pressures rose casting greater doubt about the financial situation in Ireland and Portugal during the year under review. At the end of 2010 the value of the euro had again declined to USD 1.34.

Bond markets reflect sovereign debt crisis

Developments in the sovereign bond markets have been driven by the increasing refinancing problems facing individual countries. The gap in yields paid by sovereign bonds issued within the Eurozone widened substantially during the year under review. While countries that were particularly affected by the economic and financial crisis were forced to accept higher refinancing costs, financially strong Eurozone countries saw the rates they paid continue to decline. The yield for ten-year German Federal bonds (bunds) fell to an all-time low of 2.09 % in August 2010 and then rebounded up to 3.0 % at the end of year. On one hand, a favorable economic outlook motivated investors to shift their money over to riskier asset classes, and on the other it was feared that a continuation of the sovereign debt crisis and related support measures could even drag down the stable Eurozone countries.

The volume of new corporate bonds issued in the Eurozone fell by half to € 149 billion in comparison to the previous year. This change was due in part to the large liquidity cushions that companies had built in the previous year as well as the impact of the lower volume of M & A activities in the market. In contrast, companies that tapped the primary markets, and very creditworthy companies in particular, realized historically low financing costs. This development was supported by the fact that many investors regarded top-rated corporate bonds as safer than sovereign bonds.

POLITICAL ENVIRONMENT

A report covering regulatory issues and the further development of the European legal framework in the railway sector is also contained in our annual ⟶ *Competition Report* [1].

Regulatory environment for rail transport in Germany

During the year under review the Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railroads (Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen; BNetzA), as well as the Federal Railways Agency (Eisenbahnbundesamt; EBA) continued to regulate access to the railway infrastructure in Germany and monitor observance of guidelines regarding the unbundling of infrastructure and transport services within their respective areas of responsibility.

NEW STATION PRICING SYSTEM STARTS IN 2011

On January 1, 2011 DB Station&Service AG introduced a new ⟶ *station pricing system* [2]. The BNetzA had previously issued a ruling regarding the existing system wherein they formulated what they believed were station prices that were consistent with the law. Despite the successful appeal against this ruling in expedited legal proceedings, the new pricing system reflects the BNetzA's demands. This meant that the BNetzA did not object to the introduction of the new prices. However, additional explanations of certain elements were required and must be submitted in 2011.

The new pricing system results in shifts in state-related charges for local rail passenger transport, which will lead to additional costs for some Federal states and reduced costs for others. DB Station&Service AG is negotiating with the Federal states to explore ways to balance out the increased/decreased costs.

REGIONAL FACTOR ENDS AS OF 2012 SCHEDULE

BNetzA and DB Netz AG reached a settlement on August 18, 2010 ending court proceedings to eliminate the regional factor as a part of the train-path pricing system. The parties agreed to enter into a contract governed by public law wherein DB Netz AG agrees to reduce the regional factors as of the 2011 schedule year and eliminate them entirely as of the start of the 2012 schedule year. In return, the administrative proceedings before the BNetzA were closed. In this case adjustments to the train-path pricing system intended to offset the end of the regional factors will again lead to higher or lower prices for the individual Federal states. This is why DB Netz AG is also negotiating with the Federal states to explore ways to balance out the changed costs.

PRICES FOR TRACTION CURRENT TRANSMISSION LINES SUBJECT TO ENERGY INDUSTRY LAW

In a final ruling made on November 9, 2010, the German Federal Supreme Court ruled that fees for the use of traction current transmission lines are to be regulated in accordance with energy industry law. Based on the terms of this ruling, DB Energy GmbH must have their usages fees approved – retroactively to October 2005 – by the BNetzA. The Federal agency will examine the fees using standards employed by the energy industry. DB Energy GmbH will have to establish procedures to meet the comprehensive reporting process required by energy industry law in order to meet the regulatory requirements.

EXPERT OPINION TO DETERMINE COST OF CAPITAL IN RAILWAY INFRASTRUCTURE SECTOR

With respect to fee regulation the BNetzA submitted in May 2010 for consultation an expert opinion they had commissioned for the purpose of better defining the permissible extent of access charges in the future entitled "Determination of cost of capital in the railway sector." We participated in the consultations and commissioned ⟶ *NERA Economic Consulting* [3], an independent consulting firm, to prepare an expert opinion, which we published along with a statement of opinion in June 2010. The purpose of the expert opinion is to define the return on capital that a railway infrastructure enterprise may earn. Discussions with the BNetzA will be continued during the course of 2011.

DB NETZ AG MAY NO LONGER BE REPRESENTED BY DB AG'S LAWYERS IN ALL CASES

In a final ruling made on May 18, 2010, the German Federal Administrative Court ruled that as of December 1, 2010 DB Netz AG may no longer be advised or represented by the DB AG legal department in issues regarding access to the railway network and the train-path prices associated with this access. With this ruling the Court confirmed a 2006 decision of the EBA. In addition to monitoring the implementation of requirements directly arising from the Court's ruling and which must be met by a set date, the EBA is also examining the ruling to determine if other measures are needed to strengthen the independence of DB Netz AG.

[1] ⟶ ***www.db.de/competitionreport***
[3] ⟶ ***www.db.de/nera-e***
[2] ⟶ ***www.dbnetze.com***

Further development of relevant legal framework

RECAST VERSION OF FIRST RAILWAY PACKAGE

On September 17, 2010 the European Commission submitted a proposal for the recast of the first European railway package. The proposed new version also contains a stricter regulation of service facilities, wider authority for regulatory agencies as well as detailed requirements for infrastructure financing and train-path usage fees. A further liberalization of the rail passenger transport sector is not foreseen. The lawmaking process is currently underway (first reading of the law) in the Council and the European Parliament. It is anticipated that the legislation will be passed during the course of 2011. We welcome the recast as it contributes towards the creation of uniform conditions for rail transport across Europe. It is, however, important to ensure that no disproportionate encroachment on the member state's budgetary powers or the entrepreneurial independence of the train operating companies takes place.

LIBERALIZATION OF RAIL PASSENGER TRANSPORT

Directive 2007/58/EC obligates all EU member states to open their markets for cross-border rail passenger transport as of January 1, 2010, although the terms of the Directive do, however, provide member states leeway to limit market access. On December 28, 2010 the EU Commission published a directive pertaining to this leeway whereby it may only be possible to limit the liberalization guidelines under very restrictive circumstances. The liberalization of the market in Germany was completed significantly earlier than the date when the directive took effect. Furthermore, the German implementation concept for Directive 2007/58/EG does not contain any possibility to restrict access to the market. Although the recast version of the first European railway package does not foresee any further steps towards liberalization, the EU Commission has, however, announced that it will submit in 2012 a legislation proposal to further liberalize rail passenger transport in Europe.

REGULATION FOR A EUROPEAN RAIL FREIGHT TRANSPORT NETWORK

On November 9, 2010 the EU regulation regarding the creation of a European rail network for more competitive freight transport took effect. Per the terms of the regulation, DB Netz AG is obligated to participate in the establishment of internationally staffed management structures in three European freight corridors within the next three to five years. The primary purpose of the regulation is to achieve better cross-border coordination of capacity and transport management as well as closer collaboration in the areas of capital expenditures and construction planning. The critical issue here is that train-path must be kept clear for international freight transports even though it cannot be assured that the track will actually be used as planned. This can lead to a substantial reduction in network capacity due to the lack of track availability for other freight or passenger transports, and cause additional costs if the track is not used. This regulation can have extensive effects on the coordination between the European infrastructure operators and the future structure of timetables in the passenger and freight transport sectors. The EU Commission is currently working on a handbook to guide the implementation of the regulation, which they would like to approve in the first quarter 2011. DB Netz AG is intensively working on ways to limit the negative effects of the regulation on operations.

EU COMMISSION PREPARING TRANSPORT POLICY STRATEGY THROUGH TO 2020

The EU Commission plans to submit a new White Book during the first half of 2011 wherein they define their transport policy through to the year 2020. We welcome the main points of the content that have emerged thus far. Along with the integration of transport modes and networks – including greater inclusion of rail – the main topics are climate protection, more efficient use of energy, and promoting competition by reducing regulatory, administrative and technical barriers. In addition, the Commission also addresses different financing models for the transport sector, and the internalization of external costs.

NEW TRANS-EUROPEAN TRANSPORT NETWORK GUIDELINES

The EU Commission has initiated a fundamentally new approach to its previous policy concerning the development of a trans-European transport network (TEN-V). Plans call for new directives to be published in the first half of 2011 wherein the TEN-V and the selection criteria for projects will be recast. The intention is to achieve better integration of all modes of transport through means such as the inclusion of intermodal interfaces (e.g. harbors, airports), new principles regarding targeted use of EU subsidies, and a stronger focus on a so-called core network, which still needs to be redefined.

STRUCTURING EMISSIONS TRADING AS OF 2013

The amended version (RL 2009/29/EC) of Directive 2003/87/EC regarding the trading of emissions rights took effect in May 2009. Per the terms of the new directive the energy industry will have to obtain all of their certificates via auction as of 2013. In addition to the current burden facing electrically powered rail transport, this complete auction process means that the cost burden arising from trading carbon dioxide (CO_2) emissions allowances will rise further as of 2013. This will lead to another substantial increase in the price of traction current. Other modes of transport are unaffected, or only marginally affected by CO_2 emissions trading: road transport and shipping are still not subject to CO_2 emissions trading despite the fact that they also emit CO_2. Per the terms of Directive 2008/101/EC, only air transport within the EU, as well as to and from Europe, will be included in CO_2 emissions trading as of 2012, however this segment will only have to obtain 15 % of its CO_2 certificates via auction.

DEVELOPMENTS IN THE RELEVANT MARKETS

Passenger transport

GERMAN PASSENGER TRANSPORT MARKET

German passenger transport market	Growth rates		Market share	
[% based on volume sold]	**2010**	2009	**2010**	2009
Rail passenger transport	+2.4	-1.5	10.1	9.8
DB Group	+2.2	-1.6	9.4	9.2
Non-Group railways	+5.0	+0.3	0.7	0.7
Public road passenger transport	-0.5	-1.0	9.5	9.6
DB Group	-0.5	+0.7	1.1	1.1
Motorized individual transport	0.0	0.0	79.1	79.3
Air transport (domestic)	+2.2	-3.6	1.3	1.3
TOTAL MARKET	**+0.2**	**-0.3**	**100.0**	**100.0**

Data for 2009/10 is based on information and estimates available on February 22, 2011.

The total German passenger transport market recorded a slight gain in volume sold in 2010 thereby connecting to the robust development noted in 2009.

While the rise in demand noted in the rail passenger and in domestic air transport sectors was driven by favorable overall economic conditions in Germany coupled with gains in both employment figures and disposable real income levels, the public road passenger transport segment continued its downward trend. Despite the 11 % rise in fuel prices in 2010 and the special boost resulting from the government's "cash for clunkers" stimulus program in 2009, the dominant motorized individual transport sector was able to retain its previous year's position, even though car sales were about 25 % lower. Rail was the only mode of transport to expand its intermodal share of market in 2010.

The rail passenger transport segment in Germany was able to post substantial gains in volume sold over the previous year's figure. Driven by a favorable market environment, → *demand noted by DB Group companies* [1] rose by 2.2 % over the same year-ago period. This gain was mainly due to four factors: our offers and schedule measures were well accepted; the positive development of our international transports; the restrictions on air transport due to the outbreak of volcanic ash in the spring of 2010; and the harsh winter weather experienced at the beginning and the end of the year under review.

We estimate that the performance of non-Group railways rose by about 5 % due to their taking over additional lines in the regional transport segment. Their share of the rail passenger transport market in Germany rose slightly. In total, the rail passenger transport sector was able to regain the share of market it lost in 2010 and currently has a market share of just over 10 %.

Volume sold in the public road passenger transport segment once again declined marginally and was 0.5 % below the previous year's level. Despite lower schoolchildren and trainees traffic, demand for scheduled transport rose due in part to the shift in transport away from the S-Bahn (metro) Berlin to bus transport. Total results were, however, dampened by the decline in the non-scheduled service segment, which represents about one-third of volume sold. Volume sold by our bus companies tracked

[1] → ***Page 85 ff.***

this overall market development. The many years of decline seen in the public road passenger transport segment led to a drop of its share of market to 9.5%.

Domestic German air transport, which was heavily hit by the economic and financial crisis in the previous year, benefited substantially from the economic recovery and recorded a sharp rise in demand despite the handicaps seen in the first third of 2010 (pilot strike at Lufthansa, volcanic ash clouds) and the unexpected onset of severe winter weather in December. Volume sold in 2010 rose by 2.2% while market share remained at the previous year's level.

EUROPEAN PASSENGER TRANSPORT MARKET

In addition to the end of government economic stimulus programs in most countries, the European passenger transport market was also affected by the tense budgetary situation in Europe. This increased pressure on the contracting organizations to cut their costs even further.

In view of the different levels of liberalization within European countries, certain countries are experiencing increasing competition while, in contrast, growth is being hindered in other nations because of unchanging difficult access to their markets.

The market for cross-border transports in Europe tended to develop hesitantly since it was liberalized in early 2010. This is mainly due to high access barriers including high investment levels, state-sponsored protectionism, high fees to access rail networks, and technical hindrances. Based on our internal calculations, the overall rail passenger transport market in Europe in 2010 remained almost at the previous year's level.

The negative effects of the economic and financial crisis on the rail passenger transport market were still notably present in some European countries in 2010. Volume sold by the state-owned Spanish railway, Renfe, declined again by about 3%. The rate of unemployment in Spain hit a peak of about 20% thereby more than doubling within three years. The situation was different in Great Britain, the third-largest rail passenger transport market in Europe after France and Germany. After volume sold in the UK almost stagnated in the previous year, they rose by a strong single-digit rate of growth during the year under review despite a sluggish increase in real incomes and a barely improved situation in the labor market.

The economic situation in the Netherlands was also marked by a moderate increase in income levels and even a slight increase in unemployment compared to the same year-ago figure. Nonetheless, volume sold within the rail passenger transport sector rose, which was not lastly due to the start of service on the high-speed line from Amsterdam to Brussels via Rotterdam.

Development noted in the already heavily liberalized rail markets in Denmark and Sweden posted different results. Driven in part by greater consumer spending, the Danish economy grew by about 2%. The drop in employment slowed during the year as the unemployment rate fell slightly. Therefore the rail passenger transport sector was not able to increase its volume sold in 2010, as the volume sold stayed at the level of 2009. The Swedish economy posted a broad recovery from the crisis as GDP rose by 4% supported by strong contributions made by consumer and government spending as well as capital expenditures and foreign trade. Although the economic rebound had a favorable impact on the labor market as employment steadily increased in the second half of the year, this was not reflected in the volume sold by the rail passenger transport segment, which in fact remained below the previous year's level in 2010. This was due to numerous factors including the high number of trains that were cancelled due to severe winter weather at the start of 2010.

Freight transport

GERMAN FREIGHT TRANSPORT MARKET

German freight transport market [% based on volume sold]	Growth rates		Market share	
	2010	2009	**2010**	2009
Rail freight transport	+12.0	−17.1	17.2	16.5
DB Group [1]	+11.2	−20.8	12.9	12.4
Non-Group railways	+14.3	−3.7	4.3	4.1
Road freight transport	+5.4	−9.9	70.1	71.3
Inland waterway transport	+13.0	−13.4	10.1	9.5
Long-distance pipelines	+2.0	+1.8	2.6	2.7
TOTAL MARKET	**+7.1**	**−11.2**	**100.0**	**100.0**

[1] DB Schenker Rail Deutschland AG and RBH Logistics GmbH.
Data for 2009/10 is based on information and estimates available on February 22, 2011.

Following the collapse seen in the 2009 crisis year, the German freight transport market (rail, road, inland waterway transport and long-distance pipelines) recovered in 2010. The economic rebound was accompanied by robust foreign trade figures as well as higher production volumes for crude steel and the manufacturing sector. This was offset by comparatively moderate development noted for the construction industry, which is of particular importance for the road freight transport segment.

In light of these overall conditions and against the background of the different degrees of impact of the baseline effects of the previous year's declines on performance figures it is understandable why the different modes of transport did not participate equally in the recovery. A glance at volume sold and market share shows that the development seen in the previous year has been almost completed reversed. As a result of the above-average increase of volume sold the inland waterway transport and rail freight transport were able to regain market share. In contrast, road freight transport, which had previously recorded the smallest decline in volume sold, was only able to post less-than-average development and lost the majority of the market share gains it had achieved in 2009. The market continued to be marked by high levels of intense inter- and intra-modal competition.

After the rail freight transport segment had already managed to once again post a slight gain at the end of 2009, the pace of its recovery picked up notably in 2010. After having seen monthly growth rates of up to 25%, volume sold surged by nearly 12% to 107.3 billion ton kilometers (tkm). Following the 17.1% collapse in the previous year, the level of volume sold was still a good 7% below the pre-crisis level seen in 2008. Growth was primarily driven by the above-average development of container and Montan (coal/coke, iron ore, steel, scrap material) transports, which had fallen sharply during the crisis. Gains posted by these types of transports already represented almost 90% of the performance increase. The combined railroad transport (CT), which had contracted by nearly 13.5% in 2009, posted a gain of about 18% thereby already surpassing its pre-crisis level. This development was supported by stronger foreign trade results, the recovery of important industries and the expansion of available offers. The recovery was reflected in both the maritime and continental CT sectors. While the automotive and fertilizer segments also posted notable gains, development noted for agricultural products, food and specialty food products, as well as petroleum-based products and construction materials, was weak.

Following the sharp decline noted in the previous year, → *volume sold by DB Group companies* [1] rose by 11.2% to 80.5 billion tkm, although this was still about 12% below the pre-crisis level.

After getting off to a slow start in 2010 development of non-Group railways, which only posted a 3.7% decline in 2009, also grew at an extremely dynamic rate of 14.3%. Growth was mainly supported by a sharp expansion of container transports which represented almost half of total volume sold. Furthermore, transports of coal/coke, iron and steel, goods, which in comparison are not yet involved in high levels of intramodal competition compared to other industries, developed at an above-average rate, as well as automotive traffic. The intramodal market's share rose to 25.1% (previous year: 24.6%).

The rebound in the road freight transport sector (German and foreign trucks – including cabotage transports in Germany) was slightly below average in 2010 as volume sold increased disproportionately by about 5.4%. On one hand, the baseline effect was not that pronounced due to the relatively minor

[1] → *Page 90*

decline seen in the previous year, and on the other the weather-related limitations noted in the construction industry in the first quarter of 2010 had a negative effect. The weak development seen in other industries (e.g. food and specialty foods) dampened the rise in demand. Although the previous year's contraction in foreign trade resulted in an above-average decline in the performance of foreign trucks, which dominate cross-border transports, the situation turned around during the year under review. With a gain of about 10 % in volume sold, foreign trucks again posted significantly better growth than their German competitors. Based on the road toll (Maut) statistics compiled by the Federal Agency for Freight Transport, trucks from Southeastern Europe, in particular, were able to increase their road performance on German toll roads to far above average in some instances. This is notable because the same group had to absorb high double-digit losses in 2009. Gains in market share won by road transport, which were more than one percentage point for a total share of 71 % in the previous year, declined to 70.1 % in 2010.

The recovery noted for inland waterway transport at the 2009/2010 end of the year period came to an abrupt halt in February 2010 due to inclement weather conditions as performance plummeted by over 18 %. However, the situation improved again substantially as of March 2010 and posted unexpectedly strong development in the following months. In contrast to previous years, water levels were sufficient to permit shipping in the summer months, which, combined with the economic recovery, enabled inland waterway transport to boost its volume sold in 2010 by 13 %. Accordingly, the negative trend previously noted in the development of this sector's market share was also stopped as it expanded to a little more than 10 %. Growth was driven by the sharp increase of shipments originating outside of Germany. Based on cargo categories, the strongest gains were noted for transports of iron ore, scrap material, coal and coke, as well as chemical products and containers.

EUROPEAN RAIL FREIGHT TRANSPORT

Following a drop of over 18 % in the previous year caused by the crisis, our current calculations foresee that volume sold in the European rail freight transport sector rose by about 8.5 % in 2010, which was more than figures for land transport and less than inland waterway transport. Growth was partially driven by a strong increase in container transports, which again proved to be an engine driving growth due to the dynamic development of foreign trade in many countries. Furthermore, the recovery also lifted the iron and steel (Montan) industry which had collapsed in the previous year. The economic rebound was especially visible in steel production as important customer industries, such as the automotive industry, were able to once again expand their production notably. Most of the major European railways were even able to record double-digit gains in demand for transport services. However, one of the exceptions was the state-owned Italian railway, Trenitalia Cargo, which, despite a comparatively moderate recovery of the Italian economy, again posted substantial losses following the almost 30 % plunge it recorded in the previous year. This development is, however, primarily due to the cuts made in single wagon transports.

GREAT BRITAIN

A change took place in the British rail freight transport market in 2009: domestic intermodal transports surpassed the historically dominant coal transports in the final quarter to become the biggest transport sector. This development continued in the first half of 2010. During the second quarter of 2010 coal transports hit their lowest level since 2001 as gas prices remained lower than the price of coal and power plants reduced their stocks of coal. On an overall basis the coal transports were about 25 % below the previous year's level, as the transport demand remained weak in the second half of 2010.

Whilst transports of building materials, metals and containers recovered from the economic crisis, international transports and shipments of oil remained stable at the low level seen during the crisis. Overall demand for rail transport was also almost unchanged in comparison to the same year-ago period, thereby remaining below the pre-crisis level noted in 2008. Development of volume sold by DB Schenker Rail (UK) tracked the overall rail market.

POLAND

The Polish economy once again developed at an above-average rate compared to the rest of Europe in 2010. Above all, production rose sharply in key industries: automotive, metals, chemicals and paper. Poland's role as a classical exporter of coal is shifting over to being an importer. Since 2009, imports of coal exceeded exports due to the closure of coal mines. This trend continued in the year under review.

Railways were able to at least slow the downwards trend seen in recent years and slightly increase their market share of the total market, which is dominated by trucks. After a 16 % drop in the Polish rail freight transport market in the previous year, which was a bit weaker than the European average, the market notably improved again in 2010 and grew at an above-average rate of about 15 %. The rail freight transport market in Poland remains dominated by state-owned PKP Cargo. In the previous year PKP Cargo responded to the crisis by cutting prices sharply and was thus able to further expand its volume sold and leading market position during the year under review. The demand for transport service noted by DB Schenker Rail Polska, the second-strongest railway company in the Polish rail freight transport market, also rose. However, our share of market declined slightly.

FRANCE

France's foreign trade and industrial production rebounded sharply in 2010 as production of crude steel, which had dropped by about 28 % in the previous year, recovered strongly by about 25 %. The production of cars gained by about 10 %, while car exports climbed by nearly 25 %. Total production noted for the manufacturing industry rose by about 5 %. Following the greater than 20 % collapse in the rail freight transport market's performance in the previous year, volume sold in 2010 remained unchanged and therefore significantly below the European average. The main reason for this is the high number of working days that were lost to strikes. The very slow progress of liberalization also plays a decisive role and is reflected in the share of the transport market held by rail. Rail's share of the transport market fell in the previous year and, in contrast to Germany, could not increase in 2010. The share of the French rail freight transport market held by our subsidiary company, Euro Cargo Rail, remained almost unchanged.

EUROPEAN LAND TRANSPORT

Driven by the overall economic recovery, the European land transport market once again recorded a steady increase in demand since February 2010. Due to the drop in the number of carriers and the adjustment made to the volume of shipping space that took place in the previous year, the notable reduction in available capacity led to bottlenecks in the carrier market until mid-2010. This, in turn, had substantial influence on the carriers' prices, which also posed a further burden on freight forwarders in addition to rising costs (e.g. above-average increase in the price of diesel fuel).

Due to the targeted price policy used by the freight forwarders in the previous year, the price level noted at the start of 2010 was relatively low and did not rise significantly over the entire year as competition remained very intense. In order to realize further cost savings, especially in the first half of 2010, some frequencies were reduced in the freight forwarders' networks.

Based on revenues, which fell by almost 20 % in the depressed land transport market in the previous year, the market rebounded by about 8 % in 2010. We grew at a faster rate than the market average. DB Schenker was therefore able to retain its position as the leader in the European land transport market.

AIR FREIGHT

The previous year's decline of over 10 % in volume transported posed a challenge to all players in the air freight market. The collapsing market led to reductions in network capacity by air freight forwarding companies and, above all, the airlines. Numerous airplanes were taken out of service to remove surplus capacity from the market. However, these measures were not enough to avoid a sharp drop in shipping rates. A substantial stabilization in shipping volumes was once again observed since the fourth quarter of 2009. Driven by strong development in Asia, overall development of the air freight market was very favorable and also continued into 2010. While routes between Asia and North America or Europe, as well as inner-Asian routes, posted strong increases in tonnage shipped, volume shipped from North America to Europe as well as the domestic air freight business within the USA posted less than average growth.

On an overall basis the market gained by 20.6 % over the previous year and could surpass the pre-crisis levels. This significant recovery exceeded expectations and led to capacity bottlenecks and sharp rises in rates, especially in the first half of 2010. Many of the previously decommissioned airplanes were brought back to service in order to meet heavy demand. DB Schenker Logistics also benefited from the rapid recovery. DB Schenker Logistics grew at the same pace as the market and was thus able to retain its market position and to almost reach the pre-crisis level it had attained in 2008.

OCEAN FREIGHT

The ocean freight market also posted very favorable development in 2010. Volumes and freight rates on all trade routes recovered notably since mid-2009. This made it possible for the shipping companies to offset nearly all of the heavy losses they incurred in the previous year. This was mainly due to the shipping companies' forward-looking capacity management measures that enabled them to push through higher rates by restricting cargo space and equipment. It is anticipated that global container volume for 2010 expanded by about 13 %. On key routes from Asia to Europe the increase in container volume was about 23 %, nearly 17 % from Asia to North America, and about 7 % on inner-Asian transport.

The approximately 16% increase in volume over the previous year posted by DB Schenker Logistics in 2010 was once again substantially stronger than the figure recorded for the total market. DB Schenker Logistics thereby asserted its market position. Both the total market as well as DB Schenker Logistics have already surpassed their pre-crisis levels seen in 2008.

CONTRACT LOGISTICS

After the market for Contract Logistics/Supply Chain Management (SCM) declined in the previous year based on revenues by about 5.4% due to the global recession, strong growth was once again achieved in the year under review.

The contract logistics market is thus more resistant than the transport markets due to its longer-term contractual relationships and the outsourcing rate, which is still increasing. During the year under review, capacity utilization continued to rise, and good order volumes were seen both domestically and internationally. Production volumes for all of the core industries at DB Schenker Logistics (automotive, consumer and electronics) were significantly higher than in the previous year.

Favorable development was noted in all of the key countries and regions, especially in the emerging markets. With revenue growth of 14%, DB Schenker Logistics developed much more strongly overall than the total market, which grew by about 6% and was thus able to maintain its market position.

Rail infrastructure in Germany

Selected key figures	**2010**	2009	Change	
DB rail infrastructure in Germany			absolute	%
Train operating companies	370	353	+17	+4.8
DB Group	30	30	–	–
Non-Group railways	340	323	+17	+5.3
Train-path demand (million train-path km)	1,033.5	1,002.6	+30.9	+3.1
DB Group	838.1	832.2	+5.9	+0.7
Non-Group railways	195.4	170.4	+25.0	+14.7
Share of non-Group railways	18.9	17.0	–	–
Station stops (million)	143.9	143.3	+0.6	+0.4
DB Group	121.9	123.3	–1.4	–1.1
Non-Group railways	22.0	20.0	+2.0	+10.0

Against the background of the open access to the market that has been in effect since 1994, a large number of train operating companies (TOC) use our rail infrastructure in Germany. In comparison to the previous year, the number of non-Group TOCs has continued to grow. No other country in the EU has a rail transport market that is more competitive than Germany's.

In 2010, track demand increased by a total of about 3% in comparison with the previous year due to the strong recovery in rail freight transport and a slight increase in rail passenger transport. The proportion of non-Group railways continued to rise during the year under review.

The number of station stops was also slightly higher than the previous year's level.

Due to the competitive situation facing goods and services offered in train stations vis-à-vis offers available in the total retail trade market, the development of revenues generated by retail trade and food stores is also significant for our train stations, since the rental possibilities and the resulting revenues both depend on the earnings situation of our commercial space tenants. Total real retail trade revenues in Germany increased by about 1% during the year under review. At the same time, rental income recorded by our stations also rose during the year under review.

Business performance

- **Revenues rise sharply by about 17% to € 34.4 billion (11% comparable basis)**
- **Adjusted EBIT improves to € 1.9 billion**
- **Inclusion of DB Arriva has considerable impact**

MAJOR CHANGES IN YEAR-ON-YEAR COMPARISON

The development of expenses and income was also influenced by changes made to the scope of consolidation during the year under review. Detailed information to the → *changes in the Group* [1] are contained in the Notes section.

The following changes are relevant for comparative purposes at business unit level and are explained to the extent required in the following statements:

- DB Schenker Rail Polska, a Polish company, has been included in the consolidated financial statements since August 1, 2009 and is carried under the DB Schenker Rail business unit.
- The British company → *Arriva* [2] has been included in the consolidated financial statements since September 1, 2010 (with the exception of Arriva Germany) and is carried under the newly established → *DB Arriva business unit* [3].
- An organizational change necessitated an adjustment in the previous year's figures for the DB Bahn Regional and DB Bahn Urban business units. The Berlin and Hamburg S-Bahns (metros) were transferred to the DB Bahn Regional business unit effective January 1, 2010. They had been previously carried under the DB Bahn Urban business unit where they had formed the S-Bahn division. The previous year's figures were adjusted accordingly.

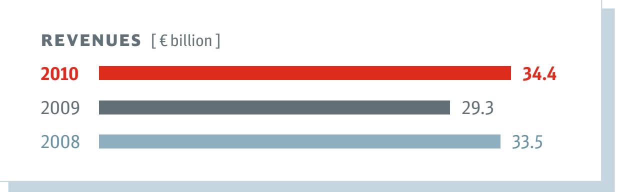
DEVELOPMENT OF REVENUES

Revenues [€ million]	2010	2009	Change	
			absolute	%
DB Group	34,410	29,335	+ 5,075	+ 17.3
Effects from changes in the scope of consolidation	- 1,286	–	- 1,286	–
Effects from changes in exchange rates	- 668	–	- 668	–
DB GROUP – COMPARABLE	**32,456**	**29,335**	**3,121**	**+ 10.6**

Group revenues grew again significantly during the year under review in comparison to the same year-ago figure. This change was primarily driven by the substantial economic recovery and the subsequent revival of our relevant → *transport and logistics markets* [4]. These results were flanked by favorable results noted for the passenger transport segment, especially because of higher volume sold, and by our infrastructure business due to the return of a notable increase in demand in the rail freight transport segment.

Effects arising from major acquisitions were generated by Arriva with € 1,046 million and DB Schenker Rail Polska with € 129 million. Adjusted for these effects the revenue growth posted was 12.9 %.

Furthermore, we recorded favorable exchange rate effects of € 668 million, which were mainly generated by the DB Schenker Logistics business unit.



Adjusted for the effects of exchange rate changes and changes in the scope of consolidation, our revenues grew by 10.6 %.

[1] → Page 155 ff. | [2] → Page 60 | [3] → Page 88 | [4] → Page 70 f.

Total revenues by business unit [€ million]	2010	2009	Change absolute	Change %
DB Bahn Long-Distance	3,729	3,565	+164	+4.6
DB Bahn Regional	7,559	7,587	-28	-0.4
DB Bahn Urban	1,272	1,252	+20	+1.6
DB Schenker Rail	4,584	4,055	+529	+13.0
DB Schenker Logistics	14,310	11,292	+3,018	+26.7
DB Services	1,274	1,237	+37	+3.0
DB Netze Track	4,580	4,369	+211	+4.8
DB Netze Stations	1,044	1,025	+19	+1.9
DB Netze Energy	2,501	2,308	+193	+8.4
Other	864	796	+68	+8.5
Consolidation	-8,353	-8,151	-202	+2.5
DB GROUP (EXCLUDING ARRIVA)	**33,364**	**29,335**	**+4,029**	**+13.7**
DB Arriva	1,046	–	+1,046	–
DB GROUP	**34,410**	**29,335**	**+5,075**	**+17.3**
thereof concession fees (rail)	4,370	4,489	-119	-2.7

Revenues developed favorably in almost all of the business units. Gains were recorded in all business units with the exception of DB Bahn Regional.

The DB Bahn Long-Distance business unit posted notably higher total revenues due to higher volume sold as well as price measures.

Total revenues posted by the DB Bahn Regional business unit declined slightly as the unit was unable to fully compensate for declining concession fees arising from lower volume sold stemming from tenders lost in the previous year in Germany, and reductions in services offered by the S-Bahn (metro) Berlin.

Despite lower passenger numbers, revenues earned by the DB Bahn Urban business unit rose slightly due, in particular, to higher substitute transports.

As a result of the economic recovery and the related gains in volume sold, the sharpest increases in total revenues were posted by the DB Schenker Logistics and DB Schenker Rail business units following notable declines seen in the previous year.

Revenues developed favorably in all business units within our Infrastructure division.

Total revenues posted by the DB Netze Track business unit rose due to greater demand for track as well as pricing measures.

Total revenues recorded by the DB Netze Stations business unit increased as a result of pricing measures and higher rental income.

Revenues noted for the DB Netze Energy business unit were favorably influenced by stronger sales of energy services and traction current.

Detailed information about the performance of the individual business units may be found in the chapter ⟶ *Development of business units* [1].

Based on a breakdown of external revenues by business units, business units in the Passenger Transport division saw their share decline from 42 to 39%. The percentage held by the DB Bahn Long-Distance business unit fell from 12 to 10%, while DB Bahn Regional saw its share contract from 26 to 22%. The DB Bahn Urban business unit retained its 4% share of total revenues, while the new DB Arriva business unit posted a 3% share for the year under review based on its less-than-one-year inclusion. In contrast, the share held by the DB Schenker Logistics business unit rose from 38 to 41%, while DB Schenker Rail's share remained unchanged at 13%. DB Schenker Logistics retained its position as the primary revenue driver followed by DB Bahn Regional.

[1] ⟶ ***Page 83 ff.***

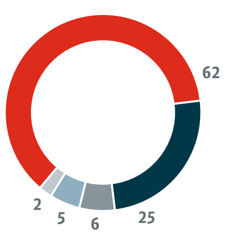
External revenues by region [€ million]	**2010**	2009	Change	
			absolute	%
Germany	21,393	19,930	+1,463	+7.3
Europe (excluding Germany)	8,664	6,245	+2,419	+38.7
North America	2,099	1,472	+627	+42.6
Asia/Pacific	1,780	1,371	+409	+29.8
Rest of world	474	317	+157	+49.5
DB GROUP	**34,410**	**29,335**	**+5,075**	**+17.3**

The effects of the global economic recovery noted in 2010 were also visible in the regional breakdown of revenues and led to increased revenues in all regions. This development was flanked by the first-time inclusion of Arriva which impacted on results in the rest of Europe. Revenues generated in Germany climbed by 7.3%, but not as strongly as in the other regions due to the comparatively stable development noted for the passenger transport and infrastructure business units.

The share of revenues generated outside of Germany rose accordingly from 32% in the previous year to 38% during the year under review.

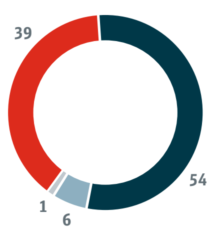
EXTERNAL REVENUES STRUCTURE 2010

By region [%]



- Germany
- Europe (excluding Germany)
- Asia/Pacific
- North America
- Rest of world

By division [%]



- Passenger Transport
- Transport and Logistics
- Infrastructure
- Other

By business unit [%]	**2010**	2009
DB Bahn Long-Distance	10	12
DB Bahn Regional	22	26
DB Bahn Urban	4	4
DB Arriva	3	–
DB Schenker Rail	13	13
DB Schenker Logistics	41	38
DB Services	0	0
DB Netze Track	3	3
DB Netze Stations	1	1
DB Netze Energy	2	2
Other	1	2

DEVELOPMENT OF PROFITS

Excerpt from adjusted statement of income [€ million]	2010	thereof further adjustments[1]	2009	Change absolute	Change %
Revenues	34,410	1,954	29,335	+5,075	+17.3
Inventory changes and internally produced and capitalized assets	2,207	0	1,936	+271	+14.0
Other operating income	2,636	78	2,327	+309	+13.3
TOTAL INCOME	**39,253**	**2,032**	**33,598**	**+5,655**	**+16.8**
Cost of materials	-19,134	-977	-15,295	-3,839	+25.1
Personnel expenses	-11,583	-616	-10,648	-935	+8.8
Other operating expenses	-3,885	-279	-3,253	-632	+19.4
EBITDA ADJUSTED	**4,651**	**160**	**4,402**	**+249**	**+5.7**
Adjusted EBITDA margin	13.5 %	–	15.0 %	–	–
Depreciation	-2,785	-106	-2,717	-68	+2.5
EBIT ADJUSTED	**1,866**	**54**	**1,685**	**+181**	**+10.7**
Adjusted EBIT margin	5.4 %	–	5.7 %	–	–

[1] Adjustments of effects from changes in the scope of consolidation and changes in exchange rates.

Total income rose significantly by about 17 %, or € 5,655 million, and was driven by the favorable development of revenues along with higher results from other operating income.

Effects from changes in exchange rates and the scope of consolidation resulted in higher revenues as well as almost equal increases in the individual expense items.

The cost of materials recorded for the year under review was notably higher than in the previous year. The change was driven by higher intermediate inputs made by the DB Schenker Logistics business unit due to higher prices and volumes, as well as higher maintenance costs (due to reasons including the severe winter weather experienced at the start and the end of the year under review). Furthermore, higher maintenance costs for vehicles were incurred by the DB Bahn Long-Distance, DB Bahn Regional (especially for the S-Bahn (metro) Berlin) and DB Schenker Rail (especially for the reactivation of freight cars) business units. The percentage increase in the cost of materials was greater than the gain noted for income.

Personnel expenses were 8.8 % higher than the same year-ago figure. The increase was particularly influenced by effects stemming from changes in the scope of consolidation, wage increases and higher numbers of employees, especially in the DB Bahn Long-Distance and DB Schenker Logistics business units.

Other operating expenses rose at a less than proportionate rate compared to the rate noted for income growth. This was notably influenced by effects related to changes in the scope of consolidation along with the increase of other services purchased. In total the development of the adjusted EBITDA figure for the year under review was favorable (a gain of 5.7 % to € 4,651 million).

Depreciation was slightly higher than the same year-ago figure due to effects stemming from the changes in the scope of consolidation.

The adjusted EBIT figure also improved during the year under review (+10.7 % to € 1,866 million).

The adjusted EBITDA and EBIT margins declined slightly during the year under review. This was primarily due to the strong increase in revenues posted by the DB Schenker Logistics business unit, where, in comparison to the more capital-intensive activities of the other business units, lower margins were recorded.

Special items [€ million]	2010
Release of personnel-related provisions	140
Provisions for technology-related risks raised	-141
Revaluation of property-related risks	-40
Other	-8
TOTAL	**-49**

In contrast to the previous year the development of the EBIT figure during the year under review was barely influenced by special items. Total special items had a slightly negative (€ –49 million) effect compared to the previous year when they were a significantly favorable € +523 million. Special items posted during the year under review primarily involved the release of provisions made, or adjustments for personnel-related measures, or technology-related risks in the areas of vehicles and rail infrastructure, as well as risks arising from the valuation of properties.

Special items [€ million]	2009
Property sales, Stuttgart 21	639
New evaluation of risks arising from legacy ecological burdens	600
Technical risks	-331
Restructuring and personnel adjustment measures	-450
Other	65
TOTAL	**523**

Special items recorded in the previous year resulted primarily from the conclusion of the financing agreement for the Stuttgart 21 project and the resulting realization of income from the sale of properties in previous years as well as the reevaluation of risks for ecological legacy contamination and claims for restitution. These were offset by charges due to restructuring and personnel adjustment measures, as well as obligations to eliminate technical problems that occurred in the areas of vehicles and the infrastructure.

Excerpt from statement of income [€ million]	**2010**	2009	Changes	
			absolute	%
Revenues	34,410	29,335	+5,075	+17.3
Inventory changes and internally produced and capitalized assets	2,207	1,936	+271	+14.0
Other operating income	3,120	3,864	-744	-19.3
TOTAL INCOME	39,737	35,135	+4,602	+13.1
Cost of materials	-19,314	-15,627	-3,687	+23.6
Personnel expenses	-11,602	-11,115	-487	+4.4
Depreciation	-2,912	-2,825	-87	+3.1
Other operating expenses	-4,092	-3,360	-732	+21.8
TOTAL EXPENSES	-37,920	-32,927	-4,993	+15.2
EBIT	**1,817**	**2,208**	**-391**	**-17.7**
Financial result	-917	-821	-96	+11.7
PROFIT BEFORE TAXES ON INCOME	**900**	**1,387**	**-487**	**-35.1**
Taxes on income	158	-557	+715	–
NET PROFIT	**1,058**	**830**	**+228**	**+27.5**

Due to the immaterial change in the net sum of special items, the development of the unadjusted results was influenced by the same drivers as the adjusted results.

In comparison with the same year-ago period special items had an effect on other operating income as the unadjusted development of this item was negative during the year under review. These results reflect income from the one-time effects of releasing provisions in the previous year.

Accordingly, the development of the unadjusted key EBITDA and EBIT figures is notably different: both figures deteriorated unadjusted stronger than adjusted due to the reduction of income. As a result, EBIT fell by 17.7% to € 1,817 million.

The development of the EBIT figure also affected profits before taxes on income, which declined by about 35.1% to € 900 million.

In comparison to the previous year taxes on income improved during the year under review by about € 715 million because of a significant deferred tax asset due to better expectations following the overall economic recovery. Net profit for the year rose by € 228 million to € 1,058 million.

Net results attributable to minority interests was € 19 million (previous year: € 9 million). Thus, in total the described development resulted in a significantly higher net profit for the year to shareholders of DB AG of € 1,039 million (previous year: € 821 million). This led to an increase in earnings per share to € 2.42 for the year under review (previous year: € 1.91).

Operating income by business units

EBITDA adjusted by business unit [€ million]	2010	2009	Change absolute	Change %
DB Bahn Long-Distance	481	504	- 23	- 4.6
DB Bahn Regional	1,229	1,407	- 178	- 12.7
DB Bahn Urban	132	146	- 14	- 9.6
DB Schenker Rail	302	107	+ 195	–
DB Schenker Logistics	478	371	+ 107	+ 28.8
DB Services	287	297	- 10	- 3.4
DB Netze Track	1,524	1,472	+ 52	+ 3.5
DB Netze Stations	343	342	+ 1	+ 0.3
DB Netze Energy	165	182	- 17	- 9.3
Other/Consolidation	- 422	- 426	+ 4	- 0.9
DB GROUP (EXCLUDING DB ARRIVA)	**4,519**	**4,402**	**+ 117**	**+ 2.7**
DB Arriva	132	–	+ 132	–
DB GROUP	**4,651**	**4,402**	**+ 249**	**+ 5.7**

EBIT adjusted by business unit [€ million]	2010	2009	Change absolute	Change %
DB Bahn Long-Distance	117	141	- 24	- 17.0
DB Bahn Regional	729	899	- 170	- 18.9
DB Bahn Urban	62	71	- 9	- 12.7
DB Schenker Rail	12	- 189	+ 201	–
DB Schenker Logistics	304	199	+ 105	+ 52.8
DB Services	129	125	+ 4	+ 3.2
DB Netze Track	601	558	+ 43	+ 7.7
DB Netze Stations	217	217	–	–
DB Netze Energy	82	103	- 21	- 20.4
Other/Consolidation	- 442	- 439	- 3	+ 0.7
DB GROUP (EXCLUDING DB ARRIVA)	**1,811**	**1,685**	**+ 126**	**+ 7.5**
DB Arriva	55	–	+ 55	–
DB GROUP	**1,866**	**1,685**	**+ 181**	**+ 10.7**

In comparison to the same year-ago period the development of adjusted results differed at the business unit level. Gains in the adjusted EBITDA and adjusted EBIT figures were recorded for the DB Schenker Rail, DB Schenker Logistics and DB Netze Track business units. In contrast, adjusted results posted by the passenger transport business units were weaker. Results in the Infrastructure business units were mixed.

Stronger earnings driven by higher volume sold in the DB Bahn Long-Distance business unit were countervailed by additional charges on the expense side including higher maintenance costs and rental fees for vehicles. This led to a decline in total adjusted results.

The DB Bahn Regional business unit was considerably burdened to a major extent by limitations in service noted at the S-Bahn (metro) Berlin and reduced revenues due to lost volume sold in Germany.

Higher personnel expenses and contractor fees had a negative effect on results posted by the DB Bahn Urban business unit. In total, these events led to a notably reduced development of adjusted results.

The adjusted results of the DB Schenker Rail and DB Schenker Logistics business units rose significantly due to the strong increase in revenues driven by the economic recovery. During the year under review the DB Schenker Rail business unit was able to once again record a slightly favorable adjusted EBIT figure.

The DB Services business unit improved its adjusted EBIT due mainly to higher levels of maintenance services provided.

Despite extensive winter services and higher maintenance costs, adjusted earnings posted by DB Netze Track business unit rose due to higher train-path revenues and additional revenues earned by the construction firms. While adjusted results recorded for the DB Netze Stations business unit were similar to the previous year's figures, they were lower at the DB Netze Energy business unit for reasons including higher prices paid to procure energy.

The item Other/consolidation showed adjusted results at the same year-ago level.

Detailed information about the performance of the individual business units may be found in the chapter ⟶ *Development of business units* [1].

VALUE MANAGEMENT

The economic dimension of value management is based ultimately on the figures of the balance sheet and the adjusted statement of income. The appropriateness of results can be only judged in context of the assets that need to be financed and the cost of capital. The key goal here, in particular, is to ensure that the company's ability to invest in its core business is secured on a sustainable basis.

Our value-oriented controlling concept is anchored in a key metrics system consisting of operating value drivers and company-specific influencing factors. The purpose of the operating value drivers is to control our market activities using key volume and price figures that are critical for our success and the efficiency of our production process as measured by key capacity utilization figures. The definition varies by business unit. The scope and level of details used are based on individual requirements.

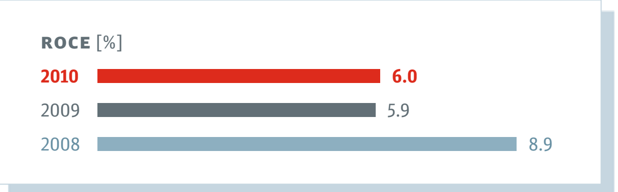
Volume and price drivers primarily affect the adjusted EBIT figure as the key metric at the core of our value management concept. Company-specific influencing factors and indicators are employed as underlying metrics in order to manage the company on an anticipatory and controllable value-oriented basis. Capacity utilization serves as the metric used to optimize the cost and capital efficiency of the business units. Our goal here is to obtain the best possible use of capital employed.

We use return on capital employed (ROCE) targets to manage the DB Group and the individual business units, taking the nature and risk of each operating business into consideration. We measure the performance of our business activities against the ROCE. Furthermore, we also use these targets as a basis for planning purposes and our capital expenditure programs.

To enable better comparability of accounting periods we use EBIT that has been adjusted for special items incurred during the financial year to calculate our ROCE. Capital employed represents the interest-bearing operational capital carried on the balance sheet that DB Group needs to sustain.

ROCE [€ million or %]	**2010 effective**	**2010 excl. DB Arriva**	2009	Change absolute	Change %
EBIT adjusted	1,866	1,811	1,685	+126	+7.5
÷ Capital employed as of December 31	31,312	28,236	28,596	-360	-1.3
ROCE	**6.0 %**	**6.4 %**	**5.9 %**	-	-

During the year under review the ROCE figure rose by 0.1 percentage points reflecting the almost equal increase in the ⟶ *adjusted EBIT figure* [2] and capital employed. The increase in capital employed is primarily due to the complete inclusion of capital employed from Arriva as of December 31, 2010. In contrast, the adjusted EBIT figure for the year only partially reflects the favorable results of Arriva during the year under review because Arriva was only included in the scope of consolidation since September 1, 2010. Excluding DB Arriva the ROCE increased to 6.4 %.



[1] ⟶ Page 83 ff. | [2] ⟶ Page 75 ff.

Derivation of capital employed from the balance sheet [€ million]	2010	2010 excl. DB Arriva	2009	Change absolute	Change %
BASED ON ASSETS					
Property, plant and equipment / intangible assets	42,027	38,628	39,509	-881	-2.2
+ Inventories	916	877	814	+63	+7.7
+ Trade receivables	3,877	3,657	3,030	+627	+20.7
+ Receivables and other assets	1,171	763	689	+74	+10.7
– Receivables from financing	-139	-76	-29	-47	–
+ Income tax receivables	99	98	150	-52	-34.7
– Trade liabilities	-4,286	-3,942	-3,267	-675	+20.7
– Other liabilities	-3,436	-3,162	-3,183	+21	-0.7
– Income tax liabilities	-146	-91	-60	-31	+51.7
– Other provisions	-6,256	-6,062	-6,419	+357	-5.6
– Deferred income	-2,515	-2,454	-2,638	+184	-7.0
CAPITAL EMPLOYED	**31,312**	**28,236**	**28,596**	**-360**	**-1.3**

As a minimum, the ROCE target is set at the level of the weighted average cost of capital (WACC) before taxes. The cost of capital is derived in conformity with capital market conditions taking the sustainable nature of our control concept into consideration.

We estimate DB Group's long-term cost of capital to be 9.6% before taxes based on the mid-term target capital structure. DB Group's long-term ROCE target was set at 10.0%.

Cost of capital [%]	Equity	Net financial debt	Retirement benefit obligations
Risk-free interest rate[1]	3.5	3.5	3.5
Market risk premium	5.0	–	–
x Beta factor	1.1	–	–
+ Risk surcharge[2]	5.7	0.9	0.9
Cost of capital after taxes	9.2	4.4	4.4
x Tax factor[3]	1.44	1.03	1.00
Cost of capital before taxes	13.2	4.5	4.4
Weighting	59	37	4
Cost of capital before taxes (WACC)			9.6

[1] Based on the yield trend of ten-year bunds taking into consideration the long-term orientation of the cost of capital concept.
[2] Risk premium for net financial debt and retirement benefit obligations based on current spreads for new issues of benchmark bonds issued by DB Group compared to bunds with comparable terms to maturity; adjustment for corresponding terms with risk-free investments based on internal calculations.
[3] Based on a total taxation rate of 30.5%; the tax factor for net financial debt reflects the trade tax (Gewerbesteuer) on the attributable financing costs. Remaining taxes are assigned to the cost of equity.

Target values [%]	DB Group	DB ML Group	Infrastructure
Cost of capital before taxes	9.6	10.2	8.0
Minimum target return	10.0	14.0	8.0

The purpose of the ROCE concept is to secure the Group's financing ability. This is primarily determined by the required amount of capital expenditures and repayment of outstanding debt.

The ROCE goal was not achieved during the year under review. The deviation from the target value was 4.0 percentage points (excluding Arriva: 3.6 percentage points).

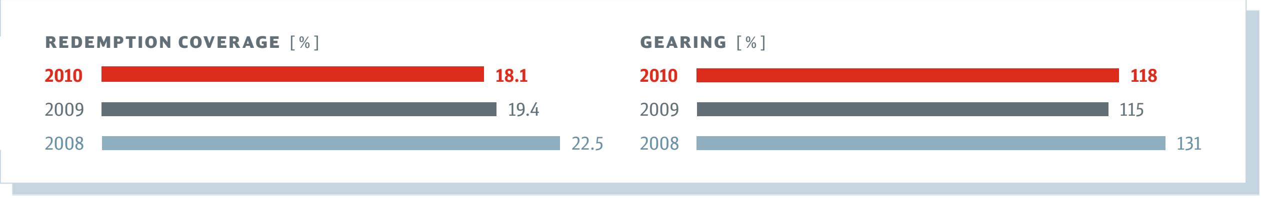
Controlling debt

The key figures for controlling the level of debt are redemption coverage (ratio of operating cash flow to adjusted net financial debt, i.e. including present value of liabilities from operating leases), gearing (the ratio of net financial debt to equity) and net financial debt/EBITDA (ratio of net financial debt to adjusted EBITDA).

We strive for a level of debt commensurate with our good credit ratings. As in the previous year, our mid-term goal for redemption coverage is 30%. Our target for gearing remains unchanged at an equity to net debt ratio of 1:1. The mid-term target for the net financial debt/EBITDA ratio is 2.5.

[€ million]	2010	2010 excl. DB Arriva [3]	2009	Change absolute	Change %
EBIT adjusted	1,866	1,811	1,685	+126	+7.5
+ Net operating interest [1),2)]	-752	-735	-689	-46	+6.7
+ Depreciation [2)]	2,785	2,708	2,717	-9	-0.3
OPERATING CASH FLOW	**3,899**	**3,784**	**3,713**	**+71**	**+1.9**
Net financial debt	16,939	13,966	15,011	-1,045	-7.0
+ Present value of operating leases	4,610	3,876	4,105	-229	-5.6
÷ ADJUSTED NET FINANCIAL DEBT	**21,549**	**17,842**	**19,116**	**-1,274**	**-6.7**
REDEMPTION COVERAGE	**18.1%**	**21.2%**	**19.4%**	–	–
Financial debt	18,553	15,290	16,510	-1,220	-7.4
– Cash and cash equivalents and receivables from financing	1,614	1,324	1,499	-175	-11.7
NET FINANCIAL DEBT	**16,939**	**13,966**	**15,011**	**-1,045**	**-7.0**
÷ Equity	14,316	14,262	13,066	+1,196	+9.2
GEARING	**118%**	**98%**	**115%**	–	–
Net financial debt	16,939	13,966	15,011	-1,045	-7.0
÷ EBITDA adjusted	4,651	4,519	4,402	+117	+2.7
NET FINANCIAL DEBT/EBITDA	**3.6**	**3.1**	**3.4**	–	–

1) To properly determine redemption coverage we utilize net operating interest by eliminating those components of net interest income/expense related to the compounding of non-current liabilities and provisions and the reversal of deferred income.
2) Adjusted for special items.
3) Excluding financing of acquisition of Arriva.



Redemption coverage was below the same year-ago figure as of December 31, 2010. The change was due to the acquisition-related increase in net financial debt, which was fully reflected at December 31, 2010 while the operating cash flow generated by Arriva was only taken into consideration on a proportionate basis from September 1, 2010 onwards. Furthermore, the present value of operating leases increased sharply. This change is due in part to the fact that Arriva pays firmly contracted fees for train-path usage that are carried as operating leases. Excluding Arriva the redemption coverage figure rose to 21.2 %.

Gearing deteriorated during the year under review as increased net financial debt could only be offset by an increase in equity capital. Excluding DB Arriva, gearing improved to 98 %.

The metric net financial debt/EBITDA deteriorated. This change is also due to the acquisition-related increase in net financial debt, which was fully reflected in the figure at December 31, 2010, while the adjusted EBITDA could only be partially reflected as of September 1, 2010. Excluding Arriva the metric improved to 3.1.

Volume, price and capacity utilization as operating value drivers

The metrics we use to control the DB Bahn Long-Distance business unit are the volume sold and the specific rate of revenues; additional important value drivers used by the DB Bahn Regional and DB Arriva business units are volume produced and concession fees. We generally use the load factor, specific cost rates, as well as function and facility-related productivity and usage levels to measure cost and capital efficiency. The macroeconomic factors influencing the key value drivers within the passenger transport segment are the number of persons employed in Germany and disposable income.

The metrics used to determine if price and volume targets are being met in the DB Schenker Rail business unit are, again, volume sold and the specific rate of revenues. We use capacity utilization (tons per train), the empty car ratio, specific cost rates, productivity, the capacity utilization ratio and frequency of operation of resources involved in the production process to control cost and capital efficiency in this unit. The key macroeconomic factors here are the production levels noted for crude steel and the manufacturing industry, as well as imports and exports.

Control metrics used for the DB Schenker Logistics business unit are gross profit margin and the operating value driver of volume shipped in the air and ocean freight segments measured in tons or TEU. We also use the volume of shipments in the European land transport sector as an additional metric. The underlying macroeconomic factors influencing the DB Schenker Logistics business unit are the individual regional GDP growth figures, as well as global trade.

The operating value drivers volume produced and station stops are used to control the DB Netze Track and DB Netze Stations business units. The development of these value drivers is indirectly affected by factors influencing rail passenger and freight transport sectors.

Development of orders

Services provided by DB Group are generally transacted within a time horizon of a few hours or days. As a result, the volume of incoming orders is not used as a control metric by most of the business units. The main exceptions here are the DB Bahn Regional and DB Arriva business units where the conclusion of long-term transport contracts with the Federal states' contracting authorities is of great importance in Germany. In the rest of Europe the key factor driving the development of business at the two business units is long-term contracts with franchisors.

As of December 31, 2010 the volume of revenues secured by long-term contacts (concession fees) in the DB Bahn Regional business unit was € 28.3 billion.

We expect the DB Arriva business unit to generate revenues (including farebox revenues) of about € 12 billion from contracting organizations and concessions.

In general, the sale of tickets in the DB Bahn Long-Distance business unit directly results in revenues, which are recognized as such in a timely manner.

The DB Schenker Rail and DB Schenker Logistics business units also enter into general contracts with customers who have a continual need for transport services or transport and logistical services.

Incoming orders recorded by the DB Netze Track business unit generally refer to train-path assigned to train operating companies, where a distinction is made between scheduled and non-scheduled transports.

The DB Netze Stations business unit has a similar structure wherein contracts are concluded with train operating companies for station stops, and long-term rental agreements are made for space within train stations. Incoming orders at the DB Netze Energy business unit refer to incoming orders from train operating companies to obtain energy. The infrastructure business units generate the majority of their revenues with intra-Group customers.

The DB Services business unit also primarily provides services to intra-Group customers.

TENDERS IN RAIL AND BUS TRANSPORT

RAIL TRANSPORT (DB BAHN REGIONAL)

Tenders won in rail transport 2010	Term	Volume million train km	Country
S-Bahn (metro) Hanover	12/2012-12/2020	8.5	Germany
Warnow	12/2011-12/2024	4.0	Germany
Werdenfels	12/2013-12/2025	4.1	Germany
MWNK (partial networks Main-Weser and Kinzigtal)	12/2012-12/2024	4.3	Germany
S-Bahn (metro) Dresden	12/2012-12/2027	3.1	Germany
RB 51, 63 and 64 (Single lot NRW)	12/2011-12/2026	3.0	Germany
Central German network S-Bahn (metro)	12/2013-12/2025	9.0	Germany
Norrtåg-network	08/2012-08/2018	4.7	Sweden

German ordering organizations concluded 19 (previous year: 21) tender procedures during the year under review and awarded a total of 62 million train kilometers (previous year: 64 million train kilometers). We participated in 17 (previous year: 21) of the procedures involving a total of 61 million train kilometers (previous year: 64 million train kilometers). We won eight of the procedures (previous year: 11 procedures) or 62 % of the awarded train kilometers (previous year: 77 %). Of the train kilometers put up for bids, 79 % were previously operated by DB Group companies. Based on the volume of contracted business (train kilometers over the term of the contract) we recorded a 65 % success ratio (previous year: 78 %).

Within the European market we (excluding Arriva) bid for tenders in Sweden and Great Britain that were ended during the year under review. Of these tender procedures we won one in Sweden.

BUS TRANSPORT (DB BAHN URBAN)

During the year under review a total of about 33 million commercial vehicle kilometers (bus km) were awarded in Germany (previous year: 31 million bus km) in 62 procedures. Of the awarded commercial vehicle kilometers, 14 % had previously been operated by DB Group companies.

During the year under review we participated in 24 tender procedures (previous year: 39 tenders) having a total volume of 13 million bus km (previous year: 18 million bus km). We won 34 % (previous year: 41 %) of the procedures we participated in.

BUS AND RAIL TRANSPORT (DB ARRIVA)

Tenders won in 2010	Term	Volume million train km/bus km	Country
BUS TRANSPORT			
London (25 separate lines)	each 5 years	23.9	Great Britain
Malta and Gozo	07/2011-07/2021	24.7	Malta
RAIL TRANSPORT			
Zwolle-Emmen and Almelo-Vechtdallijnen	12/2012-12/2027	2.9	The Netherlands
Kujawy-Pomerania	12/2010-12/2020	2.1	Poland

During the year under review DB Arriva again participated in tender procedures across Europe and was able to post numerous successes.

A comparatively large portion of our concessions in the London bus market was put out for bids by the franchisor during the year under review of which we were able to win the majority once again.

Development of business units

⟶ **Service restrictions hamper development of passenger transport business**
⟶ **Transport and Logistics division benefits from strong economic recovery**
⟶ **Infrastructure business units note substantially heavier demand from non-Group customers**

PASSENGER TRANSPORT

- The acquisition of ⟶ *Arriva* [1] strengthened our market position in the European passenger transport sector.
- During the year under review DB Bahn Regional and DB Arriva again won a number of ⟶ *tenders* [2] in Germany and in the rest of Europe.
- After winning the tender to operate the Tyne and Wear Metro in Newcastle, UK, in 2009, DB Regio UK began operations in April 2010. The contract has a term of seven years and represents an annual volume of 5.8 million train kilometers.
- We signed a master agreement with MAN Commercial Vehicles (Nutzfahrzeuge) to purchase 600 buses worth more than € 150 million for our bus transport business in Germany. During the year under review we ordered 250 urban, coach and interurban buses under the master agreement.
- We began to implement additional measures to improve customer service and further increase the stability and robustness of our operations as part of our ⟶ *customer and quality initiative program* [3].
- The e-Ticketing pilot project, ⟶ *Touch&Travel* [4], was successfully completed during the year under review and will be integrated into normal operations as of 2011.
- The number of BahnCards in circulation rose by 5% over the same year-ago figure to 4.3 million cards as of December 31, 2010. Activities to win new customers, such as the test BahnCard 25 and the Fan BahnCard 25, played a major role in expanding the number of cards.
- Once again we saw good demand for our ⟶ *bahn.corporate Umwelt-Plus (Environment Plus) offer* [5] for CO_2-free travel during the year under review. The offer is based on the procurement of addition traction current generated from renewable sources of energy.

Additional information

ICE FLEET AVAILABILITY REMAINS RESTRICTED

Restricted availability of our ICE fleet (due to notably reduced intervals for maintenance and ultrasound inspections) again limited operations, and in some cases considerably, during the year under review. The lack of a normal reserve of 15 to 20 trains meant that we were unable to offset the effects of the severe weather conditions in 2010, which exacerbated the situation.

In the previous year we made a commitment to the Federal Railway Authority (EBA) to stop operating series 411/415 ICE T vehicles with fully activated tilt technology. We also committed ourselves to conduct ultrasound inspections of the wheel set axles on the Stuttgart to Zurich line (Line 87) in far shorter intervals of 20,000 kilometers and every 30,000 kilometers on the remaining network. Per a binding ruling by the EBA on March 16, 2010, these intervals were reduced to 14,000 km for Line 87 and 21,000 km for the remaining network.

AGREEMENT REACHED WITH MANUFACTURERS FOR REPLACEMENT OF ICE AXLES

In October 2009 we reached a mutually agreeable solution with Siemens and Bombardier for the replacement of ICE 3 drive axles. By the end of February 2010 we had also reached a mutually agreeable solution with Alstom to exchange all wheel sets of the ICE T trains. The manufacturers are currently developing and testing new drive axles for the ICE 3 as well as wheel sets and drive axles for the ICE T on their own responsibility. The wheel set axles will then have to be approved by the Federal Railways Agency. Approval procedures for the ICE 3 drive axles have already begun. Following successful approvals, we will jointly agree with the manufacturers on implementing the exchange of axles and the corresponding time plan. A total of about 1,200 ICE 3 drive axles are affected, as well as about 2,100 ICE T axles.

[1] ⟶ **Page 60** | [2] ⟶ **Page 82** | [3] ⟶ **Page 105** | [4] ⟶ **www.touchandtravel.de**
[5] ⟶ **www.bahn.de/bahncorporate**

IC DOUBLE-DECK COACHES ORDERED FOR LONG-DISTANCE TRANSPORT

We ordered 135 double-deck coaches from Bombardier Transportation for Intercity (IC) transport in the rail passenger long-distance transport. The order consists of 27 trains with five cars each. We also ordered new series 146.2 locomotives. The double-deck coaches and locomotives have a total value of about € 60 million. The new double-deck coaches can be delivered in a relatively short time as they were already agreed on in an existing master agreement.

The double-deck coaches are a further development of the proven vehicles already used in regional transport. This move means that we can add new vehicles to selected IC lines within the coming three years and offer our customers comprehensive long-distance transport service across the nation.

CHANGES IN THE STRUCTURE OF BUSINESS UNITS

Following the acquisition of ⟶ *Arriva* [1] we altered the management structure within the Passenger Transport board division to include the new DB Arriva business unit. As of January 1, 2011, this business unit will contain all regional transport activities outside of Germany. Furthermore, all internationally related tasks (excluding cross-border routes) will also be assigned to the DB Arriva business unit.

In the future, the DB Bahn Regional business unit will solely be responsible for regional transport activities in Germany. The previous DB Bahn Urban business will be absorbed by the DB Bahn Regional business unit.

FEDERAL COURT OF JUSTICE (BGH) RULES ON TRANSPORT CONTRACT WITH VRR

At the end of 2009 the Rhine-Ruhr transport association (Verkehrsverbund Rhein-Ruhr; VRR) and DB Group agreed to ⟶ *modify the existing transport agreement* [2].

At the beginning of the year under review, Abellio Rail NRW GmbH and Wersus Public Passenger Transport Ltd. submitted applications to the contracting authority (Vergabekammer) in Münster to initiate revision proceedings to partially or fully void the modified agreement.

The application by Wersus Public Passenger Transport Ltd. was rejected as unjustified by both the contracting authority in Münster and the Higher Regional Court in Düsseldorf. In contrast, the application submitted by Abellio Rail NRW GmbH was accepted as justified by both the contracting authority in Münster and the Higher Regional Court in Düsseldorf. Per a ruling of the Higher Regional Court in Düsseldorf dated July 21, 2010, the Court submitted the application to the Federal Court of Justice because it wanted to differ from the existing decision made by the Higher Regional Court in Brandenburg in 2003, which postulated that local rail passenger transport contracts are not required to be awarded through a tendering process. Oral proceedings were held before the Federal Court of Justice on December 7, 2010 and the Court announced its ⟶ *decision* [3] on February 8, 2011.

Mofair e.V., a special interest group including Abellio, has claimed in several letters directed to the EU Commission that transport contracts between VVR and DB Group companies contained impermissible subsidies. In response to these letters, the EU Commission submitted a request, that was answered by the Federal Republic of Germany. DB Group believes that the agreement contains no such impermissible subsidies.

RESTRICTIONS ON OPERATIONS OF S-BAHN (METRO) BERLIN CONTINUE

Operations of the S-Bahn (metro) Berlin have been restricted since July 2009 due to a significant reduction in the number of available vehicles. The situation at the S-Bahn (metro) Berlin was exacerbated in December 2009 because of additional measurements that had become necessary for all series 481 vehicles due to corresponding EBA requirements, as well as a great number of construction-related engine disturbances that had occurred in series 481 vehicles. Concurrently, more than 150 series 481 train units were not operating because of defective engines caused by drifting snow and condensation. As a result, the schedule could not be improved as planned at the start of December 2009.

In order to stabilize the situation it was decided to operate with a reduced level of scheduled services. Substitute transports were organized to lessen the effects of the reductions. Although the number of available quarter-trains continually increased until June 2010, no further improvements to the offered services were achieved since then. During the year under review services worth € 72 million were provided to customers to compensate them for service limitations stemming from technical difficulties.

The vehicle availability situation remains very tight due to numerous overlapping technical problems. During talks between DB Group and the two Federal states, Berlin and Brandenburg, in early November 2010 concerning the additional use of available S-Bahn (metro) vehicles, it was agreed that "stability takes priority over volume" and that the valid schedule of service in effect since June 2010 would remain unchanged through the 2010/2011 winter period.

[1] ⟶ ***Page 60*** | [2] ⟶ ***2009 Annual Report Page 122*** | [3] ⟶ ***Page 130***

Despite previous measures taken to prepare for winter, severe weather conditions in December 2010 caused a significant reduction in vehicle availability as vehicles were sidelined because of the weather. Despite all of the additional measures taken to expand the capacities of local maintenance facilities, the number of available vehicles fell continuously during December 2010 due to the extraordinarily high number of disturbances.

AGREEMENT REACHED TO MODIFY S-BAHN (METRO) BERLIN TRANSPORT CONTRACT

At the end of June 2010 we reached an agreement with the Berlin Senate to modify the current S-Bahn (metro) Berlin transport contract due to the continued limitations in service experienced since July 2009. The modified contract was signed in October 2010. The key issues covered were defined quality benchmarks for punctuality, cleanliness and customer satisfaction, as well as an exact definition of the number of quarter-trains to be operated. If the benchmarks for punctuality, cleanliness and customer satisfaction are not met the concession fee may be reduced (penalty payment) in accordance with the agreed-upon conditions. Furthermore, penalties will also be incurred if the agreed number of quarter-trains are not operated. The annual cap on the amount of penalties was raised.

DB Bahn Long-Distance business unit

Selected key figures [€ million]	**2010**	2009	Change absolute	Change %
Passengers rail (million)	125.7	122.7	+3.0	+2.4
Volume sold rail (million pkm)	36,026	34,708	+1,318	+3.8
Load factor (%)	48.0	45.1	–	–
Total revenues	3,729	3,565	+164	+4.6
thereof external revenues	3,602	3,435	+167	+4.9
EBITDA adjusted	481	504	–23	–4.6
EBIT adjusted	117	141	–24	–17.0
Gross capital expenditures	48	47	+1	+2.1
Employees (FTE as of December 31)	15,270	15,043	+227	+1.5

PERFORMANCE DEVELOPMENT

Development noted for the DB Bahn Long-Distance business unit during the year under review was favorably influenced by increased demand. This was mainly driven by the good market acceptance of our offers and schedule measures, favorable development of the international routes and the restrictions to air travel seen in the spring of 2010 due to clouds of volcanic ash. Furthermore, the onset of severe winter weather at the start and end of the year under review also played a key role. In line with the increase in the mean travel distance, we noted increases in the number of passengers (from 122.7 million to 125.7 million), volume sold (from 34,708 to 36,026 million pkm) and the load factor (from 45.1 % to 48.0 %) in 2010.

BUSINESS DEVELOPMENT

Favorable effects arising from the development of performance coupled with pricing effects led to a noticeable increase in revenues. Accordingly, both total revenues and external revenues rose during the year under review. The reduction noted for other operating income was due in particular to lower cross-border transports, lower vehicle leasing income received from individual customers, as well as lower income from the sale of vehicles.

On the expenses side we recorded slightly greater-than-proportionate increases in the cost of materials due to sharp increases in maintenance costs and measures to increase vehicle availability which more than offset lower energy expenses due to the lower charges for traction current. Increases were also noted for personnel expenses (caused by higher numbers of personnel and increased wages), and other operating expenses (higher marketing costs and expenses related to the expansion of passenger rights).

Results reflect the € 23 million decline in adjusted EBITDA to € 481 million and a € 24 million drop in the adjusted EBIT figure to € 117 million. The additional revenues were unable to offset the higher personnel expenses and the significant increase in the cost of materials and other expenses.

Gross capital expenditures were slightly above the same year-ago figure. The change was due to the expansion of the ICE workshop in Frankfurt-Griesheim, where maintenance on multi-system trains takes place, as well as the procurement of ultra-sound testing equipment. The main emphasis of capital expenses made during the year under review may be found in the chapter → *Capital expenditures* [1].

The number of employees increased in comparison to the same figure noted on December 31, 2009. The change was primarily driven by an increase in maintenance personnel due to shorter intervals for ultrasound tests, and additional staff in the onboard service area.

DB Bahn Regional business unit

Selected key figures [€ million]	**2010**	2009	Change absolute	Change %
Passengers rail (million)	1,820	1,781	+ 39	+ 2.2
Volume sold rail (million pkm)	42,435	41,971	+ 464	+ 1.1
Volume produced rail (million train-path km)	525.1	525.0	+ 0.1	–
Total revenues	7,559	7,587	- 28	- 0.4
thereof external revenues	7,482	7,509	- 27	- 0.4
thereof concession fees	4,273	4,474	- 201	- 4.5
EBITDA adjusted	1,229	1,407	- 178	- 12.7
EBIT adjusted	729	899	- 170	- 18.9
Gross capital expenditures	212	407	- 195	- 47.9
Employees (FTE as of December 31)	29,008	28,668	+ 340	+ 1.2

An organizational change necessitated an adjustment in the previous year's figures for the DB Bahn Regional and DB Bahn Urban business units. The Berlin and Hamburg S-Bahns (metros) were transferred to the DB Bahn Regional business unit effective January 1, 2010. They had been previously carried under the DB Bahn Urban business unit where they had formed the S-Bahn division. The previous year's figures were adjusted accordingly.

PERFORMANCE DEVELOPMENT

The favorable development of performance of rail transport noted during the year under review was driven by the inauguration of service of the Tyne and Wear Metro in Newcastle as well as the increase in volume sold for the S-Bahn (metro) Hamburg. Declines were caused by lower performance related to tenders lost in the previous years. The total number of passengers carried rose by 2.2 %, and volume sold by 1.1 %, while volume produced remained at the same year-ago level.

BUSINESS DEVELOPMENT

Despite the higher number of passengers and the favorable development of volume sold, total and external revenues declined slightly. Revenues were negatively influenced by reduced concession fees for reasons including lost tenders, which we were unable to fully offset with additional farebox revenues, as well as → *service restrictions experienced at the S-Bahn (metro) Berlin* [2]. In contrast, the inauguration of service on the Tyne and Wear Metro line had a favorable effect.

On the expenses side we incurred a slight increase in the cost of materials. Price and volume-driven reductions in expenses for energy and train-path were offset by higher costs for transport services purchased (partly due to the procurement of substitute transports), higher maintenance expenses as well as our → *customer and quality initiative program* [3] that was launched during the year under review. Personnel expenses were slightly higher due mainly to higher wages as well as the inauguration of service on the Tyne and Wear Metro.

Additional charges were caused by penalty fees paid by the S-Bahn (metro) Berlin.

Depreciation was slightly below the same year-ago figure. The change was partly due to shifts in vehicle delivery dates.

The decrease in revenues and the additional cost burden caused both the adjusted EBITDA (decline of € 178 million to € 1,229 million) as well as the adjusted EBIT figure (decline of € 170 million to € 729 million) to fall significantly.

[1] → **Page 100 ff.** | [2] → **Page 84 f.** | [3] → **Page 105**

Gross capital expenditures were significantly below the same year-ago figure due to lower additions of new vehicles as delivery dates were moved back. The main emphasis may be found in the chapter ⟶ *Capital expenditures* [1].

The number of employees rose by 1.2 %. This change was especially influenced by start of operations at Tyne and Wear Metro, which resulted in an additional 499 employees.

DB Bahn Urban business unit

Selected key figures [€ million]	2010	2009	Change	
			absolute	%
Passengers bus (million)	731.9	747.6	–15.7	–2.1
Volume sold bus (million bus km)	8,394	8,446	–52	–0.6
Volume produced bus (million bus km)	612.1	599.6	+12.5	+2.1
Total revenues	1,272	1,252	+20	+1.6
thereof external revenues	1,227	1,219	+8	+0.7
EBITDA adjusted	132	146	–14	–9.6
EBIT adjusted	62	71	–9	–12.7
Gross capital expenditures	91	57	+34	+59.6
Employees (FTE as of December 31)	9,009	8,972	+37	+0.4

An organizational change necessitated an adjustment in the previous year's figures for the DB Bahn Regional and DB Bahn Urban business units. The Berlin and Hamburg S-Bahns (metros) were transferred to the DB Bahn Regional business unit effective January 1, 2010. They had been previously carried under the DB Bahn Urban business unit where they had formed the S-Bahn division. The previous year's figures were adjusted accordingly.

PERFORMANCE DEVELOPMENT

The bus transport business declined during the year under review. In comparison to the same year-ago figures the number of passengers fell by 2.1 % and volume sold dropped by 0.6 %. Volume produced gained by 2.1 %. The increase in volume produced was driven by a greater volume of services provided as substitute transports for rail transport during the year under review. The development of performance was negatively influenced by performance losses in Germany and lower numbers of schoolchildren. Favorable effects stemmed in part from tenders won, especially in Denmark that took effect as of mid-2009, as well as the inauguration of the Nuremberg–Prague connection in August 2009.

BUSINESS DEVELOPMENT

In total, earnings contracted despite slightly higher revenues. Higher revenues from substitute transport services offset the lower number of passengers as well as the reduction in service on low-margin routes. Other operating income rose slightly due to the sale of buses.

On the expenses side, the increase in personnel expenses and cost of materials were burdens due to higher maintenance expenses and costs for contracted services.

Despite the increase in revenues, higher total expenses led to a significant € 14 million decline in adjusted EBITDA to € 132 million and a € 9 million drop in EBIT to € 62 million.

Gross capital expenditures in the period under review amounted to € 91 million and were significantly above the same year-ago levels. The change was mainly driven by the additional modernization of our bus fleet. The main emphasis may be found in the chapter ⟶ *Capital expenditures* [1].

The number of employees rose in comparison to the same figure at December 31, 2009, as the newly won routes required us to hire additional personnel.

[1] ⟶ ***Page 100 ff.***

DB Arriva business unit

Selected key figures [€ million]	2010 included in consolidated financial statements	2010 (pro forma) 1)	2009 (pro forma) 1)	Change absolute	Change %
Volume produced rail (million train-path km)	–	84.3	84.8	- 0.5	- 0.6
Volume produced bus (million bus km)	–	848.4	893.5	- 45.1	- 5.0
Total revenues	1,046	3,063	3,080	- 17	- 0.6
thereof external revenues	1,046	–	–	–	–
thereof concession fees (rail and bus)	453	n.a.	n.a.	–	–
EBITDA adjusted	132	326	316	+ 10	+ 3.2
EBIT adjusted	55	143	111	+ 32	+ 28.8
Gross capital expenditures	171	289	290	- 1	- 0.3
Employees (FTE as of December 31)	36,454	36,454	37,400	- 946	- 2.5

1) Figures are from Arriva's internal management reports, do not include Arriva Germany and are not audited. In accordance with the EC Commission "Hold Separate" requirements, DB Group has no knowledge of the composition of these figures.

Following its acquisition during the year under review, → *Arriva* [1] is included in the DB Group's scope of consolidation since September 1, 2010. Accordingly, no comparable figures are available for the same year-ago period. The development of DB Arriva for the year as presented is a pro-forma presentation that is not relevant for the development of DB Group during the year under review.

Furthermore, no performance data (passengers and volume sold) for Arriva were taken into consideration for the year under review.

In total, Arriva recorded a slight decline in total revenues during the year under review. The "UK Bus" division posted favorable development due mainly to exchange rate effects despite burdens arising from, above all, higher fuel costs.

Within the "UK Trains" division, demand noted in both franchises, Arriva Trains Wales and CrossCountry, rose during the year under review. Overall financial development was, however, burdened by the unchanged weak results posted by CrossCountry. Furthermore, the severe weather conditions seen at the start and end of the year under review had a negative effect.

Development fell in the "Mainland Europe" division. This was caused by the loss of a major transport contract in the Netherlands, which could not be fully offset by new transport gains. While development in Italy, Spain and Eastern Europe stagnated, substantially higher revenues were achieved in Scandinavia.

Significant improvements were noted in the adjusted EBITDA figure (up € 10 million to € 326 million) and adjusted EBIT (gain of € 32 million to € 143 million).

[1] → *Page 60*

TRANSPORT AND LOGISTICS

- In February 2010 the → *Xrail* [1] cooperation agreement was signed by seven European freight railways, including DB Schenker Rail. The purpose of Xrail is to improve the quality of cross-border single wagon transport and to expand competitiveness of the single wagon transport and make it a more customer-oriented product.
- We joined together with the Belgian freight railway, SNCB, to found the Cobra (Corridor Operations Belgium Rail) production company. The cross-border operation of 30 multi-system locomotives in the three-country triangle – Belgium, the Netherlands and Germany – cuts transport time and increases efficiency. About 100 trains were involved here in block train and combined transport operations in 2010.
- During the year under review we were able to sign up the first customers for our → *Eco Plus* [2] product for CO_2-free rail freight transports.
- We further expanded our network as we opened new logistics centers, including some with rail connections or locations near airports, in Salzburg/Austria, Milan/Italy, Brünn/Czech Republic, Sofia/Bulgaria, Stockholm/Sweden, Groveport (Columbus)/USA and Pardubice/Czech Republic.
- DB Schenker again provided support to numerous major events in 2010 including: the Winter Olympics in Vancouver/Canada, the FIFA World Cup in South Africa, the Asian Games in Guangzhou/China, the Commonwealth Games in New Delhi/India, the Youth Olympic games in Singapore, the FIFA U 20 Women's World Cup in Germany and the Hockey World Championship in New Delhi/India.
- The Kellogg Joint Venture awarded DB Schenker the contract to provide global and national transport services for the major Gorgon gas production project in Australia. Kellogg is a consortium consisting of Chevron, ExxonMobil and Shell. The project has an capital expenditure volume of € 25 billion and is the biggest gas production project in Australia and currently one of the biggest in the world. The four-year contract covers the provision of integrated logistical services by DB Schenker and has a total volume of about € 350 million.
- DB Schenker Rail increased its stake in NordCargo S.r.l, an Italian rail freight company, by an additional 11 % to currently 60 % of the Milan-based company. Italy is one of the most important foreign markets for DB Schenker Rail.
- DB Schenker Logistics opened its first IT Shared Services Centre (SSC) in the region in the Jiangsu Software Park in Nanjing/China. With 1,400 square meters, the information technology center bundles together IT functions such as development and operation of applications, maintenance, as well as information and communication technology infrastructure.
- DB Schenker Rail Bulgaria has been operating with a traction license as an independent railway operating company in Bulgaria since May 2010.

[1] → ***www.xrail.eu*** | [2] → ***Page 115***

DB Schenker Rail business unit

Selected key figures [€ million]	2010	2009	Change	
			absolute	%
Freight carried (million t)	415.4	341.0	+74.4	+21.8
Volume sold (million tkm)	105,794	93,948	+11,846	+12.6
Capacity utilization (t per train)	502.4	484.0	+18.4	+3.8
Total revenues	4,584	4,055	+529	+13.0
thereof external revenues	4,314	3,791	+523	+13.8
EBITDA adjusted	302	107	+195	–
EBIT adjusted	12	–189	+201	–
Gross capital expenditures	350	319	+31	+9.7
Employees (FTE as of December 31)	32,618	34,145	–1,527	–4.5

Development of the DB Schenker Rail business unit for the year under review was influenced by the first-time full-year inclusion of DB Schenker Rail Polska in the scope of consolidation. DB Schenker Rail Polska was only included in the previous year's figures since August 2009.

PERFORMANCE DEVELOPMENT

Development of business volume recorded for DB Schenker Rail business unit was very strong and tracked development in the ⟶ *freight transport markets* [1], which was favorable due to the economic recovery. Above all, the higher number of transports in all market areas in Germany, as well as effects from the complete inclusion of DB Schenker Rail Polska, representing a total of 2.2 billion tkm, made it possible to increase volume sold by 12.6 %. Driven by the favorable development of demand, we also posted a significant 8.5 % gain in volume produced during the year under review. This also meant that the capacity utilization rate of our trains rose by 3.8 %.

Adjusted for effects of DB Schenker Rail Polska, volume sold increased by 13.0 %, volume produced gained by 9.3 % and the capacity utilization rate rose by 3.4 % over the same year-ago figures.

BUSINESS DEVELOPMENT

Based on the development of performance, sharp gains were recorded for both total revenues (+13.0 %) and external revenues (+13.8 %). The complete inclusion of DB Schenker Rail Polska in the scope of consolidation had a total effect of € 129 million on revenues. All regions (West, Central and East) were able to record favorable rates of growth. Excluding the effects of DB Schenker Rail Polska, region Central posted the strongest increase in total revenues of 10.6 %. This was driven by the recovery of the economy in all market segments of importance for the rail freight transport business, as well as our specially targeted sales measures. While demand for transport services tracked the economic recovery and once again increased significantly, freight rates were unable to rise at the same pace.

The expense items cost of materials, personnel expenses and other operating expenses rose substantially due to the sharp economic recovery and the effects of full-year inclusion of DB Schenker Rail Polska in the scope of consolidation. After adjustments for DB Schenker Rail Polska, the cost of materials, in particular, increased due to higher maintenance expenses incurred to return freight cars to service, which had been removed from service in the previous year due to the lack of demand. The reduction in personnel in the region Central and DB Schenker Rail Polska had a favorable effect on personnel expenses, while wage increases had an opposite effect. Excluding effects arising from the full-year inclusions of DB Schenker Rail Polska into the scope of consolidation, personnel expenses rose slightly.

Notable gains were noted for results as adjusted EBITDA grew by € 195 million and the adjusted EBIT figure advanced by € 201 million. Nonetheless, adjusted EBIT remained at a low level at € 12 million, as, among other factors, the level of performance still remained significantly below the pre-crisis level. Furthermore, the development of results recorded for DB Schenker Rail UK, Euro Cargo Rail (France) and DB Schenker Rail Polska was still unsatisfactory.

Gross capital expenditures were higher than the comparable same year-ago figure. The main emphasis may be found in the chapter ⟶ *Capital expenditures* [2].

The number of employees declined as of December 31, 2010, especially because of personnel reductions made in the region Central and at DB Schenker Rail Polska.

[1] ⟶ ***Page 68 ff.*** | [2] ⟶ ***Page 100 ff.***

DB Schenker Logistics business unit

Selected key figures [€ million]	2010	2009	Change absolute	Change %
Shipments in European land transport (thousand)	80,816	70,052	+10,764	+15.4
Air freight volume (export, thousand t)	1,225	1,032	+193	+18.7
Ocean freight volume (export, thousand TEU)	1,647	1,424	+223	+15.7
Total revenues	14,310	11,292	+3,018	+26.7
thereof external revenues	14,257	11,249	+3,008	+26.7
Gross profit margin (%)	29.3	32.7	–	–
EBITDA adjusted	478	371	+107	+28.8
EBIT adjusted	304	199	+105	+52.8
EBIT margin adjusted (%)	2.1	1.8	–	–
Gross capital expenditures	189	196	-7	-3.6
Employees (FTE as of December 31)	58,671	57,134	+1,537	+2.7

Development noted for the DB Schenker Logistics business unit was favorable in all segments and regions during the year under review. Driven by the sharp recovery of the economy in Germany and the Asian markets, volume shipped in our networks, and thus revenues and profits, once again rose significantly.

Revenues grew the fastest in the region Asia/Pacific with a gain of 44%, while the region Central was the largest region in terms of revenues, which expanded by 22%. Revenues were favorably influenced by exchange rate effects of € 627 million along with higher expenses, which had a negative effect.

The gross earnings margin fell from 32.7% in the previous year to 29.3% during the year under review. This change was due to the fact that the volume of services we procured rose at a faster pace than our revenues.

Driven by the sharp increase in revenues the adjusted EBITDA figure improved by € 107 million to € 478 million and adjusted EBIT grew by € 105 million to € 304 million.

Gross capital expenditures were slightly below the comparable same year-ago figures. The main emphasis may be found in the chapter ⟶ *Capital expenditures* [1].

The favorable development of business was also reflected by the increased number of employees as of December 31, 2010.

PERFORMANCE DEVELOPMENT

Due to the economic recovery and the resulting revival of the ⟶ *transport and logistics markets* [2] shipments noted for the European land transport sector grew significantly by 15.4%, while air freight volume rose by 18.7% and the volume of ocean freight shipments expanded by 15.7%. Our contract logistics/SCM business also benefited from the rebound in global development.

The increase in the European land transport affected both the national and international land transport sectors, although the international routes posted significantly stronger development.

The air freight market, in particular, benefited significantly from the economic recovery. Notable gains were recorded on all of the major routes.

The development of performance of our ocean freight business tracked market trends and was very favorable.

In the contract logistics segment we benefited especially from the global upswing in sales in the automotive sector.

[1] ⟶ **Page 100 ff.** | [2] ⟶ **Page 70 f.**

BUSINESS DEVELOPMENT

EUROPEAN LAND TRANSPORT

Selected key figures [€ million]	2010	2009	Change absolute	Change %
Shipments in European land transport (thousand)	80,816	70,052	+10,764	+15.4
Total revenues	5,864	5,086	+778	+15.3
thereof external revenues	5,815	5,048	+767	+15.2
EBITDA adjusted	194	199	−5	−2.5
EBIT adjusted	99	108	−9	−8.3
Employees (FTE as of December 31)	23,666	22,946	+720	+3.1

Total revenues recorded for our European land transport business for the year under review amounted to € 5,864 million, or 15.3 % over the same year-ago figure. The growth in revenues was similar to the growth noted for volume shipped. Both the national and international land transport sectors benefited from the strong development.

Price levels were relatively low at the start of 2010 due to freight forwarders' aggressive pricing policy in the previous year. Upward price adjustments were extremely limited due to the very intensive competitive situation. Furthermore, in some cases the lifetime of ongoing contracts that were based on the previous year's lower prices continued beyond the first half of 2010. The situation improved a bit in the second half of 2010 as rising demand made it possible to adjust prices once again in some cases.

The favorable development of revenues was offset by burdens caused by higher fuel prices, as well as transport costs because of the difficulty in obtaining freight capacity during the course of the year, which had a corresponding effect on the development of margins.

The development of results from operations was therefore lower than the same year-ago figure. Total adjusted EBITDA fell by € 5 million to € 194 million while the adjusted EBIT figure decreased by € 9 million to € 99 million.

AIR AND OCEAN FREIGHT

Selected key figures [€ million]	2010	2009	Change absolute	Change %
Air freight volume (export, thousand t)	1,225	1,032	+193	+18.7
Ocean freight volume (export, thousand TEU)	1,647	1,424	+223	+15.7
Total revenues	7,135	5,051	+2,084	+41.3
thereof external revenues	7,132	5,049	+2,083	+41.3
EBITDA adjusted	227	120	+107	+89.2
EBIT adjusted	186	77	+109	+142
Employees (FTE as of December 31)	21,343	21,238	+105	+0.5

Total revenues recorded for the air and ocean freight sectors surged by 41.3 % over the same year-ago figure during the year under review to € 7,135 million. As global trade especially benefited from the economic recovery, both our air and ocean freight business participated in these strong developments. Furthermore, our trade fair/sports and project business, as well as our domestic American business were above the comparable year-ago figures.

The development of results from operations significantly improved in all segments, especially air freight, in comparison with the previous year's figures. In total, adjusted EBITDA rose notably by € 107 million to € 227 million as did adjusted EBIT, which surged by € 109 million to € 186 million.

CONTRACT LOGISTICS

Selected key figures [€ million]	**2010**	2009	Change	
			absolute	%
Total revenues	1,310	1,152	+158	+13.7
thereof external revenues	1,308	1,151	+157	+13.6
EBITDA adjusted	79	54	+25	+46.3
EBIT adjusted	44	18	+26	+144
Employees (FTE as of December 31)	13,333	12,633	+700	+5.5

Our contract logistics/SCM business was also able to benefit from the favorable economic developments during the year under review and recorded a 13.7% increase in total revenues and a 13.6% gain in external revenues. Our activities in the region Asia, in particular, recorded significant growth. In total, our contract logistics activities in Europe were greater than the same year-ago figure.

The greatest increase in results from operations was posted by our European companies, and the region Central in particular. In total, our adjusted EBITDA figure increased by € 25 million to € 79 million while adjusted EBIT improved by € 26 million to € 44 million.

SERVICES

- Under the supervision of DB Systel one of the most modern computer centers in Europe was built in Berlin-Mahlsdorf. The highest security requirements for operating an IT structure are implemented in the building comprising nearly 5,000 square meters.
- DB Fuhrpark (fleet management) won the European tender to manage the fleet of Bilfinger&Berger, a construction firm, with about 4,000 vehicles.

DB Services business unit

Selected key figures [€ million]	**2010**	2009	Change	
			absolute	%
Segment revenues	3,114	2,864	+250	+8.7
thereof total revenues	1,274	1,237	+37	+3.0
thereof external revenues	128	109	+19	+17.4
thereof other operating income	1,840	1,627	+213	+13.1
EBITDA adjusted	287	297	-10	-3.4
EBIT adjusted	129	125	+4	+3.2
Gross capital expenditures	177	138	+39	+28.3
Employees (FTE as of December 31)	25,131	24,460	+671	+2.7

BUSINESS DEVELOPMENT

Development of the DB Services business unit is primarily influenced by its support function for intra-Group customers. For this reason, the biggest portion of total segment revenues (revenues plus other operating income) of € 3,114 million, were once again internal segment revenues of € 2,707 million, which increased by 7.2% during the year under review. This increase was mainly driven by higher results for maintenance of rail vehicles posted by DB Fahrzeuginstandhaltung (vehicle maintenance). In contrast, lower internal revenues were recorded for information technology and telecommunications services.

On the expense side, the cost of materials, in particular, increased notably due mainly to higher intermediate inputs for vehicle maintenance. Higher wages were the main driver causing personnel expenses to rise over the same year-ago figure. Depreciation fell significantly during the year under review due to a lower number of vehicles.

Correspondingly, adjusted EBITDA also fell by € 10 million to € 287 million while the adjusted EBIT figure rose by € 4 million to € 129 million. This change was especially due to the higher capacity utilization rate recorded for vehicle maintenance operations.

Gross capital expenditures were higher than the same year-ago level due to the construction of a computer center near Berlin and new telecommunications facilities. The main emphasis may be found in the chapter → *Capital expenditures* [1].

The number of employees increased by 2.7 % as of December 31, 2010 compared to the same year-ago figure.

INFRASTRUCTURE

- On November 30, 2010 Dr. Heiner Geißler, who served as mediator, issued a concluding statement of results closing the Stuttgart 21 Project → *mediation talks* [2].
- Measures related to the government's → *economic stimulus packages* [3] continued to be implemented during the year under review.
- During the year under review about 3,000 masts for overhead lines were erected on the 73-km-long Reichenbach – Hof line. The train-path was equipped with overhead lines as part of the electrification work.
- The rail infrastructure operating companies, DB Netz AG and Réseau Ferré de France (RFF), Paris / France, reached an agreement to cooperate closely in the area of rail infrastructure: the goal here is to simplify cross-border transport.
- The signing of the financing agreement for the Haltingen – Weil am Rhein line and the Badische Station in Basel cleared the way for construction measures in the southern portion of the expanded and new sections of the Karlsruhe – Basel line.
- The Essen central station was modernized at a cost of about € 57 million.

Additional information

SERVICE AND FINANCING AGREEMENT TARGETS ARE MET

The → *Service and Financing Agreement (LuFV)* [4] took effect in January 2009. Modifications to the LuFV negotiated during the year under review continued the further development of the Agreement as two new quality benchmarks, which already took effect in 2010, were agreed upon. In addition, a more demanding quality standard was defined – reduction of longer travel times due to infrastructure deficiencies – for the entire lifetime of the LuFV. With the submission of the 2009 Infrastructure Status and Development Report we documented that we had kept the service promise we made. Furthermore, during the year under review we also met the contractually agreed targets.

DB Netze Track business unit

Selected key figures [€ million]	**2010**	2009	Change	
			absolute	%
Train kilometers on track infrastructure (million train-path km)	1,032	1,001	+ 31	+ 3.1
thereof non-Group railways	195.3	170.4	+ 24.9	+ 14.6
Share of non-Group railways	18.9 %	17.0 %	–	–
Total revenues	4,580	4,369	+ 211	+ 4.8
thereof external revenues	913	764	+ 149	+ 19.5
EBITDA adjusted	1,524	1,472	+ 52	+ 3.5
EBIT adjusted	601	558	+ 43	+ 7.7
Gross capital expenditures	4,986	4,624	+ 362	+ 7.8
Employees (FTE as of December 31)	39,849	40,354	– 505	– 1.3

PERFORMANCE DEVELOPMENT

Demand for train-path is dependent on the operating programs of DB Group and non-Group customers. The intra-Group customers have a dominant 81 % of demand. Due to the recovery of business in the rail freight transport sector, demand generated by DB Group customers grew slightly over the same year-ago figure. Sharp gains in non-Group railways' demand for train-path increased their share of demand to 19 % (previous year: 17 %). During the year under review total demand for train-path rose over the same year-ago period by 3.1 %, while non-Group railways' demand rose by 14.6 %.

[1] → Page 100 ff. | [2] → Page 121 | [3] → Page 60 | [4] → 2009 Annual Report Page 50

BUSINESS DEVELOPMENT

Revenues rose and were driven by higher volume due to higher demand for train-path. Price adjustments also contributed towards the increased revenues. The development of external revenues primarily reflects the notable increase in demand by non-Group railways.

The cost of winter services rose notably during the year under review due to severe winter weather conditions at the start and end of 2010. As a result the cost of materials increased significantly over the same year-ago period. Despite a slight drop in the number of employees, higher personnel expenses were posted due to higher wages.

The improved development of revenues coupled with a slightly less-than-proportionate increase in expenses resulted in a € 52 million increase in the adjusted EBITDA figure to € 1,524 million, while adjusted EBIT gained by € 43 million to € 601 million.

The increase in gross capital expenditures was primarily driven by implementing → *economic stimulus program* [1] measures, as well as the higher net capital expenditures. The main emphasis may be found in the chapter → *Capital expenditures* [2].

The number of employees declined slightly as of December 31, 2010 compared to the same year-ago figure.

DB Netze Stations business unit

Selected key figures [€ million]	2010	2009	Change	
			absolute	%
Station stops (million)	140.9	140.5	+ 0.4	+ 0.3
thereof non-Group railways	22.0	20.0	+2.0	+10.0
Total revenues	1,044	1,025	+19	+1.9
thereof external revenues	387	373	+14	+3.8
EBITDA adjusted	343	342	+1	+ 0.3
EBIT adjusted	217	217	–	–
Gross capital expenditures	511	488	+23	+ 4.7
Employees (FTE as of December 31)	4,636	4,601	+35	+ 0.8

PERFORMANCE DEVELOPMENT

The number of station stops rose by 0.3 % during the year under review reflecting higher demand from non-Group customers.

BUSINESS DEVELOPMENT

The increase in the total revenues is due to higher revenues for station stops as well as increased rental and lease income. The increase in revenues received for station stops was primarily driven by higher prices while higher rental revenues were generated by the favorable development of retail sales. External revenues reflected the trend towards greater usage by non-Group railways.

On the expense side both personnel expenses, due in particular to higher wages, and the cost of materials, because of greater maintenance costs, rose.

On an overall basis increases noted for expenses and revenues almost completely balanced each other out so that adjusted EBITDA only rose slightly by € 1 million to € 343 million. Depreciation rose slightly over the same year-ago level by € 1 million so that the adjusted EBIT figure of € 217 million remained at the same year-ago level.

Gross capital expenditures made during the year under review were significantly higher than the same year-ago figure. The increase was primarily driven by measures related to the → *economic stimulus packages* [1]. The main emphasis may be found in the chapter → *Capital expenditures* [2].

The number of employees was higher on December 31, 2010 than on the same year-ago date. This change was due to the implementation of measures stemming from the economic stimulus packages and measures to enhance passenger safety.

[1] → ***Page 60*** [2] → ***Page 100 ff.***

DB Netze Energy business unit

Selected key figures [€ million]	**2010**	2009	Change	
			absolute	%
Traction current (GWh)	10,326	9,919	+407	+4.1
Diesel fuel (million l)	480.8	469.0	+11.8	+2.5
Total revenues	2,501	2,308	+193	+8.4
thereof external revenues	816	645	+171	+26.5
EBITDA adjusted	165	182	-17	-9.3
EBIT adjusted	82	103	-21	-20.4
Gross capital expenditures	144	164	-20	-12.2
Employees (FTE as of December 31)	1,536	1,574	-38	-2.4

PERFORMANCE DEVELOPMENT

Demand for traction current rose by 4.1 % during the year under review and was mainly driven by higher volume produced by customers in rail freight transport. We were also able to increase the sale of diesel fuel once again during the year under review. The main reason for this change was higher volume produced by customers in rail freight transport along with gains in regional transport.

BUSINESS DEVELOPMENT

Revenues posted by the DB Netze Energy business unit were 8.4 % over the same year-ago figure during the year under review. This favorable development was primarily driven by the traction current business, as well as the additional expansion of our energy services business. This area bundles together all of our activities to market our know-how to industrial and commercial business companies that want to optimize their energy procurement management and take advantage of the opportunities available in the changing energy markets and regulatory environment. Development of revenues in the traction current segment reflected higher volume produced in rail transport which was driven by the economic recovery, as well as higher prices for power and diesel fuel in the energy procurement market that we were able to pass on to our customers. Development of our energy services business mirrored the substantial gains in revenues achieved in our power business as well as natural gas procurement business.

The favorable development of volume coupled with higher prices to procure energy resulted in a noticeable increase in the cost of materials. Higher wages were the main reason behind our increased personnel expenses.

Depreciation was slightly higher than the same year-ago figure due primarily to higher depreciation of intangible assets.

Due to the greater-than-proportionate increase in expense items, the adjusted EBITDA figure fell by € 17 million to € 165 million, while adjusted EBIT decreased by € 21 million to € 82 million.

Gross capital expenditures were below the same year-ago level. The main emphasis may be found in the chapter ⟶ *Capital expenditures* [1].

The number of employees was almost unchanged as of December 31, 2010.

[1] ⟶ ***Page 100 ff.***

Financial situation

⟼ **Ratings confirmed in the year under review**
⟼ **Net financial debt rose because of Arriva acquisition**
⟼ **Gross capital expenditures again at high level**

FINANCIAL MANAGEMENT

DB AG's Treasury serves as the central treasury for DB Group. This structure ensures that all Group companies are able to borrow and invest funds at optimal conditions.

Before obtaining funds externally, we first conduct intra-Group financing transactions. When borrowing external funds, DB AG takes out short-term loans in its own name, whereas long-term capital is generally obtained through the Group's financing company, Deutsche Bahn Finance (DB Finance) B.V., Amsterdam/the Netherlands. These funds are passed on to DB ML AG companies within the framework of a dual-level treasury concept as time deposits or loans.

DB Group's infrastructure companies are linked directly to DB AG's Treasury. This concept enables us to pool risks and resources for the entire Group, as well as to consolidate our expertise, realize synergy effects, and minimize refinancing costs.

As of December 31, 2010 we had tapped our long-term debt issuance program of € 15 billion for a total of € 11.8 billion (as of December 31, 2009: € 9.3 billion).

With respect to short-term financing, as in the previous year, a multi-currency multi-issuer commercial paper program of over € 2 billion was available as of December 31, 2010 and had been tapped for € 42 million as of December 31, 2010 (previous year: not used). Furthermore, as of December 31, 2010 we also had a guaranteed unused credit facility of € 2.5 billion (€ 1.8 billion as of December 31, 2009). In addition, credit facilities of € 1.4 billion were also available for our operational business as of the date of record (€ 1.3 billion as of December 31, 2009). These credit facilities, which are available to our subsidiaries around the world, include provisions for financing working capital, as well as sureties for payment.

No major financed leasing transactions were concluded during the year under review. However, as part of the Arriva acquisition we assumed liabilities related to financed leasing transactions totaling € 296 million as of December 31, 2010.

Ratings reconfirmed

Ratings DB AG	First issued	Last confirmation	Current ratings Short-term	Long-term	Outlook
Moody's	May 16, 2000	Nov 26, 2010	P-1	Aa1	stable
Standard & Poor's	May 16, 2000	Feb 17, 2011	A-1+	AA	stable
Fitch	Feb 17, 2009	May 13, 2010	F1+	AA	stable

Information as of February 22, 2011

DB Group's creditworthiness is regularly examined by the rating agencies Standard & Poor's (S&P), Moody's and Fitch. During the year under review, S&P, Moody's and Fitch conducted their annual rating reviews and subsequently reconfirmed DB AG's good credit ratings. These ratings have remained unchanged since they were first issued.

Additional information about our ⟶ *ratings* [1] as well as the rating agencies' complete analyses of DB AG can be found on our Web site.

[1] ⟶ ***www.db.de/rating-e***

CASH FLOW STATEMENT

Summary [€ million]	**2010**	2009	Change absolute	Change %
Cash flow from operating activities	3,409	3,133	+276	+8.8
Cash flow from investing activities	-3,479	-1,935	-1,544	+79.8
Cash flow from financing activities	27	-615	+642	–
Net change in cash and cash equivalents	5	591	-586	-99.2
Cash and cash equivalents as of December 31	1,475	1,470	+5	+0.3

The development of cash flow from operating activities during the year under review was marked by a slight decline in net working capital and by an improved figure for the item taxes on income. The decline in profits before taxes on income was due to the discontinuation of special items in the year under review, which, however, did not have a cash effect. Total cash flow from operating activities rose by € 276 million to € 3,409 million.

The cash flow from investment activities during the year under review was especially influenced by the acquisition of → *Arriva* [1] with a purchase price of € 1.9 billion, which was the reason for the sharp increase in payments for acquisition of shares in consolidated companies less cash and cash equivalents (€ +1,420 million). The level of payments for purchases of property, plant and equipment and intangible assets, which was already quite high in the previous year, was increased (€ +378 million) during the year under review. In contrast, higher proceeds from investment grants (€ +170 million), which stemmed from additional funds provided by the Federal Government's economic stimulus packages, were employed within the rail infrastructure area. The outflow of cash from investing activities rose in total by € 1,544 million to € 3,479 million.

On the financing side, following the cash outflows noted to repay debt in the previous year, during the year under review cash inflows from financing activities affected the increase in financial debt that was acquisition driven. Higher proceeds from issue of bonds (€ +337 million) and lower payments for redemption of bonds (€ +367 million) were as equally noticeable as the higher proceeds from borrowings and commercial paper (€ +239 million). No Federal loans were recorded during the year under review. Payments for redemption of Federal loans during the year under review amounted to € 481 million, or € 43 million more than in the previous year. The net cash flow from financing activities rose by € 642 million to € 27 million.

As of December 31, 2010 DB Group had € 1,475 million in cash and cash equivalents available, which was almost unchanged in comparison to the € 1,470 million in cash and cash equivalents available on December 31, 2009.

NET FINANCIAL DEBT

[€ million]	**Dec 31, 2010**	Dec 31, 2009	Change absolute	Change %
Non-current financial debt	16,394	14,730	+1,664	+11.3
thereof Federal loans	2,503	2,785	-282	-10.1
Current financial debt	2,159	1,780	+379	+21.3
thereof Federal loans	433	491	-58	-11.8
FINANCIAL DEBT	**18,553**	**16,510**	**+2,043**	**+12.4**
– Cash and cash equivalents and receivables from financing	1,614	1,499	+115	+7.7
NET FINANCIAL DEBT	**16,939**	**15,011**	**+1,928**	**+12.8**
– Purchase price Arriva	1,916	–	+1,916	–
– Net financial debt DB Arriva	1,057	–	+1,057	–
NET FINANCIAL DEBT (EXCLUDING DB ARRIVA)	**13,966**	**15,011**	**-1,045**	**-7.0**

[1] → ***Page 60***

Financial debt rose during the year under review by € 2,043 million to € 18,553 million. We issued five bonds with a total volume of € 2.5 billion; we redeemed one bond that had a nominal value of € 1.0 billion. Furthermore, in January 2010 we borrowed € 200 million from EUROFIMA, Basel/Switzerland. The increase in financial debt was due to the acquisition of ⟶ *Arriva* [1]. Excluding the acquisition, net financial debt was again reduced significantly (€ −1.0 billion).

Total Federal loans decreased by € 340 million to € 2,936 million (as of December 31, 2009: € 3,276 million). Using IFRS as a basis for calculation, the present value of interest-free Federal loans fell by € 175 million to € 2,606 million (as of December 31, 2009: € 2,781 million).

Financial debt excluding Federal loans rose during the year under review to € 15,617 million (as of December 31, 2009: € 13,234 million).

Cash and cash equivalents available as of December 31, 2010 increased by € 115 million to € 1,614 million. Liquidity was increased to enable repayment of financial debt due in January 2011. Accordingly, net financial debt rose at a slower pace than financial debt.

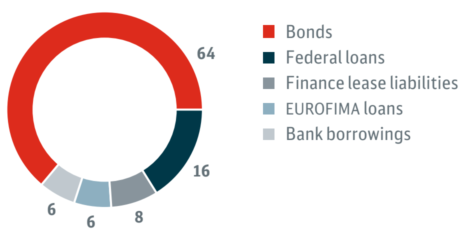
The structure of maturities was almost unchanged as of December 31, 2010. There was a slight shift to short-term financial debt as their share of financial debt increased from 11 % to 12 %.

The composition of financial debt remained almost unchanged as of December 31, 2010 and consisted primarily of bonds (64 %; as of December 31, 2009: 61 %) and Federal loans (16 %; as of December 31, 2009: 20 %).

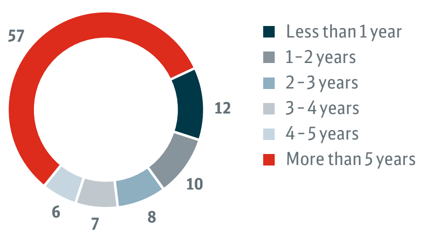
As of December 31, 2010, 73.5 % of our outstanding bonds consisted of fixed income euro-denominated issues, while 26.5 % were fixed-income bonds denominated in a foreign currency. To avoid exchange rate risks we entered into interest-currency swaps with identical maturities for each transaction.

FINANCIAL DEBT STRUCTURE AS OF DECEMBER 31, 2010

By composition [%]



By maturity [%]



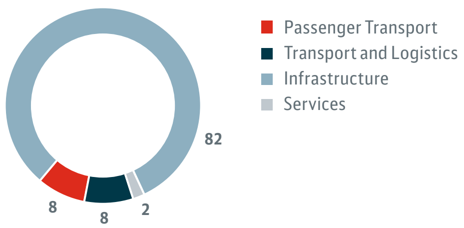
[1] ⟶ *Page 60*

CAPITAL EXPENDITURES

Gross capital expenditures by business unit [€ million]	2010	2009	Change	
			absolute	%
DB Bahn Long-Distance	48	47	+1	+2.1
DB Bahn Regional	212	407	-195	-47.9
DB Bahn Urban	91	57	+34	+59.6
DB Schenker Rail	350	319	+31	+9.7
DB Schenker Logistics	189	196	-7	-3.6
DB Services	177	138	+39	+28.3
DB Netze Track	4,986	4,624	+362	+7.8
DB Netze Stations	511	488	+23	+4.7
DB Netze Energy	144	164	-20	-12.2
Other/Consolidation	12	22	-10	-45.5
DB GROUP (EXCLUDING DB ARRIVA)	**6,720**	**6,462**	**+258**	**+4.0**
DB Arriva	171	–	+171	–
DB GROUP	**6,891**	**6,462**	**+429**	**+6.6**
– Investment grants	4,819	4,649	+170	+3.7
NET CAPITAL EXPENDITURES	**2,072**	**1,813**	**+259**	**+14.3**

STRUCTURE GROSS CAPITAL EXPENDITURES 2010

By division [%]



During the year under review we underlined our long-term approach to business by making significantly higher gross capital expenditures of € 6,891 million, or about 7 % more than the same year-ago figure. Excluding DB Arriva, gross capital expenditures rose by 4.0 %.

We made notably higher capital expenses in the infrastructure business units of DB Netze Track and DB Netze Stations (due to the → *economic stimulus programs* [1]) as well as in the DB Services and DB Schenker Rail business units.

The structure of capital expenditures remained dominated by business units within the Infrastructure Board division – and above all, without change, by the DB Netze Track business unit. The infrastructure business units accounted for 82 % (previous year: 82 %) of total gross capital expenditures with the DB Netze Track business unit alone holding 72 % (in the previous year: 72 %). Business units in the Passenger Transport Board division held an 8 % share (previous year: 8 %) while business units in the Transport and Logistics Board division accounted for an unchanged 8 %. Broken down by regions, the vast majority (94 %) of capital expenditures were again made in Germany.

The main focus across DB Group was on measures to increase the performance and efficiency within the infrastructure sector, station modernization, as well as the additional rejuvenation of our vehicle parks in the rail and bus transport segments. In addition, we also invested in the further development of our logistics networks.

Capital expenditures made within the DB Bahn Long-Distance business unit were primarily focused on vehicles and workshops. In the area of vehicles the main measures made were related to the redesign of the ICE 2; equipping the trains operating in France (BR 406 MF) with ETCS; and the installation of chassis frame diagnosis system in selected ICE 3 trains. Furthermore, capital expenses were also made to improve the infrastructure of our maintenance shops, especially in building

[1] → *Page 60*

shops for internationalization tasks, for procurement of additional ultrasound testing facilities, as well as the continuation of construction of the new Leipzig workshop.

The focal point of capital expenditures made in the DB Bahn Regional business unit was on vehicles. In the area of rail transport the main emphasis was on the concluded transport contracts (including the S-Bahn (metro) Nuremberg) and the newly won tenders (including E-Network Würzburg, Munich–Passau, E-Network Augsburg and the Nuremberg diesel network). In addition, capital expenditures were also made for modernization purposes for the Südpfalz (Southern Palatinate) tender. Furthermore, investments were made in the infrastructure for vehicle maintenance and fitting. The decrease in capital expenditures in comparison to the previous year was due to delays in the deliveries of new vehicles because EBA certification had not been issued and because of defects and delivery delays on the part of manufacturers.

Capital expenditures made in the DB Bahn Urban business unit were above the same year-ago level and were focused on the procurement of vehicles.

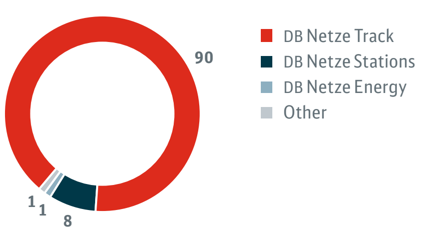
The main emphasis of capital expenditures made in the DB Schenker Rail business unit was on renewing our fleet of freight cars and locomotives as part of the continuation of our multi-year modernization program, as well as the expansion of our international business activities through the operation of multi-system locomotives.

The vast majority of capital expenditures in the DB Schenker Logistics business unit were made in Europe. The biggest individual projects involved the expansion of our freight forwarding facilities in Germany, France, Switzerland, Sweden and the USA, as well as projects to introduce new operational IT systems.

Within the DB Services business unit, DB Fleet Management made capital expenditures to replace road vehicles and DB Systel made investments to replace and expand hardware and software.

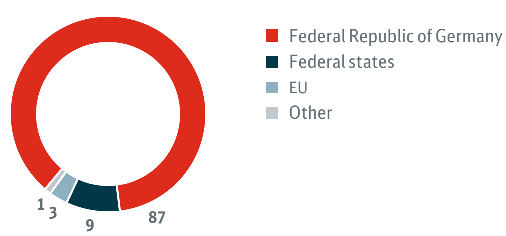
INVESTMENT GRANTS 2010

Investment grants [%]



Investment grants were mainly issued to procure or make property, plant and equipment in the infrastructure sector. The grants were primarily made by the Federal Republic of Germany, although German Federal states, municipalities and/or the European Union also make grants to companies, which are primarily railway infrastructure companies within DB Group.

Contributors [%]



After the facilities have been completed, investment grants are deducted from the cost to procure or make the property, plant and equipment. As a result, the facilities are shown at a lower book value and therefore incur lower depreciation charges. An overview of the various types of investment grants may be found in the Internet ⟶ [1].

[1] ⟶ ***www.db.de/capex***

The DB Netze Track business unit invested in measures to strengthen the performance capabilities of the existing network, especially through programs to improve track installations, command and control technology, modernize bridges, railway crossings and tunnels as well as noise abatement measures. In addition, the focus was also on major projects including Nuremberg – Erfurt, Erfurt – Halle / Leipzig, the Berlin-Schönefeld BBI airport connection, VDE 9 Leipzig – Dresden / S1 Dresden – Coswig, Augsburg – Olching, Stuttgart 21, Karlsruhe – Basel, Leipzig – Dresden, ABS Berlin – Cottbus.

Capital expenditures made in the DB Netze Stations business unit were dominated by final work and expansion measures at the Berlin central station main buildings (Bügelbauten), Stuttgart 21, S-Bahn (metro) Nuremberg – Ansbach, S-Bahn (metro) Nuremberg – Neumarkt, Rosenheim, Essen central station, various fire prevention measures, as well as further modernization measures across the country (including the North Rhine Westphalia modernization offensive).

The focus of capital expenditures made by the DB Netze Energy business unit was on the nationwide renewal of substations within the 110-kV traction current network, as well as the construction of switching stations.

BALANCE SHEET

Balance sheet structure [€ million]	**Dec 31, 2010**	Dec 31, 2009	Change	
			absolute	%
Total assets	52,003	47,303	+ 4,700	+ 9.9
ASSET SIDE				
Non-current assets	44,530	41,308	+ 3,222	+ 7.8
Current assets	7,473	5,995	+ 1,478	+ 24.7
EQUITY AND LIABILITIES				
Equity	14,316	13,066	+ 1,250	+ 9.6
Non-current liabilities	24,762	23,359	+ 1,403	+ 6.0
Current liabilities	12,925	10,878	+ 2,047	+ 18.8
ASSET SIDE STRUCTURE				
Non-current assets	85.6 %	87.3 %	–	–
Current assets	14.4 %	12.7 %	–	–
EQUITY AND LIABILITIES STRUCTURE				
Equity	27.5 %	27.6 %	–	–
Non-current liabilities	47.6 %	49.4 %	–	–
Current liabilities	24.9 %	23.0 %	–	–

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). There were no relevant changes to the IFRS regulations, and no changes to the Group's consolidation and accounting principles. Thus, there were no changes affecting the basis for preparing the Group's consolidated financial statements during the period under review.

Changes to the scope of consolidation did have a notable effect on the development of balance sheet figures during the year under review. As of December 31, 2010 total assets increased by € 4,700 million, or 9.9 %, to € 52,003 million (as of December 31, 2009: € 47,303 million).

Non-current assets amounted to € 44,530 million and were 7.8 %, or € 3,222 million, higher than the same figure at the end of the previous year (as of December 31, 2009: € 41,308 million). This change was primarily driven by the increase in the value of intangible assets of € 2,070 million as of December 31, 2009 to € 4,154 million as of December 31, 2010, due primarily to the acquisition of Arriva. Property, plant and equipment rose by € 434 million to € 37,873 million.

As of December 31, 2010 the value of current assets rose substantially by 24.7 %, or € 1,478 million to € 7,473 million (as of December 31, 2009: € 5,995 million). The reason for this change was the € 847 million increase in the volume of trade receivables due to an increase noted for the DB Schenker Logistics business unit.

Structurally, this resulted in a slight shift toward current assets.

The major changes noted on the equity and liabilities side of the balance sheet as of December 31, 2010 took place in the areas of equity and financial debt. Equity increased by € 1,250 million, or 9.6 %, to € 14,316 million (as of December 31, 2009: € 13,066 million) because of higher profits. Due to the stronger increase in total assets the equity capital ratio slipped slightly from 27.6 % as of December 31, 2009 to 27.5 % as of December 31, 2010. After adjusting for the acquisition of Arriva the equity capital ratio increased to 30.1 %.

The primary change noted to non-current liabilities was the 11.3 %, or € 1,664 million, increase in non-current financial debt as of December 31, 2010.

Current liabilities posted a significant 18.8 %, or € 2,047 million, increase over the same year-ago date as of December 31, 2010. The increase was mainly attributable to an increase in trade liabilities (€ +1,019 million) and the increase in current financial debt (€ +379 million).

In total, ⟶ *financial debt* [1] grew by 12.4 %, or € 2,043 million and the share of total assets represented by non-current liabilities decreased accordingly as of December 31, 2010. In contrast, the share held by current liabilities rose as of December 31, 2010.

Off-balance-sheet financing instruments and non-recognized assets

In addition to the assets shown in the Group's consolidated balance sheet, DB Group also uses off-balance-sheet financing instruments and assets that cannot be recognized in the balance sheet.

The off-balance-sheet financing instruments primarily refer to leased or rented goods (operate leases). A present value is calculated within the value management system for ⟶ *operate leases* [2]. As of December 31, 2010 this amounted to € 4,610 million (as of December 31, 2009: € 4,105 million). The increase was mainly due to the acquisition of ⟶ *Arriva* [3] where operate leases are used to finance rail and road transport vehicles. DB Arriva has entered into operating lease contracts, in some cases due to regulatory requirements, especially in conjunction with making vehicles available for rail passenger and road passenger transport.

Regarding retirement benefit obligations for employees, obligations for each retirement plan are covered by their respective pension scheme and are offset by plan assets which are capable of being netted. As of December 31, 2010 total obligations amounted to € 4,844 million (as of December 31, 2009: € 3,104 million), the fair value of plan assets was € 2,442 million (as of December 31, 2009: € 1,010 million) and the net liability recognized in the balance sheet amounted to € 1,938 million (as of December 31, 2009: € 1,736 million). Additional information may be found in the ⟶ *Notes* [4].

DB Group does not use off-balance-sheet special purpose entities. This is why off-balance-sheet financing instruments are of no significance for DB Group's asset situation. Additional off-balance-sheet financing instruments, like factoring, are not used in DB Group.

Exercising balance sheet voting rights

For more information on ⟶ *exercising balance sheet voting rights* [5], please see the Notes.

[1] ⟶ **Page 98 f.** | [2] ⟶ **Page 80** | [3] ⟶ **Page 60** | [4] ⟶ **Page 217 ff.** | [5] ⟶ **Page 150 ff.**

Strategy

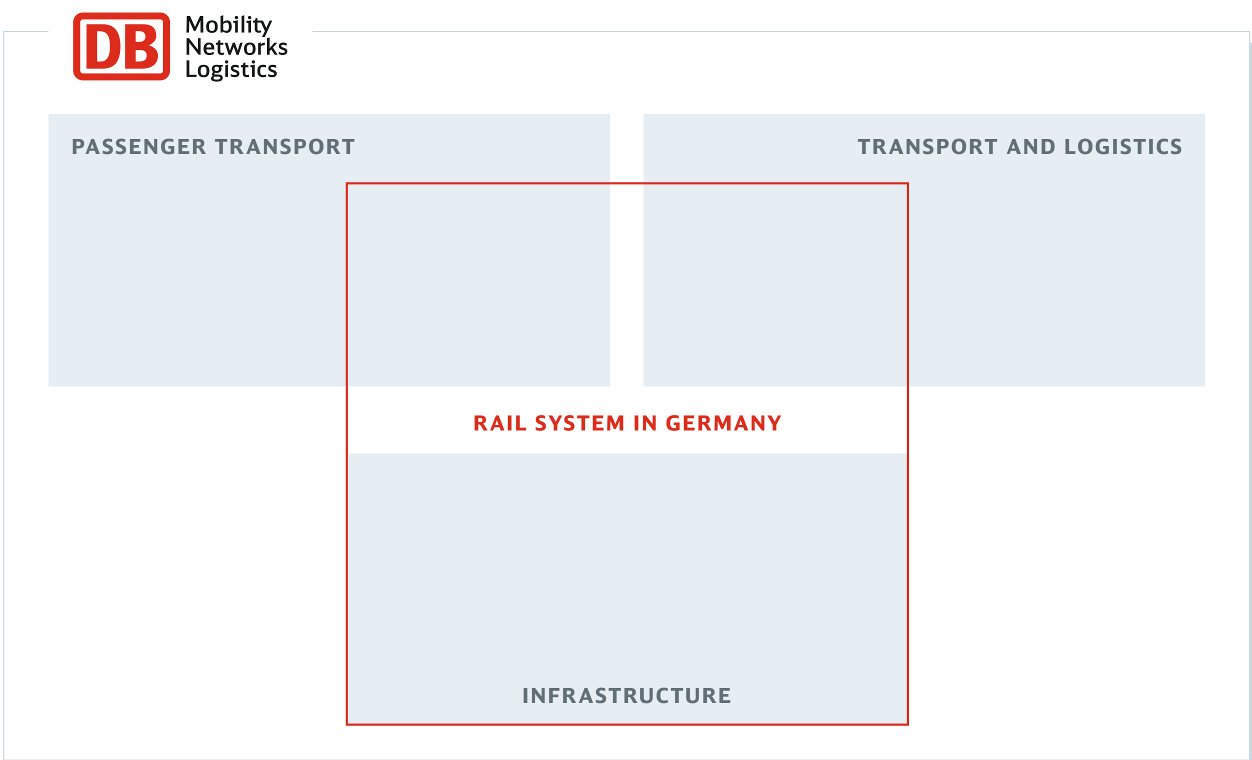
- Economic and financial crisis successfully mastered
- Vision and strategy confirmed
- Customer and quality initiative started

ECONOMIC AND FINANCIAL CRISIS SUCCESSFULLY MASTERED

We were also affected by the effects of the economic and financial crisis and incurred substantial declines in our revenues and profits in 2009. However, we recovered significantly during the year under review and got back on track for growth just as before the crisis.

Two factors played a decisive role in our rapid recovery: first, we decisively counteracted the impact of the crisis with our Group-wide reACT program. And, secondly, the structure of our business portfolio as an integrated group proved its worth. Especially during the crisis our integrated approach towards strategy, organization and management, as well as the related linkage of the individual business units to realize the benefits of synergies and network strengths, had a stabilizing effect.

VISION AND STRATEGY CONFIRMED



We are currently already well positioned in all of the relevant mobility and logistics markets. Our goal is to become the world's leading mobility and logistics company. This goal entails providing customers innovative and individual mobility and logistics solutions from a single source, linking modes of transport together economically, ecologically and intelligently, and setting standards for quality and customer satisfaction while we continue to expand our leading positions.

These strategic goals and the related demands remain valid and continue to shape our strategic direction. We want to achieve this based on our core competence – the efficient and reliable operation of transport networks – and our strong position in the heart of Europe. And at the same time our growth is being driven forward by the long-term megatrends in the transport markets – globalization, climate change, scarcer resources, deregulation and demographic change – which are supporting our future development.

Globalization

A significant increase in the volume of global transport is clearly visible as the economic and financial crisis fades and the global economy recovers. It is expected that the growing recovery of the global economy will again add momentum to the effects of globalization. At the same time it may also be expected that the development of business will be considerably more volatile in the future. Demand for global transport and logistical solutions will be favorably influenced by the deepening global division of labor, shifting production facilities around the world, and the rapidly growing markets in Asia and Eastern Europe. We want to participate in this growth and offer our customers tailor-made solutions across all modes of transport flanked by supplementary logistical services.

CUSTOMERS AND QUALITY INITIATIVE – IMPROVE QUALITY AND RAISE CUSTOMER SATISFACTION

We are continually working to enhance the attractiveness of rail transport and position rail as the mode of transport of the future. To achieve this goal it is imperative to permanently increase customer satisfaction. With this goal in mind we launched a customer and quality initiative at the start of the year under review, which systematically develops concepts across business units and ensures that service promises made to customers are being kept. Within the framework of the customer and quality initiative we also began to implement additional measures to improve customer service and further increase the stability and robustness of our operations.

This means specifically:

- we increase reliability,
- we improve comfort and service along the entire travel chain, and
- we ensure that our customers are sufficiently informed – even during special situations – and that they receive good service.

The entire portfolio consists of eleven projects in regional and long-distance transport, freight transport as well as in the infrastructure. In view of the experience gained in 2009, the main focus of the project was on preparations for the fall and winter to ensure the highest possible level of operational quality even in difficult situations caused by inclement weather. An extensive catalog of long- and short-term measures was approved.

One of the immediate short-term measures referred to long-distance transport and particularly to measures ensuring the availability of vehicles. These measures include lowering speed to reduce the number of vehicles sidelined by flying ballast, as well as additionally equipping vehicles to protect them against weather-related damages. Concurrently, the winter schedule, which was published in mid-December 2010, was adjusted to reflect available vehicle capacities. In the infrastructure area the goal was to achieve greater availability of the network by improving coordination among operational personnel.

An additional focal point of the customer and quality initiative is the intensification of the level of service provided to customers by, for example, increasing the number of service and security personnel in local transport trains, or by simplifying complaint procedures, as well as expanding the range of services offered to handicapped travelers in train stations.

There is still room for improvement, especially in the area of passenger information. In addition to the immediate measures, over the long-term we will ensure that passengers receive consistent access to information by optimizing data processes and increasing the number of service personnel in train stations.

Furthermore, we will employ a continuous monitoring process to observe the implementation of the measures, as well as the planned increase in customer satisfaction.

Climate change and scarcer resources

Climate change and scarcer resources remain major challenges, especially for the transport markets. The transport sector is known as one of the biggest generators of climate-damaging carbon dioxide (CO_2), and thus global warming. This is why we anticipate that in the future, governments and customers in Germany and abroad will significantly increase their efforts to decrease CO_2 in the transport and mobility sector. These developments will be flanked by the expected increase in prices for fossil fuels, as well as rising awareness of the changing climate and greater demand for energy-efficient and environmentally friendly transport services. We want to benefit from this trend and play a leading role in developing the market for climate-friendly mobility and transport offers. We will achieve this by supporting our customers in their efforts to reach their environmental targets with our environmentally friendly transport services, and by further reducing our own CO_2 emissions.

Deregulation

The deregulation and opening of the transport markets is being pushed at both the European and national levels. Following the complete liberalization of the European rail freight transport market in 2007, the European long-distance transport market was opened at the start of the year under review. This reform permits every European TOC to operate cross-border lines. This opens up potential opportunities for us in Europe which are already being realized in Germany by international transport companies. However, it is necessary that certain countries, like France and Italy, accelerate the pace of their hitherto listless implementation of liberalization measures in their markets.

Our long-term goal is to play a substantial role in shaping the rail transport networks in Europe, as well as securing our central position in the heart of Europe to further expand our operations.

Demographic change

Future demographic changes will lead to a change in mobility behavior. These changes include, in particular, population concentrations in major metropolitan areas, diverging business development in individual regions, as well as the increasing flexibility of employed persons. We want to realize the resulting growth potential and we will decisively adjust our transport solutions to the changing mobility needs.

CLEAR STRATEGIC THRUST

Our strategic thrust is clearly defined: based on a strong core business in Germany our goal is to continue our progress by introducing new products and entering new markets. We introduced four special initiatives aimed at helping us achieve this goal: customers and quality, engineering, capital expenditures and our market initiative.

Strengthening our core business

We are continuing to further develop from our core business platform. In doing so we are pursuing the goal of sustainable stability as well as reinforcing our core business by increasing the quality and efficiency of our operations. Customer-oriented service measures are being expanded by the customer and quality initiative while ensuring that the quality of our operations is also being improved. Along with these measures the engineering initiative is focused on raising the levels of safety and quality in our operations and optimizing collaboration between us and the industrial sector. After all, the capital expenditure initiative involves significantly higher quality derived from investments made to procure new vehicles, modernize the infrastructure, as well as harmonizing the IT landscape.

Development of new offers

We want to exploit possible synergies within our business portfolio even better than in the past so we can offer our customers improved and new attractive offers. Furthermore, we also want to realize inter-modal potential to reduce costs. Our emphasis here is on the further expansion of integrated offers by intelligently linking different modes of transport together.

We must take ecological challenges into consideration when we create new mobility and logistical solutions, and when we further develop existing solutions. In order to operate our transport networks in a sustainable and future-oriented manner we have set ourselves the goal of reducing the CO_2 emitted by our rail, road, air and waterway transports by 20 % (in comparison to 2006) by 2020.

Expand and strengthen transport networks

Future-capable transport networks require continuous expansion into new markets. Within the framework of the market initiative we are realizing the opportunities involved in developing and strengthening transport networks based on customer needs. The advancing liberalization of our home market, in particular, requires us to expand our business activities into new markets outside of Germany. The acquisition of the British transport company ⟶ *Arriva* [1] during the year under review enabled

[1] ⟶ ***Page 60***

us to expand our European passenger transport network thereby taking a major step forward towards becoming an international provider of mobility services. In addition to growing our transport networks, we also want to further strengthen existing networks and achieve an optimal level of integration.

Parallel to these activities we also want to market our railway know-how to a greater extent than we have in the past, thereby making a decisive contribution towards the global Renaissance of rail. We will achieve this by marketing the experience we have gained in planning complex transport networks around the world thereby creating the prerequisites to win follow-up assignments. The 49 % stake we obtained in the Qatar Railways Development Company (QRDC) in the previous year was an important step in this direction.

INTEGRATED MOBILITY IN GERMANY AND POSITIONING IN EUROPE

Within the German passenger transport sector we are further raising the performance capabilities of our rail products and integrating individual services to form comprehensive mobility solutions. This means that we are linking various transport modes together and offering our customers flexible door-to-door solutions from a single source. In doing so we enable the creation of complete end-to-end travel chains, thereby offering a competitive and ecologically beneficial alternative to motorized individual transport.

We work closely with our end-customers, as well as other companies and policymakers when we develop additional products for our range of mobility offers. This is because we operate efficient and integrated transport networks in the local and long-distance transport sectors. The links in these networks are being continually improved in line with customer requirements, thereby generating optimized connection possibilities to make time-saving transports a reality.

By integrating various individual systems into a comprehensive offer we provide our customers all of the needed travel information and make it easier for them to book various mobility options from a single source. This linkage and the possibility to bundle transport together allows customers to reduce their mobility costs and benefit from a more comprehensive offer both in terms of national and international travel. We are working together with various partners to develop the electronic ⟶ *Touch & Travel* [1] system that allows customers to use a mobile phone as a ticket for various modes of transport.

In addition to these developments we also want to use rail's advantages as an environmentally friendly and energy-saving mode of transport to a greater extent in the future by offering innovative solutions and green products. For example, the Hamburg S-Bahn (metro), which received the ÖkoGlobe 2010 award, and regional transport in Saarland have been solely using traction current generated from renewable sources of energy since 2010.

Growth opportunities are limited in Germany due to the open access to the German transport market and the resulting intensive competitive situation in the rail transport market. We want to actively shape the development of the European passenger transport market and use our new cross-border offers to encourage more competition in addition to further expanding our international transport network.

DB Bahn Long-Distance business unit

The key focus of the DB Bahn Long-Distance business unit remains on stabilizing the availability of its fleet. Our goal is to increase the quality of long-distance transport and provide our customers reliable transport services. This is the only way we will be able to make a competitive offer of fast and very frequent connections between major metropolitan areas in Germany and destinations in the rest of Europe.

In order to achieve this goal in the future we launched our ⟶ *customer and quality initiative* [2] at the start of 2010. The focal points of this program include expanding customer-oriented service measures and increasing the reliability of operations. We are underlining the importance of this effort by making additional capital expenditures and increasing the number of specially trained personnel. We have placed the highest priority on the realization of these measures in order to strengthen our position in our core market of Germany and to further expand our share of the intermodal market.

Based on our strength in our home market we will continue to use the opportunities to grow within the European rail passenger long-distance transport sector. By continually expanding our cross-border routes in Europe we want to offer our customers attractive alternatives, especially on long-distance stretches, to traveling via plane or personal car.

In order to achieve our sustainability goals we are also offering the first CO_2-free travel offers for private customers in addition to our successful CO_2 offer for business travel.

[1] ⟶ ***www.touchandtravel.de***

[2] ⟶ ***Page 105***

DB Bahn Regional business unit

Our goal in the German regional rail transport market is to secure our strong market position over the long term within the intensive competitive environment where we do business. As a result of the licensed release of brand rights and the publication of revenue information in conjunction with transport contracts, we have made it clear that we want to convince customers competitively based on our high levels of productivity and quality. Local profit and loss responsibility was strengthened by the creation of a regional structure with individual partial networks which are close to the market. We launched a ⟶ *customer and quality initiative* [1] to increase customer satisfaction. Among the key points of the initiative are an increase in security personnel, as well as additional capital expenditures for improving the cleanliness and comfort features onboard our fleet of vehicles. The stabilization of S-Bahn (metro) operations in Berlin is an important goal of the DB Bahn Regional business unit.

Our focus in the bus transport segment is on securing our share of market. We procured more than 250 MAN buses and invested in innovative operating control systems during the year under review to enhance both customer comfort and the presentation of comprehensive transport information. We place special attention on meeting the needs of handicapped persons. In addition, we are continuing our efforts to implement a single brand identity for our entire fleet.

Within the framework of the Federal Government's initiated liberalization of long-distance scheduled bus services in Germany, we will position ourselves with attractive and high-quality offers within the newly regulated market.

DB Arriva business unit

The acquisition of the British passenger transport company ⟶ *Arriva* [2], one of the most successful private local transport companies in Europe, marked a decisive step for us towards developing the European market. As a result of the acquisition we advanced to become one of the leading companies in the European passenger local transport sector. In addition to Germany we are now present in 11 additional European passenger transport markets. The 12th European country will follow in mid-2011 when we inaugurate bus services in Malta.

This provides our internationalization strategy for passenger transport with a significant growth platform we can use to continue advancing the favorable development of our international passenger transport activities in the future.

Arriva's business activities, which were successfully established in previous years, will – in combination with our existing foreign business, our know-how in the operation of complex transport systems and our financial strength – help to generate additional profitable growth. In the future all of the local transport activities outside of Germany will be bundled together under the management of the new DB Arriva business unit. This also applies to existing activities in Denmark, Great Britain and Sweden.

The integration of DB Arriva in our Passenger Transport division as a stable third pillar alongside the DB Bahn Long-Distance and DB Bahn Regional business units is currently the focal point of our activities. A coordinated approach will ensure that internal resources are used efficiently. Specially targeted programs are being initiated to realize synergies in different areas, exchange experience and expert know-how, and to foster cooperation so we can become even better.

EFFICIENT GLOBAL NETWORKS AND LOGISTICS EXPERTISE

Under the DB Schenker brand name we have positioned ourselves as one of the world's leading transport and logistics service providers. We have achieved this because of our tightly knit networks in European rail freight transport, European land transport, global air and ocean freight as well as industry-specific expertise in global contract logistics. This structure enables us to fulfill the growing expectations of our customers in terms of handling global transport and integrated offerings.

DB Schenker's strategy is based on three strategic thrusts that were proven stable and successful even during the economic crisis. They are:

- the continued optimization of our core business,
- the further development of our transport networks, and
- the expansion of integrated services and industry solutions.

The transport sector will have a key role to play in view of the increasing importance of climate change. DB Schenker's goal is to become the leading green logistics service provider and to decouple transport growth from CO_2 emissions.

[1] ⟶ **Page 105** | [2] ⟶ **Page 60**

DB Schenker Logistics business unit

The DB Schenker Logistics business unit holds leading market positions in every market segment – European land transport, ocean and air freight as well as contract logistics – which we intend to further expand in the coming years. Important prerequisites for attaining this goal are improving profitability by upgrading the IT landscape, expanding the scope of new high-margin products and reducing costs.

DB Schenker Logistics is the market leader in the European land transport sector. By implementing measures to increase productivity, we are working to improve our profitability, which decreased partly in response to the economic crisis. In addition, we are supplementing our product portfolio by further developing pan-European direct transports, and we intend to continue expanding and closing gaps in the European network.

In the areas of air and ocean freight, we plan to further develop our competitive positions and to increase our cost-effectiveness through simplified and standardized processes as well as a corresponding, centrally managed IT system. Ultimately, the increased focus on trade routes with strong growth and high profit margins will generate an additional source for higher profitability.

In the area of contract logistics/SCM, the worldwide growth program “Go for Growth” was further expanded, with a focus on the four core industries: Industrial, Consumer, Electronics and Automotive. Our objective is to grow faster than the market, thereby improving profitability in the area of contract logistics.

DB Schenker Rail business unit

DB Schenker Rail is the leading rail freight transport company in Europe, with a close-knit international network. This allows us to offer our customers a single source for their needs with uniform quality standards. Based on this strategy we have continually gained market share in Europe over the past few years and evolved from a national network provider to a European rail freight transport company. This transformation is ongoing as evidenced – not lastly – by the current integration of DB Schenker Rail Polska.

Due to the permanently changing overall conditions in the market, however, it is still vital that we position ourselves flexibly, create competitive production and cost structures, and implement internationally established quality standards. In order to stay abreast of this development, we are pursuing three strategic directions:

- further developing the European network by integrating companies and expanding partnerships (e.g. ⟶ *Xrail* [1]);
- modernizing and focusing production by exploiting synergies (e.g. networked rail);
- working closely with customers through customer-specific solutions (e.g. industry solutions and “green” solutions).

The central projects for implementing these thrusts are being driven via our strategic program “ProRail plus.” In this way, we are pursuing the goal of being our customers’ first contact for rail network solutions in Europe.

A SINGLE SOURCE FOR HIGH-QUALITY SERVICES

The DB Services business unit provides services for DB Group companies in the areas of vehicle maintenance, information technology, telecommunication services, facility management, security services and fleet management. By lowering intra-Group costs for services while simultaneously securing a marketable quality and service level, the DB Services business unit makes a significant contribution to the future of DB Group. In particular, it achieves this by additionally integrating the customers’ value-added chains, by enhancing synergies within the Group, by using non-Group business to ensure capacity utilization and to benchmark quality and prices.

DB Services also plays an active role in creating job security within DB Group by consistently offering a large number of positions to employees from the Group-wide job market.

GUARANTEEING A RELIABLE AND AFFORDABLE INFRASTRUCTURE

The Infrastructure business units are the basis for safe, reliable and efficient rail transport in Germany. They provide a wide range of products and expertise relating to lines, systems, stations and energy supply. In doing so, the business units focus on the needs of their customers and passengers, rail transport companies, retail and service companies as well as the contracting authorities – and they structure their service offerings and associated pricing systems for using the infrastructure on a non-discriminatory basis. The Infrastructure business units will continue to act as commercial enterprises, minimizing production costs and further improving profits, in order to secure rail’s competitive advantage as a mode of transport in the long term.

[1] ⟶ *Page 89*

Against the background of the globalization of transport flows and changing demographic changes in Germany, it is important to address the increasingly asymmetrical utilization of the rail infrastructure's capacities. Passengers should be able to access attractive mobility offerings in the long term, even outside the major metropolitan areas. The economic stimulus packages passed by the Federal Government to develop the infrastructure provide us with an additional opportunity to modernize our stations, lines and facilities and to adapt our performance capabilities to the increased transport flows forecast for the medium term.

DB Netze Track business unit

Our network development strategy forms the long-term basis for high-quality, reliable and safe rail transport offerings. Expansion and new construction measures will be used to eliminate bottlenecks and create sufficient capacity for future transport developments. Another focus is on cost-optimized and need-based modernization and maintenance measures for the existing rail network. The creation of an integrated capital expenditures and maintenance plan, as well as bundling construction sites into corridors and integrating them into the annual train schedule, will ensure an efficient use of resources and minimize the impact of extensive construction activities on our customers in the passenger and freight transport segments.

In order to ensure sustainable, high-quality infrastructure and a high level of availability of the rail network in Germany, we concluded a long-term infrastructure partnership with the Federal Government in the form of the Service and Financing Agreement.

In addition, resources from the Federal economic stimulus programs are being used to reinforce a series of previously established requirement-plan projects, including the expansion and new construction of the Nuremberg – Erfurt line and the expansion of the Berlin – Cottbus line. Stimulus funds are also being used to improve the infrastructure quality of regional transport lines.

DB Netze Stations business unit

In the DB Netze Stations business unit, we are working closely with the Federal government and regional administrative bodies to continue our customer-focused and need-based modernization plans. One key element is our "Station 11 – 11 Benefits for the Stations" program, which promotes the further development and increased attractiveness of the stations on the basis of a focused portfolio strategy with individualized development concepts.

Within the framework of the government's economic stimulus packages nearly 3,000 individual measures will be implemented in addition to the planned investments in transport stations at more than 2,000 primarily small and medium-sized stations. At the end of the year under review, measures had been completed at more than 500 stations.

DB Netze Energy business unit

The objective of the DB Netze Energy business unit is to guarantee a highly reliable supply of traction current and diesel in the long term. The process of replacing transformer plants with modern converters, as well as upgrading traction current power lines using resources from the economic stimulus packages supports this objective in a sustainable way. In addition, CO_2 levels are reduced due to the use of this more modern and efficient technology.

Through long-term supply contracts, the use of derivative financial instruments and intelligent network use, we are protecting the TOCs against the negative effects of volatile commodity prices. The share of renewable energy sources in our energy supply portfolio will be expanded, taking into account the security of supply and cost-effectiveness.

By 2020, the share of renewable energy sources in the traction current mix should be at least 30 %. Our vision is to achieve CO_2-free rail transport by the year 2050. To reach this goal, we concluded a long-term contract to procure power from the Märkisch-Linden wind park that is owned by swb, a Bremen-based energy supplier. The contract provides for an annual electricity usage of about 59 gigawatt hours (GWh) over a term of 19 years. In addition, we are continuing to promote the development of new processes to generate environmentally friendly energy. In November 2010, for example, we signed a cooperation agreement with wind energy company Enertrag for the pilot phase of a hybrid wind power plant. It will be the world's first trial of this technology. Finally, the DB Netze Energy business unit also uses its expertise from structured energy provision to successfully offer energy services in the marketplace.

Sustainability

⟼ **Sustainability is an important foundation for future viability**
⟼ **Further development of corporate culture gets underway**
⟼ **Climate protection program and “green” products are further developed**

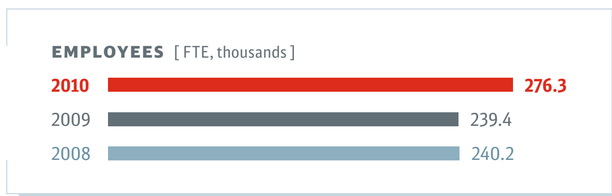
Sustainability helps secure the future. Particularly in the transport sector, sustainability is an important competitive advantage. Our climate-protection goal thus includes the entire DB Group and all of its modes of transport – rail, road, waterways and in the air. We have developed service offerings that allow us to meet the constantly growing need for mobility and transport in an environmentally friendly way that conserves resources – in Germany, Europe and worldwide. Our personnel management system helps us design attractive, family-friendly workplaces that promote staff diversity. In view of the increasing shortage of skilled workers due to the demographic development, it is even more important for us to ensure that our employees remain motivated and employable over the long term.

We are laying the groundwork for this today so that we can remain successful in the market and preserve jobs in the future. And we are taking responsibility for the society in which we – our employees, our customers and our business partners – want to live tomorrow.

We are also actively fulfilling this responsibility when it comes to our internationalization process. On the basis of the Group’s ethical principles (Code of Conduct), which define our fundamental ethical values and convictions, we have participated in the “UN Global Compact” since 2009: a voluntary economic initiative by the United Nations that aims to make globalization more socially and ecologically responsible. As a result, in November 2010 we were one of the world’s first railway companies to sign the “Declaration on Sustainable Mobility & Transport” by the International Union of Railways (UIC), which is supported by the UN Global Compact and by the United Nations Environment Program (UNEP).

We provide additional information on the topic of sustainability in our ⟶ *Sustainability Report* [1], which most recently appeared in 2009. The report coherently summarizes environmental, personnel-related and social issues and comprehensively details our contributions to a sustainable society as a major provider of mobility and logistics services and as one of Germany’s largest employers, trainers and contractors. Our report was ranked number five in the 2009 listing of sustainability reports prepared by the 150 largest German companies, improving our ranking despite the more stringent criteria (2007: 12th place). We also submitted the best report in the “Transport / Logistics / Tourism” sector. The ranking process is carried out every two years by the Institute for Ecological Economy Research (IÖW) and the corporate initiative, Future e.V., sponsored by the German Council for Sustainable Development and the German Federal Ministry of Labor and Social Affairs.

EMPLOYEES



Our employees and managers are central on our path to becoming the world’s leading provider of mobility and logistics services. Efficient personnel management helps them fulfill their tasks, while simultaneously setting the right areas of focus for the future. This year, along with 92 other companies, DB Group qualified for the “Germany’s Top Employer 2010” seal of approval; with 26 other companies, it also earned the more specialized “Top Engineering Employer 2010” seal of approval. Among other things, the rating considered development opportunities, innovation management, job security, market position and image, corporate culture, compensation, and work-life balance.

The number of employees is calculated on the basis of full-time employee (FTE) positions to permit better comparability within 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 regular annual working time.

As of December 31, 2010, the number of employees was basically unchanged in comparison to the figure on the same year-ago date.

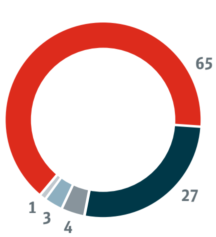
[1] ⟶ ***www.deutschebahn.com/sustainability***

Employees by business units [FTE as of Dec 31]	**2010**	2009	Change absolute	Change %
DB Bahn Long-Distance	15,270	15,043	+227	+1.5
DB Bahn Regional	29,008	28,668	+340	+1.2
DB Urban	9,009	8,972	+37	+0.4
DB Arriva	36,454	–	+36,454	–
DB Schenker Rail	32,618	34,145	-1,527	-4.5
DB Schenker Logistics	58,671	57,134	+1,537	+2.7
DB Services	25,131	24,460	+671	+2.7
DB Netze Track	39,849	40,354	-505	-1.3
DB Netze Stations	4,636	4,601	+35	+0.8
DB Netze Energy	1,536	1,574	-38	-2.4
Other	24,128	24,431	-303	-1.2
DB GROUP	**276,310**	**239,382**	**+36,928**	**+15.4**
– Effects from changes in the scope of consolidation	36,847	37	+36,810	–
DB GROUP – COMPARABLE	**239,463**	**239,345**	**+118**	**–**

The acquisition of British transport company Arriva increased the number of our employees by 36,454. This significantly increased the proportion of employees outside Germany, which is now 35% (previous year: 25%). This means that more than one in three DB employees is now working outside Germany. During the year under review, reduced working hours (Kurzarbeit) were necessary to a much lesser extent than in 2009 due to the economic recovery. In DB Group, a total of about 7,600 employees were affected by reduced working hours to varying degrees. On average about 1,600 employees were employed on the basis of reduced working hours per month during the year under review.

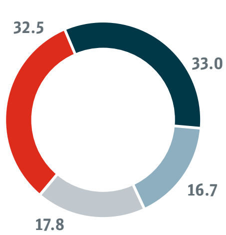
EMPLOYEES AS OF DECEMBER 31, 2010

By region [%]



- Germany
- Rest of Europe
- Asia/Pacific
- North America
- Rest of world

By division [%]



- Passenger Transport
- Transport and Logistics
- Infrastructure
- Other

By business unit [%]	**2010**	2009
DB Bahn Long-Distance	5.5	6.3
DB Bahn Regional	10.5	12.0
DB Bahn Urban	3.3	3.7
DB Arriva	13.2	–
DB Schenker Rail	11.8	14.3
DB Schenker Logistics	21.2	23.9
DB Services	9.1	10.2
DB Netze Track	14.4	16.9
DB Netze Stations	1.7	1.9
DB Netze Energy	0.6	0.7
Other	8.7	10.1

Personnel management policy

In light of the increasing shortage of skilled workers due to demographic change as well as shifting professional requirements, our ongoing success depends more and more strongly on our employees, their qualifications, willingness to produce and their capabilities. In line with our business strategy and keeping the development of the business units in mind, we pursue three strategic goals to ensure our long-term success:

- Mobilize personnel resources
- Ensure performance and commitment
- Further develop our corporate culture

MOBILIZE PERSONNEL RESOURCES

Changing demographic conditions are causing a significant aging of our workforce as well as a shortage of personnel resources, especially skilled workers. These central challenges for human resources pose higher demands for personnel management. In order to fulfill these demands, the Strategic Personnel Planning project was created as a central personnel project.

At the core of the project is a simulation model based on the current employee structure that projects personnel development trends for the coming years. The result will be a set of measures for successfully dealing with future challenges.

SECURING YOUNG TALENT

Not only are we one of the largest employers in Germany, we are also one of the biggest providers of vocational training, with an average of about 9,000 trainees, dual degree students and “Chance plus” interns. Vocational training and dual study programs are the foundation of our efforts to secure recruitment of younger employees, and they are the source of more than 90 % of our skilled talent. Approximately 2,900 young people started vocational training with us during the year under review, and another 200 began a dual study program. In addition, the “Chance plus” internship program gave another approximately 400 school leavers and graduates the preparation they needed to enter the professional world.

In addition to specialized knowledge and practical skills, a key element of our training involves acquiring service-based, social and methodological skills such as entrepreneurial thinking, customer orientation, independence and team spirit. For instance, the “Rail interns against hatred and violence” project (“Bahn-Azubis gegen Hass und Gewalt”) celebrated its 10-year anniversary. Through this project, first-year interns work to eliminate xenophobia and increase tolerance in society. To date, more than 7,200 interns have taken part in this competition with about 800 projects.

Increasing competition to recruit talents requires us to intensify our personnel marketing activities. Through a total of 340 school partnerships and our close collaboration with selected universities and technical colleges, we are very well represented on the applicant markets. Since the beginning of the year under review, we have begun to exclusively use our own employees to advertise ourselves as an employer.

ENSURING PRODUCTIVITY AND COMMITMENT

2010 WAGE NEGOTIATIONS

Ensuring our employees’ performance and motivation on a sustained basis is of decisive importance to us. Thus, our employment conditions must be crisis-proof and demographics-proof throughout the Group and must appeal to groups with skills that are in particular demand and scarce while at the same time remain affordable. The unions view the wage negotiations begun in 2010 as being closely linked to the conclusion of uniform nationwide wage standards in Germany. The German Locomotive Drivers’ Union (GDL) demanded a nationwide framework wage agreement for all train drivers, and the Rail and Transport Workers Union (EVG) asked for an industry-wide wage agreement for all other employees in the local rail passenger transport sector. We support the goal of introducing nationwide employment standards.

The wage negotiations were not concluded during the year under review. In December 2010, all employees for whose companies negotiations were held during the current round of wage negotiations received a one-time payment of € 300, plus a profit-sharing payment of € 200. These payments will be included in the wage agreement at the end of the negotiations.

In January 2011, DB Group and the EVG reached an agreement in the ⟶ *2010 wage negotiations* [1].

GROUP JOB MARKET

The significantly higher number of employees who entered the Group job market due to the economic and financial crisis were quickly provided with new work. Currently, three out of four employees affected by job loss are able to find new employment immediately within DB Group. This rate was maintained despite the economic and financial crisis. Even more than before, we were able to use need-based qualification measures to transfer personnel overlaps into new areas of activity in a fast and targeted way.

[1] ⟶ ***Page 129***

SUSTAINABLE PERSONNEL DEVELOPMENT

The strategic goal of personnel development is to create the necessary conditions for strengthening the skills and dedication of our employees. We are counting on developing specialized and management talent within the company, since about 90 % of these positions are staffed internally. The systematic support of our talented employees is an important tool for fulfilling our future internal staffing needs. At the same time, our strong personnel development and qualification opportunities are also an important instrument for attracting employees from outside the company during this time of increasingly intense competition for skilled and managerial personnel.

FURTHER DEVELOPMENT OF CORPORATE CULTURE

DEVELOPMENT PROCESS OF CULTURE

Our corporate culture is based on openness, trust, diversity and partnership-like relationships with one another. Based on the results of a corporate culture analysis, we launched a long-term process to develop our culture with broad participation from managers and employees.

DIVERSITY

Each employee's individuality contributes to our success. With our commitment to heterogeneity and our target-group-specific programs, we aim to meet the challenges arising from demographic changes and support our international direction. The first focal point of our work identified was increasing the proportion of women overall and in management positions. The first programs to implement these measures were developed and are now being carried out. For our proven dedication to gender equality, DB Group was awarded the ⟶ *"Total E-Quality" prize* [1] for the fifth time during the year under review.

ENVIRONMENT

Protecting the environment and the earth's climate is a fixed component of our ⟶ *corporate policy* [2]. During the year under review, we further developed our climate protection program and our "green" products. Three strategic directions determine our climate-protection activities:

- Aiding climate protection through high energy efficiency in operations and production
- Reducing dependency on fossil fuels and increasing the proportion of renewable energy in the traction current mix
- Using green products to reduce the burden on the environment

This focus helps us work toward our vision of achieving CO_2-free rail transport by 2050 on the basis of renewable energy. The intermediate goal for 2020 is to increase the proportion of renewable energy sources in the traction current mix to at least 30 %. In the spring of 2010, we contracted the first wind farm for our exclusive use, located in Märkisch-Linden near Neuruppin, Brandenburg. Twenty windmills will produce 59 GWh of electricity from the wind farm each year. The power supply contract for procuring electrical energy has a 19-year term.

At the Innotrans rail trade fair in September, the "Eco Rail Innovation (ERI)" platform, founded in the previous year with partners from the fields of science and industry, presented the results of a study carried out by scientific institutes InnoZ and SCI. The focus of this joint project was on developing sustainable mobility technologies. Above all, the project's goal was to support the development of low-emissions and energy-efficient components and drive systems, such as energy storage devices for rail vehicles, in order to strengthen the rail sector's future prospects.

The first of 130 261 series shunting locomotives with particle filters were delivered during the year under review and represents a milestone in reducing airborne pollutant emissions. The filters reduce particle emissions from diesel engines by up to 97 %, which means that they meet the requirements for particle limits well before they take effect in 2012. More than 90 % of the approximately 280 new buses (not including Arriva) that were put into operation during the year under review have received the "Blue Angel" seal of approval, which also means that they comply with the strict EEV (Enhanced Environmentally Friendly Vehicle) emissions standard. In addition to meeting strict emissions criteria, these vehicles are also distinguished by their environmentally friendly paint and their extremely low noise emissions.

[1] ⟶ ***www.total-e-quality.de/en***

[2] ⟶ ***www.db.de/environment***

We believe a corporate policy that takes into account economic, ecological and social factors is more than just a societal obligation. It is also the key to business success. Our environmental strategy thus sets the parameters for the company's ambitious environmental goals.

CO_2-free travel and transport with Environment Plus and Eco Plus

Our range of CO_2-free rail travel and transport offerings was increasingly popular during the year under review. In the area of passenger transport, our bahn.corporate Environment Plus program – which allows corporate customers to travel on a CO_2-free basis – is used by several companies, the Federal Government and its subordinate departments, and by the State of Rhineland-Palatinate. The first customers also began using the Eco Plus program for CO_2-free freight transport. If we also consider our employees' CO_2-free business travel via rail, the environmental balance sheets for participating companies were credited a total of 42,000 t of CO_2 during the year under review.

Our CO_2-free offerings were expanded to include the Ameropa Travel Destination Nature Trips ("Fahrtziel-Natur-Reisen") and the "Rail inclusive tours" tickets, among other things. In the Hamburg S-Bahn (metro), customers automatically travel CO_2-free. Since January 2010, the S-Bahn has operated exclusively on green power, saving 200,000 t of CO_2 each year in comparison to traveling by car. Our local transport service in the Saarland region has also been run exclusively on green power since mid-2010. The necessary volume of renewably generated energy is purchased separately by DB Energie GmbH and fed into the rail power network. TÜV SÜD certifies the origin of the energy. At the end of the year, customers receive an environmental balance sheet with the TÜV testing seal, verifying their CO_2 savings.

The volume of electricity is determined using the Mobile Environment Check ⟶ *(UmweltMobilCheck; UMC)* [1]. This environmental calculator can be accessed online from our Web site's travel information section. It calculates rail energy usage as well as CO_2 and exhaust emissions in comparison to automobiles and airplanes for any route in Germany and in large parts of Europe.

We use 10 % of our profits from the Environment Plus and Eco Plus offerings to support the construction of new plants for generating renewable energy. During the year under review, we concluded an agreement with Enertrag AG to support the construction of a hybrid power plant in Prenzlau. This technologically groundbreaking power plant will store extra wind power in the form of hydrogen, which can then be converted into electricity in a combined heat and power unit when wind levels are low. Our CO_2-free offerings received various prizes during the year under review, including the ÖkoGlobe 2010 in the "Mobility Projects and Visions" category for the CO_2-free Hamburg S-Bahn (metro) and the Ecotrophea, the environmental prize awarded by Deutscher Reiseverband e.V. (DRV).

CO_2-FREE MOBILITY CHAINS WITH ELECTROMOBILITY

Given the advances in developing electrically driven motor vehicles and bicycles, we see an opportunity to completely "green" the so-called "last mile." In conjunction with CO_2-free rail transport, this will allow us to offer CO_2-free mobility chains in the future. With this system, customers will be able to plan personalized climate-friendly travel routes from door to door. Since electric cars have a smaller travel range than vehicles with combustion engines due to the storage capacity of their batteries, electric vehicles are a good way to supplement rail transport.

Thus we are taking part in projects like BeMobility – BerlinElektroMobil – in order to determine what customers want, and we began "electrifying" DB Carsharing (e-Flinkster). Since August 2010, e-Flinkster cars can be booked and rented online in various German cities (including Frankfurt am Main and Berlin).

EXPANDING THE ENVIRONMENTAL BALANCE SHEET FOR FREIGHT TRANSPORT

During the year under review, we worked with the International Union of Railways (UIC) and six other European rail transport companies to expand the ⟶ *EcoTransIT World environmental calculator* [2]. It can now calculate energy usage, CO_2 and exhaust emissions for any freight transport worldwide, and for all modes of transport. This allows customers to optimize their global logistics chains and reliably calculate the environmental impact of the transports. Previously, the online calculator was only able to calculate transport routes within Europe. EcoTransIT World is a free online application.

[1] ⟶ ***www.bahn.de/umc*** | [2] ⟶ ***www.ecotransit.org***

GROUP-WIDE CLIMATE PROTECTION PROGRAM MOVES AHEAD

Plans call for Group-wide specific CO_2 emissions – emissions per volume sold – to decrease by 20% (compared to 2006) by the year 2020. Although the absolute CO_2 emissions rose slightly in comparison to the crisis year of 2009, particularly in the area of freight transport, the specific emissions were still reduced. According to the current data available, our worldwide specific CO_2 emissions decreased by a total of about 4.4% between 2006 and 2010.

Further reductions in energy usage and CO_2 emissions for rail transport

Selected key figures – rail transport	2010	2009	Change absolute	Change %
Specific primary energy consumption rail passenger transport in MJ[1]/pkm	1.01	1.07	- 0.06	- 5.6
Specific primary energy consumption rail freight transport in MJ[1]/tkm	0.38	0.40	- 0.02	- 5.0
Specific carbon dioxide emissions rail passenger transport in g/pkm	58.0	60.6	- 2.6	- 4.3
Specific carbon dioxide emissions rail freight transport in g/tkm	21.9	22.6	- 0.7	- 3.1
Emission of soot particles by diesel vehicles in rail transport in t	191	199	- 8	- 4.0
Nitrogen oxide emissions by diesel vehicles in rail transport in t	10,724	11,357	- 633	- 5.6

[1] Megajoules.
Data for 2010 is based on information and estimates available as of February 16, 2011.

We have reduced our specific CO_2 emissions for rail transport in Germany by 43% since 1990. In rail passenger transport CO_2 emissions fell by 4.3% to 58 grams per pkm. The same figure for long-distance transport fell by 6.9%, and by 1.7% for local transport. Rail freight transport values improved by 3.1% to 21.9 grams of CO_2 per ton/kilometer. These represent further contributions by rail transport towards protecting our climate, and mark a further increase in rail transport's environmental lead. The higher proportion of renewable energy sources in rail transport plays an essential role in reducing CO_2 emissions. According to the current data available, this proportion rose to 19.8% in the traction current mix during the year under review.

Absolute emissions of soot particles and nitrogen oxide also decreased slightly in rail transport during the year under review.

Data for DB Schenker Logistics will be available in the second half of 2011 ⟶ [1].

Rail transport noise reduced

We aim to cut rail transport noise to half of its 2000 levels by 2020. An important component of this is the Federal Government's noise abatement program, which began in 1999 and which we are continuing to successfully implement. By the end of the year under review, 28% of the 3,400 total rail kilometers included in the noise abatement campaign, or 960 kilometers, had been upgraded. As part of this campaign, we built a total of 332 km of noise protection walls between 1999 and 2010 and implemented noise abatement measures – noise-reducing windows or other measures such as soundproofed roofs – in nearly 44,000 apartments. During the year under review, we built 53 km of noise protection walls along existing lines and implemented noise abatement measures in 3,500 apartments.

DB Schenker Rail increased the number of freight cars equipped with low-noise composite brake shoes, also known as "whisper brakes," by about 1,100 to a total of about 6,350 by the end of 2010. This technology cuts the noise of passing trains by 10 decibels (db (A)), which corresponds to a 50% perceived reduction. In a pilot project supported by Federal funding, we are able to upgrade about 1,250 existing freight cars to the quieter composite brake shoes.

[1] ⟶ ***www.db.de/sustainability***

To date, DB Schenker Rail is the only company that has applied for funding to upgrade existing freight cars as part of the "Quiet Rhine" project. The upgrading measures for these cars, which are primarily used along the Rhine River corridor, will provide important information for further upgrades to the fleet. The first upgraded trains will be put into operation in 2011.

The Federal Government's ⟶ *Economic Stimulus Package II* [1] will fund a total of € 100 million in pilot projects to test innovative noise and vibration abatement measures in the infrastructure. This will allow innovative processes and infrastructure technologies to be tested and implemented in known noise-polluted regions.

SOCIAL COMMITMENT

For us, "moving the future" is not only the guiding principle behind our economic development, this idea also mirrors the social responsibilities the Group undertakes. As one of Germany's biggest employers and occupational trainers, we bear a special responsibility – to our customers, employees, the environment, and society as a whole. Providing support for children and young people is especially important to us. Our activities in this area focus on education and sports.

In society, we support numerous cultural, social and athletic establishments, initiatives and activities. Our major focus here is also on children and young people. In the knowledge society of today and tomorrow, education is the greatest asset. Providing education is the task of society as a whole, and we play an active role in this. Since 1996, we have been working as a partner and member of the Stiftung Lesen (the Reading Foundation) to strengthen Germany's reading and read-aloud culture.

The social integration of children and young people in need is the aim of the nationally active Off Road Kids Foundation. We have supported this organization since 1994 by enabling the Foundation's street outreach workers to travel throughout Germany.

Promoting sports is also a high priority for us, since it provides joy in movement and promotes values like motivation and team spirit, fair play and social integration; it also provides role models for children and young people. This particularly applies to "Jugend trainiert für Olympia" (Youth Training for the Olympics). As a long-standing official mobility partner of this school sports event, the largest such event in the world, we organize low-cost transport for participants to and from the site as well as their accommodations. Since 2002 we have also been setting benchmarks in how we value sports through our close partnership with the Deutscher Behindertensportverband (the German National Paralympic Committee). This partnership includes both our new involvement in "Jugend trainiert für Paralympics" (Youth Training for the Paralympics), through which we support school athletics and the social integration through sports of children with disabilities, and DB Schenker's transport of sporting goods and equipment for the 2010 Paralympics in Vancouver, Canada.

In addition to supporting elite sporting events, among other things as a partner for multiple national soccer leagues and as a national sponsor of the FIFA Women's World Cup in Germany in 2011, our involvement also addresses the basis and thereby the future of the younger generation. By granting the DB Young Talent Award (DB-Nachwuchs-Förderpreis), we acknowledge the dedication of the many people who work with children and young people in the field of soccer. This experience of integration is just as important for the future of society as it is for creating a spirit of initiative and the sense of community that young people encounter in the DB soccer camps. It is important to us to promote tolerance, team spirit, cultural skills and educational perspectives, and to make a contribution to our society. For our company, long-term commitment and involvement are synonymous with investing in young people.

[1] ⟶ **Page 60**

Technology and procurement

⟼ **Focus on securing efficiency of the integrated rail system**
⟼ **Master plan T gives new orientation to Rail Technology and Services Board division**
⟼ **Procurement volume rises significantly again**

The Rail Technology and Services Board division ensures the efficiency of the integrated rail system and thereby the economical, environmentally friendly and reliable railway operations in the future. The technical competence for the total railway system, procurement and the central safety and quality function are bundled together in the integrated rail system (Systemverbund Bahn). Operational safety is at the forefront of these efforts.

MASTER PLAN T FOR REORIENTING THE RAIL TECHNOLOGY AND SERVICES BOARD DIVISION

The task of the Rail Technology and Services Board division, which was established in the fall of 2009, is to ensure a technically flawless, environmentally friendly and economical railway system. In order to fulfill these Group-wide tasks, the Rail Technology and Services Board division is undergoing a reorientation, which began during the year under review. The Master plan T project was introduced for this purpose. The goal of the project is to orient the Rail Technology and Services Board division toward the demands of the market and internal customers.

The roll-out of the Master plan T project ensures that issues with high operational and strategic urgency take priority. The first wave, through the middle of the year under review, focused on analyzing the previous integrated rail system, including the areas of rail operations, technology, procurement and quality. All of the units in the Rail Technology and Services Board division were examined using an identical process. The investigation included analyzing the initial situation in the performance areas and determining the necessary further developments as well as any new orientation potentially required as a result. Master plan T was introduced into the TechnologyOptimizationProgram (TOP) during the second half of the year under review. TOP is the implementation program for reorientation issues that need to be addressed. TOP ensures that the department's established goals are reached; it is accompanied by comprehensive further-education measures and an extensive change management process.

The reorganization of the Rail Technology and Services Board division includes appointing a Chief Technology Officer for the technical rail system, a Chief Procurement Officer for procurement, and a Chief Quality Officer for the safety and quality management system.

TECHNOLOGY

The analysis of the current technological issues also revealed that the understanding of the roles played by DB Group and industrial firms must be revised. Before the Rail Reform Act in 1994, the Deutsche Bundesbahn played the role of the system integrator. This task was transferred to industrial firms when rail reform was implemented. However, the resulting distribution of roles still contains deficits that must be corrected.

During the year under review, we developed a catalogue of measures – partially in collaboration with industrial firms – to improve the qualitative level of vehicle development. The catalogue includes introducing quality and design milestones for the entire development and manufacturing process. This includes reviewing certain quality criteria at specific intervals, such as the implementation of technical specifications, manufacturing quality, and the completeness of technical documentation. All of these topics are included in a handbook for industrial firms, which we are currently compiling and will become a component of any new contracts. In addition, this will shorten the lengthy EBA approval processes.

Managing and further developing the rail system requires extensive technical knowledge about the interaction between operations, infrastructure and vehicle technology. It also involves expertise in specialized rail-related fields. Our railway expertise has a very strong reputation worldwide. Examples of the popular technical services we offer are our monitoring of production resources during ongoing operations, carrying out domestic and international test orders, and managing complex vehicle projects and redesign projects for entire vehicle fleets.

We are developing numerous redesign projects in the passenger transport segment to update vehicles and re-equip them to meet customers' demands. As part of a preliminary project, for instance, the requirements involved an additional usage period of 15 years for our ICE 2 fleet. At the end of the year under review, the first sample train was rebuilt and modernized in the Nuremberg plant. The modernization of the remaining 43 trains will take place successively by 2012.

During the year under review, the subject of wheel sets was extremely important. Due to the ongoing technical problems, new → *maintenance intervals* [1] were established for the wheel set axles in existing vehicles. Industrial firms are manufacturing newly designed wheel sets for trains in the ICE 3 and ICE T fleets constructions that must then undergo the approval process. New wheels and wheel set axles were also developed for the Berlin S-Bahn (metro) and submitted for approval. Furthermore, internationally applicable requirements were developed at EU level to govern the → *maintenance of freight car wheel sets* [2].

Testing and approval agreements are also signed with customers outside DB Group. DB Systemtechnik bundles all of our railway expertise. It offers manufacturers the use of its certified testing laboratory at an early stage of the development process. This early consultation on approval and testing requirements, particularly for European approval processes, optimizes costs and efforts, and significantly accelerates the approval process. During the year under review, such approval tests were carried out on behalf of industrial firms for vehicles such as Desiro, E-Lok Vectron, ETR 610, X61, XRE and TGV Duplex for Germany and other European countries.

Comprehensive system optimizations comprising the further development of technology for the infrastructure and vehicles are extremely important for the rail mode of transport. Based on this task we are driving technical innovations needed to ensure commercial success and that contribute to a constant increase in production efficiency as well as operational quality. In the year under review, for example, we concluded the "GZ 1000" project, proving that freight trains with a length of up to 1,000 m were feasible.

Research and development

As a service provider, DB Group does not conduct its own research and development in the narrow sense of the term. Due to our technological competence and broad operational experience, we do, however, initiate user-oriented developments and support industrial firms with services including extensive testing capabilities.

[1] → ***Page 83*** | [2] → ***Page 121 f.***

PROCUREMENT

The procurement of materials and services from the external supplier market is a significant lever to control processes and influence cost structures. A uniform Group-wide procurement policy allows standardized handling processes to be applied, and also ensures a uniform appearance in the market.

The year under review was still largely influenced by the after-effects of the economic and financial crisis. In order to counteract this, we established a program for optimizing supply services in the procurement area. Within the framework of this program all of the product groups were subjected to a systematic analysis of their needs and potential levers.

Optimized life cycle costs are a key criterion here. In addition to the immediate cost issues, the focus was primarily on capital-intensive investments in order to optimize the level of committed capital.

These activities were supported by the parallel launch of international procurement teams. The purpose of these teams is to implement best-buy strategies in the global supplier context. The goal here is to create savings and anchor them in global framework agreements.

In addition to the immediate program building blocks to optimize procurement services, progress was also achieved for significant strategic purchasing tools: during the year under review a new supplier management system was introduced. This is a defined overall process that qualifies, evaluates and develops suppliers. Using continuous IT support, it creates a tool for strategic procurement that can systematically develop our portfolio of suppliers, improve its quality and inspire innovations. This also includes creating the corresponding content-related concepts. The supplier evaluation system will be in place starting 2011.

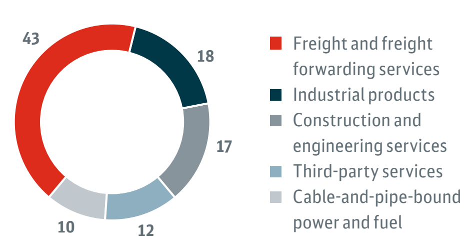
The total volume of orders placed during the year under review amounted to € 22.8 billion and was higher than previous year's level (previous year: € 19.2 billion). In particular, the € 9.8 billion in freight and freight forwarding services purchased from carriers was significantly higher than in the previous year (previous year: € 7.3 billion). In addition, the volume of industrial products purchased, with an order volume of € 4.2 billion (previous year: € 3.5 billion), was also greater than in the previous year. Construction and engineering services procured totaled € 3.8 billion (previous year: € 4.0 billion).

The procurement of third-party services, with an order volume of € 2.7 billion, was also above the level noted in the previous year (previous year: € 2.3 billion). In the area of cable-and-pipe-bound power and fuel, the order volume amounted to € 2.3 billion, which was slightly higher than the previous year's level (previous year: € 2.1 billion).

Among the largest orders placed during the year under review were:

- Calling up vehicles for the DB Bahn Regional business unit (total volume: more than € 1.2 billion)
- Construction orders awarded as part of the VDE 8 (total volume: about € 425 million)
- Awarding the ballastless track for the Katzenberg tunnel (total volume: about € 30 million)
- Orders awarded as part of the S-Bahn (metro) redesign, including climate-control systems (total volume: about € 70 million)
- Continuing the replacement-parts program for engines (total volume: about € 12 million)
- Large project packages awarded for electronic interlockings (ESTW), for instance in the Berlin metropolitan area (total volume: about € 48 million)
- Various master agreements awarded for safety systems at rail crossings (total volume: about € 45 million)

Structure of orders placed 2010 [%]



Additional information

⟼ **Stuttgart 21 Project mediation talks completed**
⟼ **Partial conclusion of investigations of companies in freight forwarding industry**
⟼ **Overall conditions change for long-distance bus transport**

GERMANY SUED BY EU COMMISSION FOR ALLEGED FAILURE TO CORRECTLY IMPLEMENT THE FIRST RAILWAY PACKAGE

The European Commission decided on June 24, 2010 to sue Germany and 12 other EU member states before the European Court of Justice. The affected countries are accused of insufficiently implementing the first European railway package, especially the unbundling requirements. Parties to this infringement proceeding are the European Commission and the Federal Republic of Germany. The Federal Government has fully rejected the allegations made by the Commission thus far. DB Group is also of the opinion that the arguments of the Commission are without merit. DB Netz AG is independent from other enterprises within DB Group in its decisions regarding train-path access and track charges. European railway law explicitly allows the holding structure chosen by Germany.

DISPUTE REGARDING TRANSPORT CONTRACT BERLIN AND BRANDENBURG

In August 2003 Veolia Verkehr GmbH (formerly known as Connex Regiobahn GmbH) submitted a complaint to the European Commission wherein they alleged that certain payments made constituted illegal state aid. The specific cause and subject of the proceedings is a transport contract concluded between DB Regio AG and the states of Brandenburg and Berlin. Veolia alleges that the contractually agreed payments received by DB Regio AG (concession fees) are state aid in terms of related European legal requirements.

Based on a ruling passed on October 23, 2007, the Commission initiated a formal investigation of the Federal Republic of Germany. Both the Federal Republic of Germany and DB Regio AG stated in their respective responses that they are of the opinion that subsidy payments were not involved. At this time it is not known when the European Commission will decide on this issue. The initiation of a formal investigation is an administrative step and does not anticipate the results of the Commission's investigation in any way.

MEDIATION PROCESS FOR THE STUTTGART 21 PROJECT

On November 30, 2010 Dr. Heiner Geißler, who served as mediator, issued a concluding statement of results thereby ending the six-week-long mediation talks regarding the Stuttgart 21 project.

The mediator's core remarks confirmed the Stuttgart 21 project and the new rail line to Ulm. He did, however, make this confirmation contingent on certain conditions that must be taken into account when making further plans for the project. In addition to a series of subject areas (e.g. the retention and replanting of trees, talks with groups representing handicapped people and the fire department, as well as the socially acceptable valuation of the involved properties) DB Group committed itself to conduct a so-called stress test for Stuttgart 21. This test involves using a simulation to prove that the Stuttgart 21 infrastructure can deliver 30 % more performance during main travel times than the current railhead station. Only after the completion of the stress test, which is being conducted by SMA, a Swiss firm, can it be decided if supplementary infrastructure measures are required. These measures could include the dual-track expansion of the western access track to the airport train station, the so-called big Wendlinger Curve, or additional train-path in the Zuffenhausen area. The stress test will take about six months.

TIGHTENED REQUIREMENTS FOR FREIGHT CAR WHEEL SET AXLES

Following an accident that took place in Viareggio/Italy in June 2009, when a train of Trenitalia Cargo carrying hazardous materials derailed most likely because of a broken wheel set, the maintenance of freight car wheel sets axles has come into sharper focus of railway companies and authorities. The ⟶ *European Railway Agency (ERA)* [1] has appointed a task force to determine mandatory rules regarding the maintenance of freight car wheel sets for the entire European Sector of the rail freight system. The Federal Railways Agency has issued a general order mandating the ability to backtrack wheel sets/wheel set axles (including their date of initial installation, date of modification and last maintenance date). Other national regulatory authorities, e.g. the Italian Agenzia Nazionale per la Sicurezza Ferroviaria (ANSF), have issued ordinances that influence the manufacture

[1] ⟶ ***www.era.europa.eu***

of wheel sets. Within the framework of its activities the ERA Task Force has defined measures across Europe to the effect that the wheel set load of UIC wheel set axles type A must be reduced from 21 to 20 tons, and the coarseness of the wheel set surfaces must be improved. At this time it cannot be ruled out that more far-reaching measures may become necessary because the ERA Task Force, in particular, is continuing its investigations via the Joint Support Group.

COMPANIES IN THE FREIGHT FORWARDING INDUSTRY UNDER INVESTIGATION

Anti-trust authorities around the world have been investigating companies in the freight forwarding industry since the fall of 2007. More details may be found in the 2009 Annual Report of DB Group on page 123, as well as in the 2010 Interim Report of DB Group on page 35.

On September 30, 2010 the US Department of Justice (DOJ) reached plea agreements with Schenker AG and BAX Global Inc. to end the pending anti-trust proceedings in the USA. Per the terms of the agreement Schenker AG will pay a fine of USD 3.5 million and BAX Global Inc. will pay a fine of USD 19.8 million. In return the DOJ agreed not to file charges against Schenker AG and BAX Global Inc. The plea agreements still need to be confirmed by the Court. A decision is still pending in proceedings before the EU Commission following the oral hearing held in July 2010. It is expected that the anti-trust investigation will not be concluded before the end of 2011.

DB INTERNATIONAL ACTIVELY INVOLVED IN THE EXPANSION OF THE CHINESE HIGH-SPEED RAIL NETWORK

During the year under review DB International was awarded the contract for construction supervision services for five construction phases of the new Chinese high-speed rail line. Plans call for the high-speed rail lines to be operational by the start of 2016. The lines will be double-tracked and operational for speeds up to 350 km/h. DB International opened five project offices for the project in Yuncheng, Weinan, Changsha, Jiangshan and Qujing.

To further expand its Chinese business activities, DB International founded a joint venture with its Chinese partner HUATIE Engineering Consulting Co., Ltd., Peking/China (a fully owned subsidiary of the China Rail Group): Beijing Huajing Debo International Engineering Consulting Co., Ltd, Peking/China; DB International holds 25% of the shares.

SUPPORTED BY DB INTERNATIONAL, METRO MEKKA INAUGURATES OPERATIONS PUNCTUALLY IN TIME FOR THE START OF THE HAJJ (PILGRIMAGE)

The Al Mashaaer Al Mugaddassah Metro Makkah (metro Mecca) began operations on November 15, 2010. For the first time ever, pilgrims participating in the Hajj were able to travel by Metro to the sacred Mount Arafat. Peak capacity of about 45,000 passengers per hour was reached in evening hours. DB International was responsible for planning and acceptance inspection of the entire railway system, metro vehicles as well as the supervision of construction in this first phase of the project.

INVESTIGATIONS AT DB INTERNATIONAL

The audit firm KPMG has been retained to conduct a special investigation at DB International GmbH (DBI) following charges made in the wake of preliminary investigation proceedings opened by the public prosecutor's office in Frankfurt am Main. The prosecutor alleges that DBI employees previously transferred payments and in-kind donations to decision makers abroad, either directly or via third parties. According to the prosecution, these contributions were made to elicit preferential treatment of DBI in regard to awarding orders. The official investigations are continuing. The investigations are based on information we ourselves gave to the investigating authorities. It cannot be excluded that a corporate fine or an order for forfeiture will be imposed on either DBI or DB AG.

OVERALL CONDITIONS CHANGE FOR LONG-DISTANCE BUS TRANSPORT

In June 2010 the Federal Administrative Court (BVerwG) rescinded a permit for scheduled long-distance bus transport between Frankfurt am Main and Dortmund. The Darmstadt Regional Council had issued this permit to a competitor without involving DB Group in the legally prescribed proceedings.

The Court, however, did determine in principle that an additional long-distance bus line may generally be viewed as an improvement to the overall transport offer if it is notably less expensive than the comparable rail offer. The Court further clarified that DB Group has the right to arrange its existing transport offers, which, for example, may take the form of a price adjustment.

The decision of the BVerwG has hardly any fundamental effects on our activities. However, at the same time, lawmakers are working on changes to further liberalize long-distance bus transport. We will evaluate the effects of the resulting changes and position ourselves in the market with competitive offers.

TRANSPARENT PROVISION OF SERVICES WITHIN DB GROUP

Charges invoiced to DB Group and non-Group customers for use of the infrastructure are based on the corresponding ⟶ *pricing systems* [1] (train-path pricing system, facility pricing system and stations pricing system). Services are provided by either DB Netz AG or DB Station & Service AG. Service beneficiaries within the Group are primarily passenger and freight transport TOCs.

The consolidation of all energy-related activities under DB Energie GmbH means that this Group company serves as the sole buyer of energy from the external market for the Group. DB Energie GmbH then resells these services to DB Group and non-Group customers at market conditions. Energy charges include both traction energy (diesel fuel and traction current) as well as power for stationary facilities (e.g. points (switch) heaters and preheating equipment for trains used by DB Netz AG).

The following table shows the main intra-Group procurement relationships that exist between DB Group's business units. The table shows the infrastructure-related net charges for the use of train-path, local infrastructure facilities (including shunting and stabling facilities), passenger stations and charges for the provision of energy.

[€ million]	DB Bahn Long-Distance	DB Bahn Regional	DB Bahn Urban	DB Arriva	DB Schenker Rail	DB Schenker Logistics	DB Services	DB Netze Track	DB Netze Stations	DB Netze Energy	Subsidiaries/ Other
Train-path utilization	777	2,113	0	0	450	0	1	-3,344	0	0	3
Utilization of local infrastructure	24	49	0	0	143	0	1	-218	0	1	0
Station utilization	95	516	0	0	0	0	0	-6	-606	0	1
Energy allocation	308	706	57	0	373	0	25	145	85	-1,714	15

[1] ⟶ ***www.dbnetze.com***

Risk report

⟼ **Integrated risk management ensures transparency**
⟼ **Material risks in areas of market, production, technology and procurement market**
⟼ **Risk portfolio free of existence-threatening risks**

Our business activities involve opportunities as well as risks. Our business policy is simultaneously directed at seizing opportunities and actively controlling identified risks through our risk management system. The necessary information for this is prepared in our integrated risk management system, which conforms to the legal requirements of the German Control and Transparency Act in the Corporate Sector (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich; KonTraG). This system is continuously further developed.

RISK MANAGEMENT WITHIN DB GROUP

The principles of risk policy are set by Group management and are implemented within DB Group. Within the framework of our early risk detection system, quarterly reports are submitted to DB AG's Management Board and Supervisory Board. Risks or negative developments occurring outside of the regular reporting cycle must be reported immediately. Planned acquisitions are subject to additional special monitoring. Arriva, which was acquired during the year under review, has not yet been integrated into the DB Group's risk management system. This integration process will take place during the first half of 2011.

Within our risk management system all risks are shown in a risk portfolio as well as in a detailed listing, taking materiality thresholds into account. The risks mentioned in the risk report are categorized and classified based on the probability of occurrence. In addition to the possible consequences, the analysis also contains approaches to and the costs of countermeasures.

In terms of organization, Group controlling serves as the coordination center for our risk management system within DB Group. In the context of Group financing, which is strictly oriented to our operating business, Group Treasury bears responsibility for the limitation and monitoring of the resultant credit, market price and liquidity risks. By consolidating the related transactions (money market, securities, foreign exchange or derivative transactions) at DB AG level, the associated risks are centrally controlled and limited. Group Treasury is organized to comply with the "Minimum Requirements for Risk Management" (MaRisk) formulated for financial institutions and, applying the criteria derived from these guidelines, fulfills all requirements of the KonTraG.

Key characteristics of the internal control and risk management system with regard to the Group's accounting process

Our risk management system is supplemented by a Group-wide internal control system, which also includes accounting-related processes.

Our internal control system is aligned with criteria defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) publication: "Internal Control – Integrated Framework". The COSO model is a generally accepted theoretical framework that divides an internal control system into five levels and then evaluates each level individually. Based on this model, our accounting-based internal control system is supported by fundamental control mechanisms such as system-technical and manual coordination, separate and clearly defined functions, and the observance of guidelines that are applicable across the Group, and special work instructions.

In addition to the aforementioned instruments the following accounting-based control mechanisms are used in DB Group: unified Group-wide reports based on the standard software Hyperion Financial Management (HFM) are prepared by all of the consolidated companies that are documented in our core corporate information system (Firmen Informations System; FIS), the systematic tracking of changes in accounting rules based on IFRS or the German Commercial Code (HGB), the regular and comprehensive update of the corresponding balance sheet guidelines and accounting-based systems, the uniform item number plan and the provision of the necessary information to the persons responsible for preparing the reports. The audit activities of the corporate auditors, which represent a key element of our control activities as a process independent instrument, are focused on evaluating the appropriateness and effectiveness of our internal control system. Beyond this, audits are also conducted within the framework of inventories of assets and reserves. Our control mechanisms are complemented by the work of the audit and compliance committee, respectively the Supervisory Board, as well as by the activities of the Group auditor during the execution of his legally mandated audit.

Based on a binding schedule for closing the books, accounting materials are prepared by the decentralized bookkeeping departments in accordance with IFRS principles and primarily with SAP standard software, while observing valid uniform Group procedures. This information is then transmitted to the centrally managed HFM system.

The respective management of the companies included in the scope of consolidation and of our individual business units confirm the correctness of data, among other criteria, that is relevant for the annual financial statements in a quarterly internal reporting process. The confirmation report states, in particular, that the financial data submitted by the reporting unit provides a fair and true presentation of their major areas of business as well as the unit's asset, financial and income situation. In addition, it also confirms that the responsible management has established the centrally defined internal control system for reporting and, if necessary, has supplemented this with their own internal control system.

No changes were made to DB Group's internal control system between the time when the balance sheet was prepared and when the management report was prepared.

KEY RISK CATEGORIES AND INDIVIDUAL RISKS

In particular, key risks to DB Group's income statement are:

General economic risks

Demand for our mobility services, and especially our transport and logistics services, is also dependent on overall economic development. Economic growth drives the megatrends in our relevant markets, which in turn are key drivers of our corporate strategy. For this reason, general economic shocks like the economic and financial crises can have a negative impact on our business.

A key influencer of passenger transport is the development of major economic factors, such as personal disposable income and the level of employment.

The most critical factor in the rail freight transport business is freight demand for consumer goods, coal, iron and steel, oil, chemical products and construction materials. These, on the one hand, are subject to cyclical fluctuations. On the other hand, we must consider structural changes in the production structures of our customers, who are frequently involved in global competition.

In the area of freight forwarding and logistics, demand for storage and transport services depends on our customers' economic development.

Market risks

We face tough intermodal and intramodal competition in the German passenger transport market, especially from motorized individual transport, which is the dominant competitor. We are continuously improving our service performance in order to strengthen our competitive position. On the offer side we are optimizing the structure of our scheduled services as part of our regular schedule updates. We are able to offer more attractive connections on many routes after completing measures to improve the infrastructure. We use numerous special offers and promotions as part of our efforts to improve our customers' perception of our prices. In addition, we regularly employ sales promotion measures to specifically target new customers. The further development of punctuality, which is subject to strict monitoring, remains important.

Intensive intramodal competition exists across Europe for long-term service contracts in the regional transport sector. In order to assert ourselves in this market environment we are continuously optimizing our tender management and cost structures so we can submit attractive bids that make economic sense.

Considerable intermodal competitive pressure exists in the rail freight transport sector in addition to the increasing intensity of intramodal competition. This situation is being exacerbated by the increasing market significance of low-cost truck fleets from the new EU member states. In an isolated analysis of rail freight transport we can see market risks arising from the necessity to adjust to the increasing intensity of intermodal competition and the resulting margin losses. We react to this with measures to further improve our efficiency and reduce costs. Furthermore, we are optimizing our range of rail-related services and integrating rail freight transport into a comprehensive range of logistics services.

Our activities in the freight forwarding and logistics segments are especially influenced by competitive markets, highly dynamic consolidation processes within the logistics sector and further increases in customer demands. We respond to these challenges by further expanding our network in order to not only defend our market positions, but also to strengthen them from a position of competitive strength.

Due to the special nature of the business, our air freight activities face risks arising from the submission of clearance declarations to airlines, which could lead to serious consequences in individual cases. Over the past few years the rules for granting customs guarantees have been continuously revised and improved. In addition, we strictly observe country-specific safety regulations governing shipments of air and ocean freight. Furthermore, country-related practices regarding clearance of shipments must also be taken into account.

Across the entire DB Group we combat risks arising from changing customer demand or shifts in traffic flows with intensive market observation and by continuously upgrading our portfolio. In regard to market risks related to changing legal conditions at domestic or international levels, we actively submit our position into preliminary consultations and discussions.

Operating risks

We operate a technologically complex, networked production system within the rail transport sector. Risks arise for our rail activities due to service interruptions, in particular because of the resulting decline in punctuality. A substantial reduction in punctuality in long-distance transport diminishes the perceived quality of service and can lead to a loss of customers. Furthermore, in regional transport there is also the additional risk of incurring penalty fees levied by the responsible contracting organization in the event of train cancellations or insufficient punctuality. The availability of our vehicle fleet is an additional critical factor. Significant limitations can endanger scheduled operations. DB Group attempts to eliminate this risk by taking precautionary measures and in the case of occurrence to minimize the impact by, for example, providing substitute vehicles or organizing substitute transports.

In rail freight transport the punctuality of transports is an important criteria used by our customers to select the mode of transport. In addition, irregularities may occur during the conduct of transport operations such as violations of customs regulations or theft. We combat these risks by employing qualified customs coordinators, as well as a special system that immediately notifies us when tax assessments are received.

We generally counter the risk of operational disturbances with systematic maintenance and the use of qualified staff, coupled with continuous quality assurance and the improvement of our processes. The nature of the railway business as an open system, however, means that we have limited influence on certain factors that have a potentially negative impact on our flow of operations. In this case, we strive to limit the possible consequences.

Technology risks

The range and quality of the services we offer depends greatly on the availability and reliability of the production resources used, procured preliminary work as well as the quality of our partners' performance. We engage in intensive quality dialogues with our relevant suppliers and business partners.

In addition, the technical production resources used in rail transport must fulfill applicable norms and requirements, which may change over time. As a consequence, technical objections regarding vehicles could occur. The risk here is that individual model series or wagon categories cannot be used for operations, or may only be used on a restricted basis – for example, at lower speeds, shorter maintenance intervals, or lower wheel set loads. Furthermore, newly procured vehicles can fail to receive certification and then not be delivered as agreed with the manufacturer. These occurrences could lead to disturbances in operational processes as well as higher expenses.

It cannot be ruled out that the intervals between maintenance / ultrasound inspections will be further shortened in the future. Due to this, additional operational restrictions could occur if the size of the vehicle fleet remains unchanged.

Furthermore, possible changes in norms and the rail infrastructure are important elements of overall operating conditions. Here again, operations can be restricted or even cancelled in the event of deviations from the norm. In order to counter these risks we have consolidated the respective activities in DB Group and engage in an active dialogue with the responsible authorities.

Procurement risks

Procurement prices for commodities, energy and transport services can shift depending on the market situation. Therefore, depending on the market and competitive situation, it is not possible – or only possible to a limited extent – to pass on higher costs to customers. This will have a correspondingly negative effect on margins.

We counter the risk of higher energy prices through the use of appropriate ⟶ *derivative financial instruments* [1].

[1] ⟶ ***Page 195 ff.***

Project risks
The modernization of the overall rail system involves high amounts of capital expenditures as well as a large number of highly complex projects. Changes in the legal framework, delays in implementation or necessary adjustments during the frequently multiyear project terms can result in project risks that have a cross-business unit impact due to the networked production structures. Furthermore, increased prices for ordered services or construction measures can lead to negative effects. We take such risks into account by intensively monitoring our projects. This particularly applies to our central major projects.

Infrastructure financing risks
A key element of the German Rail Reform Act is the Federal Government's constitutional obligation to finance the infrastructure. The crucial elements are not only a sufficient amount of resources, but also the predictability of available funds. We signed the Service and Financing Agreement with the Federal Government, which covers financing of the existing network until 2013. However, in order to ensure the long-term competitiveness of the rail mode of transport, sufficient availability of funds is required to ensure systematic new construction, expansion and elimination of bottlenecks (requirement plan capital expenditures). Our mid-term corporate plans assume Federal funding will be forthcoming for the successful realization of these capital expenditures, although a corresponding agreement could not yet be concluded. Moreover, there is also the risk that the Federal Government may demand refunds due to an audit of how Federal funds were employed.

Risks related to reduced concession fees
The amount of financial resources available to the contracting organizations to order routes from transport companies is the key factor driving development in the regional transport market in Europe. For this reason payments generally received from state or state-financed contracting organizations (concession fees) represent a major portion of revenues in regional passenger transport. Against the background of the public sector's need to make budget cuts there is a risk that the level of concession fees available for future tenders or existing services may be reduced. We counter this risk by making corresponding adjustments to our service offer and by increasing our farebox revenues.

Financial risks
We counter risks associated with interest rates, foreign exchange and energy prices arising from our business operations with, among other things, original and derivative financial instruments. These ⟶ *instruments* [1] are explained in the Notes.

Exchange rate risks have risen as we expanded our international business activities because of cash flows generated in different currencies. This applies, in particular, to the US dollar, the British pound and the Swedish krona.

A portion of our obligations stemming from pension benefits and other pension-benefit-related commitments is covered by plan assets consisting of stocks, property, fixed-income securities and other assets. Declines in the value of these assets directly reduce the extent of pension benefit obligations covered by plan assets and can, under certain circumstances, lead to the company making additional allocations.

Based on our good ⟶ *ratings* [2] we have very good access to the capital markets. In order to ensure DB Group's solvency and financial flexibility at all times we have cash and cash equivalents at our disposal as well as credit facilities, a € 2 billion commercial paper program and a € 15 million debt issuance program. Within the framework of our cross-Group cash-pooling arrangement we ensure that funds can be made available within the Group as needed.

Legal and contractual risks
Legal risks may arise, for instance, in the form of claims for damages and from legal disputes. These frequently stem from construction projects, real estate transactions, or environment-related issues. Moreover, there is also the risk that some of the long-term transport contracts may become uneconomical due to unforeseen increases in costs. In cases like this we try to counter the negative effects with commensurate measures to reduce costs and raise income.

Provisions are made for legal and contractual risks after estimating the respective probability of occurrence. The actual utilization of these provisions depends on whether the risks materialize to the extent as set forth in our current estimates.

[1] ⟶ ***Page 195 ff.*** | [2] ⟶ ***Page 97***

Regulatory and political risks

Changes in the overall legal conditions at national or European level could result in risks for our business. DB Group provides rail transport service in a regulated market. Access to the German railway network has been available on a non-discriminatory basis since 1994. Regulatory measures also affect the individual components of pricing systems and terms of use of our rail infrastructure companies such as their pricing systems and terms of use. In this area there is a risk that a complaint may be submitted to the regulatory authorities and that they may respond.

The structure of DB Group has potential exposure to regulatory risks. These risks could arise on both the national as well as the European level.

Political risks refer to, in particular, the tightening of existing norms and rules that apply to railway activities.

Personnel risks

Our employees and their skills are of central importance for our future success. Our remuneration systems and personnel development programs and measures are aimed at enhancing the loyalty of our employees and motivating them to turn in top performance. Unwanted staff departures remain at a consistently low level. This, on the one hand, reflects our efforts to raise the commitment and identification of employees with the Group. On the other hand, it shows our attractiveness as an employer. Furthermore, we are faced with increasing competition for highly qualified specialists and executives. Among other measures we are taking, we are meeting this challenge by maintaining close contacts with universities, and through our recruiting measures. During the integration period for newly acquired companies we concentrate our efforts on raising the loyalty of employees in key positions.

In order to assert ourselves in competition, the structure of our personnel expenses in comparison to our competitors is of decisive importance. Additional one-sided burdens, such as higher wage agreements than those negotiated by our competitors, worsen our competitive position. In the future, the conclusion of sector-wide wage agreements will set uniform standards for the German regional transport market.

Compliance risks

The restructuring of our Compliance department in 2009 documented that we are committed to ensuring that every DB Group employee views the full observance of valid laws, corporate guidelines and recognized regulatory standards as an assignment and an obligation. We further expanded our Compliance organization during the year under review to ensure behavior that conforms to the rules. More details on this subject may be found in the ⟶ *Compliance report* [1].

IT risks

Insufficient IT management can lead to serious interruptions of business operations. We employ a wide range of methods and means to minimize these risks. Ongoing monitoring of system architecture and the regular renewal of hardware platforms ensure that our information technology always optimally meets changing business demands and conforms to the latest state of technology.

In order to ensure high availability in IT operations, we use distributed and redundant systems for operations and data backup, fail-safe network coupling, together with partly outsourced tape backup and separate administrations. These measures safeguard critical business and IT processes and prevent serious breakdowns. Our wide area network (WAN) is designed redundantly wherever required by security and business continuity.

GENERAL STATEMENT REGARDING DB GROUP'S RISK SITUATION

The assessment of the current risk situation is based on our risk management system. The main risks during the year under review were in the areas of market, production as well as technology and procurement.

Our analysis of risks, countermeasures, hedges and provisions, as well as the assessment made by the DB Group Management Board, has established that, based on the current assessment of risk and our mid-term planning, there are no risks present which either individually or in their entirety could permanently and materially damage DB Group's asset, financial and earnings situation. In regards to our organization we have established all of the prerequisites needed to recognize risks at an early stage. Our continuous risk management activities and the active supervision of the main risk categories contribute towards limiting risks within DB Group.

[1] ⟶ *Page 40 f.*

Events after the balance sheet date

- Sector-wide agreement in SPNV sector takes effect
- Round of wage talks concluded with EVG
- Additional compensatory services agreed for S-Bahn (metro) Berlin

MAINTENANCE INTERVALS FOR ICE TRAINS ARE CHANGED AGAIN

In a letter dated February 16, 2011, DB Fernverkehr AG voluntarily agreed to comply with the Federal Railway Authority's (EBA) request to reduce the ultrasound inspection intervals for the ICE 1 and 2 multiple-unit trains. The decision will be implemented without delay. In responding to the EBA we clearly stated that in our considered opinion there was not, nor is there, any danger to rail transport. Together with the EBA we are striving to develop a viable model that will provide a scientific and technical foundation for determining the length of intervals between ultrasound inspections.

SECTOR-WIDE WAGE AGREEMENT TAKES EFFECT IN LOCAL RAIL PASSENGER TRANSPORT

Arbitration talks between the Railway and Transport Workers Union (Eisenbahn- und Verkehrsgewerkschaft; EVG), the employer, the Mobility and Transport Services Association (Agv MoVe), as well as the six largest private train operating companies in the local rail passenger transport sector – Abellio, Arriva Germany, BeNEX, Keolis Germany, Veolia Transport and the Hessische Landesbahn – were concluded on January 17, 2011 and the sector-wide wage agreement took effect on February 1, 2011. The Agreement is binding for bids on all tenders and awards on after April 30, 2011. The higher DB wage level also applies to all DB Regio AG subsidiary companies as of this date. Furthermore, DB Regio AG will no longer participate in tenders in Germany with subsidiaries that are not bound to the wage agreement. On an overall basis, the sector-wide wage agreement has notably reduced the competitive disadvantage we faced in tender processes.

In contrast, the German Train Drivers Union (GDL) stated that the results of the arbitration talks did not apply to their members.

ROUND OF WAGE TALKS CONCLUDED WITH EVG

We reached an agreement in the 2010 round of wage talks with the EVG including a two-step increase in wages. Wages will rise by 1.8 % as of March 1, 2011, and by an additional 2.0 % as of January 1, 2012.

In addition, preferential payment of 1.0 % per year will be paid for individual retirement benefits. Furthermore, vacation pay and extra pay for shiftwork were raised by 1.5 %. The one-time payments made in December 2010 will also become a part of the wage agreement.

Agreement was also reached to extend the job security pact between DB Group and EVG through 2011 and amend it to reflect current conditions. This agreement continues to rule out laying-off any DB Group employee for operational reasons. As a result of this new realignment, agreements reached in 2005 regarding working hours and monthly pay were partially rescinded. As of March 1, 2011, employees will work 39 hours a week on a permanent basis and will again receive full wages for these hours, which in fact means that as of March 1, 2011 their pay will rise by 2.5 %.

In total, the signed wage agreements will increase personnel expenses in the 2011 financial year by about 6 % over the comparable year-ago figure. The wage agreements will be valid for a term of 29 months and run from August 1, 2010 to December 31, 2012. The agreement concluded the wage negotiations between DB Group and the EVG.

ADDITIONAL COMPENSATORY SERVICES AGREED DUE TO SERVICE LIMITATIONS AT S-BAHN BERLIN

Due to the ongoing restricted operation of the S-Bahn (metro) Berlin we will be offering our customers in Berlin additional compensatory services in 2011. In addition to the previously granted free travel benefits and refunds worth about € 105 million, supplementary services valued at about € 39 million will be offered in 2011 bringing the total of all compensatory services offered to about € 144 million.

WAGE NEGOTIATIONS WITH THE GDL

At the beginning of February 2011 the GDL stated that their negotiations with us and the local rail passenger transport companies Abellio, Arriva Germany, BeNEX, Keolis Germany, Veolia Transport and the Hessische Landesbahn had failed. At the same time GDL also announced strikes in rail passenger transport.

BGH DECISION CLARIFIES SITUATION IN GERMAN REGIONAL TRANSPORT MARKET

On February 8, 2011 the Federal Court of Justice (BGH) granted the application submitted by Abellio and declared that the contractual agreement between the Rhine-Ruhr Transport Association (Verkehrsverbund Rhein-Ruhr; VRR) and DB Regio NRW was null and void. This decision affects capital expenditures worth millions of euros for local transport projects in the Rhine and Ruhr region. These projects include: as of 2012 only modern rapid transit trains were to operate throughout the entire VRR network; elimination of system bottlenecks; added seating capacities and upgrading the regional transport fleet were intended to provide passengers with greater comfort and punctuality.

The Court's decision revalidates the original contract that runs until December 2018. We will review the decision and examine our options while keeping our passengers in the Rhine and Ruhr region in mind.

While EU law expressly permits direct awards of local transport lines, and they are common practice across Europe, they have been disputed issues under German laws up until now. The BGH has now ruled that the German Cartel Procurement Law goes beyond European law and requires mandatory tender procedures.

This landmark decision by the BGH has wide-reaching significance for the German local transport market. We view ourselves as well prepared to face additional competition because in recent years the responsible authorities have primarily used their selection options to choose tenders over direct awards.

Outlook

⟼ **Economic growth expected to continue at slower pace**
⟼ **Revenues and profits anticipated to grow in 2011 financial year**
⟼ **Outlook remains clouded by uncertainty**

According to estimates available at the time this report was prepared, we anticipate that the recovery will continue at a weaker pace in 2011. Growth projections for the industrialized nations indicate that the economic recovery is flattening. For this reason we expect overall economic development in the 2011 financial year will remain favorable but with Germany and the Eurozone playing a lesser role along with the further recovery of the global economy and the development of global trade.

FUTURE DIRECTION OF DB GROUP

Future business policy

We want to assert our market positions in the 2011 financial year and continue our business units' organic growth. The acquisition of Arriva brought with it a notable expansion of our position in the European passenger transport market. We want to play a strong role in this market in the future with our new DB Arriva business unit. We do not intend to make any fundamental changes to our business policy in the 2011 financial year.

Future sales markets

Our opportunities for further growth in the German passenger transport market are limited by our current strong position, very intense competition and restrictions imposed by cartel law. Therefore, our main emphasis is correctly placed on defending our position. The focus of our expectations for future expansion in passenger transport is on the other European countries. The takeover of Arriva also means that the European passenger transport market will play a far more important role in our future activities.

In the area of rail freight transport our unchanging focus remains on the European market. Following the build-up of our network in recent years we are now well-positioned along all of the central European corridors, and our perspectives extend to even offering connections to China.

In the freight forwarding and logistics segment we expect to see strong rates of growth in the ocean and air freight areas, especially for our business activities in the Asia/Pacific region. We also want to further expand our contract logistics business in the coming years by focusing primarily on the automotive, consumer goods, electronics and industrial sectors.

ECONOMIC OUTLOOK

The following estimates regarding economic development in 2011 are based on the assumption of stable overall geopolitical development.

Anticipated development [%]	2010	2011
GDP World	+ 4.0	↗
World Trade	+13.5	↗
GDP Eurozone	+1.7	↗
GDP Germany	+3.6	↗

↗ above previous year's figure, → on previous year's level, ↘ below previous year's figure
Data for 2010 is based on information and estimates available on February 22, 2011.

The mixed economic picture of the global economy is likely to remain unchanged in 2011. We anticipate that the recovery noted in the industrialized nation will continue although growth rates are estimated to decline. Structural problems, for example in the real estate market, do not yet appear to be resolved. Concurrently, pressures are likely to increase on governments to consolidate their financial outlays. Export nations are likely to see their growth slow as demand from emerging markets is anticipated to weaken. It appears that some of the emerging countries intend to dampen domestic growth to counter the threat of their economies overheating and to keep economic expansion at a lower level. Risks are likely to be generated, in particular, by the continuing uncertainty in the financial markets regarding the debt levels and creditworthiness of a number of industrialized countries.

We anticipate that the global economy will continue to grow further in 2011, albeit at a slower pace. The GDP figure in the USA is likely to grow more slowly than in the previous year. The same figure is anticipated to fall by half in Japan due to weaker exports. Above all, emerging Asian countries are expected to remain the driving forces behind the global economy. Measures taken in China to cool the economy will slow Chinese GDP growth to about 9 %.

The economic recovery in the Eurozone is likely to flatten out with major differences visible between the individual countries. While Germany is expected to remain the European growth locomotive, we believe that growth in France and Italy will continue at current levels. Nonetheless, we anticipate that the Eurozone will continue to be burdened by high levels of sovereign debt owed by some of the member states. The key danger is that manufacturing could shrink in these countries as the fiscal influences are notably more restrictive and additional reforms are still needed in light of their very weak ability to compete on prices in international markets.

Fiscal consolidation measures are likely to lead to reduced government spending in 2011, while higher taxes, or the elimination of tax breaks, are anticipated to shrink disposable income. Consumer spending is likely to be burdened by low capacity utilization rates and ongoing problems in the real estate markets in some of the Eurozone countries. On the other hand, the very low level of interest rates is expected to further encourage capital expenditures. Exports are likely to benefit from global trade, even though it is growing at a weaker pace than in the previous year. In view of the diminished outlook for the economy and the phasing out of short-time work (Kurzarbeit), employment levels are only expected to rise slightly.

The economy is likely to stabilize in most of the countries in Central and Eastern Europe in 2011. In view of the anticipated modest expansion of the domestic economy we expect that the recovery will be primarily driven by foreign trade. We also expect that demand for capital spending will remain weak in most countries and consumer spending will be dampened by government spending cuts and generally rising unemployment levels. The latent risk of a currency crisis still exists in countries with macroeconomic imbalances. The region's GDP is likely to remain higher than the EU average in the coming years.

The German economy is also likely to continue to recover in 2011, although by about a slower 2.5 % rate of growth due to the weakening pace of the global recovery. By the end of 2011 overall economic output for the German economy could return to the pre-crisis level recorded in the first quarter of 2008. It appears likely that the upswing will broaden. Although German exports could remain the primary driver powering the upswing in the economy, domestic demand is increasingly benefiting from foreign trade. The pace of growth for exports is likely to track weaker growth in customer markets in 2011 and slow by almost 50 %. Capital expenditures by companies are expected to rise further. In addition to outlays to restock inventories and replace equipment, which were postponed because of the crisis, rising capacity utilization rates urgently require investments be made to expand production capacities. The construction sector is likely to be favorably influenced by increasing demand for residential housing, which is being driven by the historically low financing costs.

In contrast, public-sector spending is burdened by the expiration of the economic stimulus programs and a tight budget situation at the municipal level. As a result, it has very little room to expand, and capital spending is likely to be restrained despite the dynamic pace of growth in the private sector. Supported by rising employment levels and an improved income situation, consumer spending is expected to rise notably. The increase in employment levels in 2011 is likely to grow at a slower pace than in the previous year due to a statistical base effect. The unemployment rate is expected to decline, however it will be hindered by changing overall conditions and a slight rise in the labor supply. As of May 2011 all of the still existing restrictions limiting access of workers in Central and Eastern EU member states to the rest of the EU will expire. This could result in higher numbers of commuters. Furthermore, the end of the military draft as of the summer of 2011, as well as the double number of students completing their upper secondary school education (Abitur) in some Federal states are likely to increase the domestic labor pool.

The global economy is currently facing major risks due to the instable situation in the Arab world. If the political crisis spreads to the major oil-producing countries it could push commodity prices even higher and increase the risk of inflation. This could also lead to a decline in real income levels in industrialized nations and choke off consumer spending thereby notably hindering the economic recovery.

ANTICIPATED DEVELOPMENT IN THE RELEVANT MARKETS

Anticipated market development [%]	2010	2011
European rail passenger transport (based on pkm)	+ 0.0	↗
German passenger transport (based on pkm)	+ 0.2	↗
European rail freight transport (based on tkm)	+ 8.5	↗
German freight transport (based on tkm)	+7.1	↗
European land transport (based on revenues)	+ 8.0	↗
Global air freight (based on t)	+20.6	↗
Global ocean freight (based on TEU)	+13.0	↗
Global contract logistics (based on revenues)	+ 6.0	↗

↗ above previous year's figure, → on previous year's level, ↘ below previous year's figure
Data for 2010 is based on information and estimates available on February 22, 2011.

It is anticipated that the German passenger transport market will be favorably influenced in 2011 by strong gains in employment and consumer spending over the comparable year-ago levels, as well as a higher – albeit restrained – increase in real income. These developments are expected to lead to a moderate rise in the overall market for the first time in years. Motorized individual transport is also likely to develop favorably unless the current high prices for fuel remain unchanged over the course of 2011. It is expected that domestic air transport volume sold in Germany will continue to show strong gains. It is still too early to tell what effect the additional burden posed by the government's air transport surcharge will have on demand. Public road passenger transport should be able to hold its previous year's level. It is anticipated that the German rail passenger transport will post a slightly weaker yet still above-average increase in volume sold compared to 2010 despite the extensive construction work taking place in the rail network.

The uneven development noted in individual countries in the previous year will also continue in the European rail passenger transport market in 2011. The fiscal consolidation measures caused by the tight budget situations in an overall weakening economy are expected to dampen disposable incomes and have a corresponding effect on demand for transport services. On average, no major fluctuations are anticipated to occur in the labor market. Against this background, and in view of the anticipated supporting effects linked to the ongoing liberalization process, it may be expected that the European rail passenger transport market will see overall stable to slightly favorable development.

Following the last two years, which were marked by the economic crisis and the subsequent sharp recovery, respectively, it is anticipated that the freight transport market in Germany will return to its moderate growth path in 2011. In doing so, development of rail freight transport should closely track the overall market's growth and accordingly hold its share of market. Truck transport is expected to record an above-average increase in volume sold resulting in an improvement of its market position, which will mainly take place at the expense of inland waterway transport. It is anticipated that competition will remain highly intense in view of the anticipated sharp increase in transport prices across the entire market.

Although the recovery of the European rail freight transport market in 2011 will only continue at a subdued pace due to the weaker growth stimuli from the economy, we do expect, however, that it will remain strong. As already noted in the year under review, notable differences will remain between the individual countries. We do not expect competitive pressures to lessen in either the intra- or intermodal market. This applies in particular to truck competition where, despite the previously announced sharp price hikes, the road freight transport segment should continue to expand at a dynamic pace in 2011, which will be even faster than the rate for rail freight transport.

We estimate that European land transport will grow favorably in almost all countries in 2011. In total, we expect a growth rate of more than 10 % in 2011. This dynamic development as well as the corresponding reduction in available shipping capacities could improve chances to push through higher prices. However, the intensive competitive situation, especially among network operators, could hinder rising prices. Network operators' capacity utilization rates will probably continue to increase due to ongoing economic recovery.

We anticipate that the global air freight market will expand by about 5 % in 2011. In ocean freight we expect that additional cargo capacities of about 7 % that were added to the market are a little bit lower than the forecasted growth in demand of about 8 %.

We expect the contract logistics/SCM market to continue developing strongly in 2011 as all of the important core countries for global contract logistics are anticipated to post further economic growth. Furthermore, favorable effects are expected from an additional increase in the outsourcing rate in the relevant industries.

Following the substantial increase in demand for train-path seen during the year under review we anticipate that it will stabilize at the previous year's level in 2011. We expect the number of station stops to increase further in 2011. The outlook for additional rental business is also favorable due to the improved overall conditions for the retail trade and the food and beverage business. We believe that retail trade revenues in Germany will rise slightly once again in 2011.

ANTICIPATED DEVELOPMENT OF THE PROCUREMENT AND CAPITAL MARKETS

We do not anticipate that we will encounter any major bottlenecks on the procurement side during the 2011 financial year. The further development of energy prices will play a decisive role. In general, we anticipate that energy and commodity prices will rise.

Rising energy prices are likely

While the outlook for the year under review was marked by great uncertainty, in the interim most of the market observers believe that the crisis is over. It is expected that energy prices will also rise in 2011 driven by unbroken robust growth in the emerging markets as well as a stabilizing upswing in the industrialized countries coupled with the central banks' unchanged expansive monetary policy.

International demand for crude oil and refinery products is also likely to grow in 2011 and set a new record. Although the current supply situation remains comfortable, the sustained and continual growth of the emerging markets again raise the risk of supply bottlenecks over the mid-term. As long as the Organization of Petroleum Exporting Countries (OPEC) does not respond to dwindling stockpiles of oil by increasing their production, the excessive levels of liquidity available in the global financial markets make it more likely that we will again see prices of USD 100/bbl and more.

Beyond these considerations, additional costs are anticipated based on the overall conditions contained in the Federal Government's energy concept which foresees coupling the extended lifetimes of nuclear power plants in Germany to additional costs generated by the related tax on nuclear fuel elements (Brennelementesteuer) plus required investments. These costs will place an added burden on energy prices in 2011. The spot market for gas is still in its early stages in most parts of Europe and is heavily influenced by local conditions

High level of sovereign bond issues expected

During the year under review the total volume of bonds issued by sovereign states, banks and companies in the Eurozone amounted to about € 1.7 trillion. We do not anticipate that the volume of new issues will be lower in 2011. Based on the premise of sluggish economic growth, we anticipate that not only will maturing bonds with a nominal value of € 2.0 trillion have to be refinanced in 2011, we also foresee a further increase in the level of debt in the capital markets. In this context it may also be expected that companies will tap the bond markets to a greater extent than before in response to banks' more restrictive lending conditions.

Due to the unchanging high refinancing needs of Eurozone countries, and assuming companies will have a relatively favorable cash flow situation, we anticipate that the sovereign bond share of the capital market will expand in 2011. We also anticipate that companies with good credit ratings will continue to have good access to the capital market in this environment, even if economic growth should slow.

The anticipated further strong use of the capital markets by sovereign and supranational issuers and the resulting greater offer of debt instruments in the market should generate more attractive yields for investors. The continuation of the economic recovery should also lead to higher interest rates in the mid-term. We therefore expect that long-term interest rates for financing will be higher than in 2010, even for bonds issued by companies with good credit ratings.

ANTICIPATED DEVELOPMENT OF IMPORTANT BUSINESS CONDITIONS

On September 17, 2010 the European Commission opened legislative proceedings to recast the first European railway package. It is anticipated that the proceedings will be concluded in 2011. The proposed new version includes stricter regulation of access to service facilities (e.g. terminals); wider authority for national regulatory agencies as well as detailed requirements for infrastructure financing arrangements between infrastructure operators and member states; changes to charging schemes; stricter unbundling requirements; the introduction of noise-based train-path usage fees, as well as requirements related to regulatory accounting procedures.

Irrespective of the European development, the German Federal Ministry of Transport, Building and Urban Affairs announced an amended version of regulations for 2011. Based on the terms of the coalition agreement, the amended version should, in particular, introduce stricter charging rules (e.g. introduction of an incentive rule).

ANTICIPATED INCOME SITUATION

DB Group

Anticipated development [€ million]	2010	2011
Revenues (excluding DB Arriva)	33,364	↗
EBIT adjusted	1,866	↗
ROCE	6.0 %	↗
Gross capital expenditures	6,891	↗
Net financial debt	16,939	→

↗ above previous year's figure, → on previous year's level, ↘ below previous year's figure

Based on current estimates we anticipate that revenues will continue to increase in the 2011 financial year following the strong development noted in the year under review. However, due to the diminished economic expectations, they are likely to be lower on a comparable basis than revenues recorded for the year under review and show a gain of about 5 %. The effective increase will be notably higher due to the first-time full inclusion of Arriva in the scope of consolidation for the 2011 financial year.

It is anticipated that the continued favorable development of revenues and our cost management measures will also be reflected in the adjusted EBIT figure, which is expected to improve further in the 2011 financial year. Critical factors influencing the development of profits in the 2011 financial year will be the availability of vehicles in the rail transport segment, as well as the development of margins in our rail freight transport and freight forwarding businesses. Moreover, additional expenses will be incurred for measures taken to improve the quality of service.

Based on the currently anticipated increase in the adjusted EBIT figure we expect that the ROCE figure will also advance further towards its target of 10 %. This development is likely to be hindered by the volume of capital employed in 2011 which is expected to rise due to extensive capital expenditures planned for the year.

We will continue our modernization efforts at an unbroken high level of capital expenditures. It is likely that these outlays will be considerably higher in 2011 than the comparable figure noted for the year under review.

It is anticipated that higher gross capital expenditures will also result in higher net capital expenditures. In this context it should be noted that DB AG will probably distribute a first-time dividend of € 500 million to its owner for the 2010 financial year. Net financial debt as of December 31, 2011 should remain at the same level as in the year under review.

Business units

Anticipated development [€ million]	Revenues		EBIT adjusted	
	2010	2011	**2010**	2011
DB Bahn Long-Distance	3,729	↗	117	↗
DB Bahn Regional (incl. DB Bahn Urban)	8,831	↗	791	↗
DB Arriva	1,046	↗	55	↗
DB Schenker Rail	4,584	↗	12	↗
DB Schenker Logistics	14,310	↗	304	↗
DB Services	1,274	→	129	↘
DB Netze Track	4,580	↗	601	↗
DB Netze Stations	1,044	↗	217	↗
DB Netze Energy	2,501	↗	82	→

↗ above previous year's figure, → on previous year's level, ↘ below previous year's figure

DB BAHN LONG-DISTANCE

Based on improved vehicle availability in the DB Bahn Long-Distance business unit, and a further optimization of our offers, we anticipate that this unit will post higher volume sold and better revenues for the 2011 financial year despite burdens posed by extensive construction activities within the network. The anticipated favorable performance should also offset the rising level of expenses and permit the adjusted EBIT figure to surpass the same year-ago figure.

DB BAHN REGIONAL (INCLUDING DB BAHN URBAN)

Revenues and adjusted EBIT are expected to rise and be driven by improved offers in rail and bus transport.

DB ARRIVA

In the 2011 financial year the DB Arriva business unit will be fully included in the scope of consolidation for the first time. This will also have a commensurate favorable effect on revenues and profits.

DB SCHENKER RAIL

In the wake of the favorable development noted for the DB Schenker Rail business unit during the year under review, we anticipate additional, notable improvements in 2011. Based on continuing, albeit weaker, economic growth, we anticipate that shipping volume will continue to increase. This development should also favorably affect revenues and adjusted results.

DB SCHENKER LOGISTICS

Following the notable gains seen during the year under review, we anticipate that the DB Schenker Logistics business unit will also see further substantial improvements – driven by both volume and pricing effects – in the 2011 financial year. This development should also impact favorably on adjusted EBIT.

DB SERVICES

We expect that total revenues generated by non-Group and Group customers will remain at the previous year's level in the 2011 financial year. We also expect that we will incur expenses that cannot be passed on to customers and will likely lead to a decline in the adjusted EBIT figure.

DB NETZE TRACK

Driven by increased volume and prices we anticipate that the DB Netze business unit's revenues will also rise further in the 2011 financial year. Increased revenues as well as further rationalization measures are expected to have a favorable effect on the adjusted EBIT figure.

DB NETZE STATIONS

We anticipate that revenues earned by the DB Netze Stations business unit will be slightly higher than the level seen for the year under review. We further expect that profits will also exceed the same year-ago figure.

DB NETZE ENERGY

Revenue trends seen during the year under review are also expected to continue in the 2011 financial year resulting in higher external revenues than in the previous year. We anticipate profits to move sideways.

ANTICIPATED FINANCIAL SITUATION

The focus of our capital expenditures in the 2011 financial year will again be on rail infrastructure in the DB Netze Track business unit. There will also be increased capital expenditures for vehicles in the DB Bahn Regional and DB Bahn Long-Distance business units.

Gross capital expenditures will again be covered in large part by ⟶ *investment grants* [1] in the 2011 financial year, primarily through funds from the Federal Government for infrastructure financing.

The level of net capital expenditures that we must finance ourselves is expected to increase significantly in the 2011 financial year. In consideration of the constant positive cash flow from operations expected over the course of the year, we should be able to cover these by internal means. Possible portfolio changes due to M&A activities are not taken into consideration.

In the 2011 financial year, DB Group will have maturing financial obligations of about € 2.2 billion. In order to partially refinance these obligations, we will again make use of the capital and financial markets in the 2011 financial year. We will have unchanged and appropriate financing scope based on our debt issuance program, our commercial paper program and existing, hitherto untapped credit facilities. Thus the short-term and medium-term liquidity supply for DB Group is assured.

As of December 31, 2010, € 11.8 billion of the € 15 billion debt issuance program created for the long-term area had been drawn down. As a result of the redemption of a USD 1.2 billion bond that matured in January 2011 (€ 1.0 billion), the available issuing amount for our debt issuance program increased to € 4.2 billion at the start of the 2011 financial year.

In the short-term area, a multi-currency multi-issuer commercial paper program of over € 2 billion was available as of December 31, 2010. As of that date, € 42 million of this amount had been drawn down. In addition, as of December 31, 2010 we had € 2.5 billion in guaranteed untapped, broadly diversified credit facilities that were concluded with first-class credit institutions.

We will continue our M&A activities in a selective and focused way in the 2011 financial year. We do not expect these activities to have any significant effects on our financial situation for the 2011 financial year.

ANTICIPATED DEVELOPMENT IN THE 2012 FINANCIAL YEAR

In accordance with Rule 15 of the German Accounting Standards (Deutscher Rechnungslegungsstandard; DRS) we will also state our estimate for the year following the current financial year. It is based on the assumptions made in our medium-term planning regarding market development, competition and overall conditions, as well as on our success in implementing planned measures. However, these assumptions and estimates involve greater uncertainties the farther they look into the future.

Based on the assumption that the economic upswing will develop as anticipated and continue beyond 2011, we also believe that we will record further increases in both revenues and adjusted EBIT. Based on our current assessment we expect that our ROCE will improve further towards the target level of 10%.

[1] ⟶ **Page 101**

OPPORTUNITIES REPORT

Our opportunity management efforts are mainly driven by our business units' targets and strategies. Operational management personnel in the business units are primarily responsible for the early and regular identification, analysis and management of opportunities. These activities are an integral element of the Group-wide planning and controlling system. We focus intensely on detailed analyses of our markets and competitors, market scenarios, relevant cost drivers and critical factors for success – including those within our political and regulatory environment. Concrete business-unit-specific opportunities are derived from these efforts and then analyzed.

To secure our corporate strategy of profit-focused growth, we implemented comprehensive packages as part of Group-wide or business-unit-specific programs which we anticipate will ensure or improve our performance quality, efficiency and cost structures. Here we also see opportunities for further organic growth, which are likely to be reflected in the further improvement of our results and key financial ratios.

The strategic orientation of DB Group proved to be successful during the financial and economic crisis, and contributed significantly to our favorable development during the year under review. The focus of our measures is always on improving our long-term competitive position. Overall, DB Group is well-positioned to benefit from opportunities arising from significant trends in our markets. In conjunction with this, we invite the reader to review the remarks made in the ⟶ *Strategy* [1] chapter.

The relevant overall economic conditions could improve more in total than we anticipate. Any resulting deviations would then have a positive effect on DB Group and its business units.

Despite the very intensive competitive situation in our markets, we also see market-related opportunities arising from the foreseeable market consolidation, and we want to use our leading market position to actively shape the process. We want to realize the opportunities offered by the consolidation process, in particular, and by the continuing globalization of the freight forwarding and logistics segments. The acquisition of Arriva has also significantly improved our position in the European transport market, and we now have a growth platform for all of our European target markets.

We have also positioned ourselves in such a way that we are well prepared to use the opportunities posed by open or opening markets in European rail freight as well as in European rail passenger transport.

Favorable exchange rates and interest rate moves could have a potentially favorable impact on our financial results. Group Treasury is therefore closely following developments in the financial markets to identify and take advantage of possible opportunities.

[1] ⟶ ***Page 104 ff.***

OVERALL STATEMENT REGARDING THE ECONOMIC DEVELOPMENT OF DB GROUP

After the strong recovery of the global economy during the year under review, the DB AG Management Board believes that the economic recovery will continue at a slower pace in 2011.

We expect uneven development in our relevant markets. While the Management Board anticipates that German passenger transport, European land transport and global contract logistics will show stronger growth rates than in 2010, the development of the German freight transport and global air freight markets is expected to lag behind the very high growth rates reported for the year under review. For 2011, we anticipate a further increase in energy prices and a very high level of issuing activity, particularly for sovereign bonds.

Following the strong development noted in the year under review, we expect revenues to rise further in the 2011 financial year based on current estimates. With the exception of the DB Bahn Regional business unit, we expect this development to be reflected in all of our individual business units. The adjusted EBIT should also continue to improve in the 2011 financial year. We expect to see further improvements here in nearly every business unit.

In addition to the positive cash flow from ongoing business operations, our good credit standing also assures us very good access to the capital market.

Our activities are subject to various risks, which were described in the Risk Report. For 2011, we particularly see risks relating to the sustainability of the economic recovery, which could materialize especially if the sovereign debt crisis worsens. In addition, the continued tight availability of vehicles and the increased level of construction activity in the high-speed rail network are also critical factors.

However, the Management Board believes that DB Group is well positioned to protect itself against the current risks. We want to further strengthen our market position and decisively implement our strategy. For this reason we believe that the overall outlook for DB Group is favorable.

Assuming continued positive overall conditions, we anticipate that our relevant markets and DB Group's economic progress will continue to develop favorably in 2012.

These estimates are, as always, subject to the following reservations set forth below.

FORWARD-LOOKING STATEMENTS

This Management Report contains statements and forecasts pertaining to the future development of 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.

DB Group does not intend or assume any obligation to update the statements made within this Management Report.

05 CONSOLIDATED FINANCIAL STATEMENTS

Auditor's report

We have audited the consolidated financial statements prepared by Deutsche Bahn Aktiengesellschaft, Berlin, comprising the consolidated statement of income and the reconciliation of the consolidated comprehensive income, the consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent company's management board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit the consolidated financial statements comply with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, February 25, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Gerd Eggemann	Thomas Kieper
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Consolidated statement of income

January 1 through December 31 [€ million]	Note	2010	2009
Revenues	(1)	34,410	29,335
Inventory changes and internally produced and capitalized assets	(2)	2,207	1,936
OVERALL PERFORMANCE		36,617	31,271
Other operating income	(3)	3,120	3,864
Cost of materials	(4)	-19,314	-15,627
Personnel expenses	(5)	-11,602	-11,115
Depreciation	(6)	-2,912	-2,825
Other operating expenses	(7)	-4,092	-3,360
OPERATING PROFIT (EBIT)		**1,817**	**2,208**
Result from investments accounted for using the equity method	(8)	17	9
Net interest income	(9)	-911	-826
Other financial result	(10)	-23	-4
FINANCIAL RESULT		**-917**	**-821**
PROFIT BEFORE TAXES ON INCOME		**900**	**1,387**
Taxes on income	(11)	158	-557
NET PROFIT FOR THE YEAR		**1,058**	**830**
Net result attributable to:			
Shareholders of Deutsche Bahn AG		1,039	821
Minority interests		19	9
Earnings per share (€ per share)	(12)		
undiluted		2.42	1.91
diluted		2.42	1.91

RECONCILIATION OF CONSOLIDATED COMPREHENSIVE INCOME

January 1 through December 31 [€ million]	2010	2009
Net profit for the year	1,058	830
CHANGE IN ITEMS COVERED DIRECTLY IN EQUITY		
Changes from currency translation	104	29
Shareholder of Deutsche Bahn AG	97	28
Minority interests	7	1
Changes resulting from market valuation of securities	10	5
Changes resulting from market valuation of cash flow hedges	131	71
Share of result items with no impact on the income statement from investments accounted for using the equity method	1	7
BALANCE OF RESULT ITEMS COVERED DIRECTLY IN EQUITY (BEFORE TAXES)	**246**	**112**
Changes in deferred taxes on result items covered directly in equity	-40	-23
BALANCE OF RESULT ITEMS COVERED DIRECTLY IN EQUITY (AFTER TAXES)	**206**	**89**
COMPREHENSIVE INCOME	**1,264**	**919**
Comprehensive income attributable to:		
Shareholder of Deutsche Bahn AG	1,238	909
Minority interests	26	10

Consolidated balance sheet

ASSETS

As of December 31 [€ million]	Note	2010	2009
NON-CURRENT ASSETS			
Property, plant and equipment	(13)	37,873	37,439
Intangible assets	(14)	4,154	2,070
Investments accounted for using the equity method	(15)	528	369
Available-for-sale financial assets	(17)	63	37
Receivables and other assets	(19)	162	184
Derivative financial instruments	(21)	279	36
Deferred tax assets	(16)	1,471	1,173
		44,530	**41,308**
CURRENT ASSETS			
Inventories	(18)	916	814
Available-for-sale financial assets	(17)	1	1
Trade receivables	(19)	3,877	3,030
Receivables and other assets	(19)	840	504
Current tax receivables	(20)	99	150
Derivative financial instruments	(21)	96	26
Cash and cash equivalents	(22)	1,475	1,470
Assets held for sale	(23)	169	0
		7,473	**5,995**
TOTAL ASSETS		**52,003**	**47,303**

EQUITY AND LIABILITIES

As of December 31 [€ million]	Note	2010	2009
EQUITY			
Subscribed capital	(24)	2,150	2,150
Reserves	(25)	5,374	5,174
Retained earnings	(26)	6,638	5,596
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF DEUTSCHE BAHN AG		**14,162**	**12,920**
Minority interests	(27)	154	146
		14,316	**13,066**
NON-CURRENT LIABILITIES			
Financial debt	(28)	16,394	14,730
Other liabilities	(29)	327	451
Derivative financial instruments	(21)	88	180
Retirement benefit obligations	(32)	1,938	1,736
Other provisions	(33)	3,743	3,990
Deferred income	(34)	1,895	2,096
Deferred tax liabilities	(16)	377	176
		24,762	**23,359**
CURRENT LIABILITIES			
Financial debt	(28)	2,159	1,780
Trade liabilities	(29)	4,286	3,267
Other liabilities	(29)	3,109	2,732
Current tax liabilities	(30)	146	60
Derivative financial instruments	(21)	92	68
Other provisions	(33)	2,513	2,429
Deferred income	(34)	620	542
		12,925	**10,878**
TOTAL EQUITY AND LIABILITIES		**52,003**	**47,303**

Consolidated statement of cash flows

January 1 through December 31 [€ million]	Note	2010	2009
Profit before taxes on income		900	1,387
Depreciation on property, plant and equipment and intangible assets		2,912	2,825
Write-ups / write-downs on non-current financial assets		0	33
Result on disposal of property, plant and equipment and intangible assets		16	-465
Result on disposal of financial assets		-6	0
Result on sale of consolidated companies		-1	0
Interest and dividend income		-315	-347
Interest expense		1,225	1,171
Foreign currency result		20	-25
Result from investments accounted for using the equity method		-17	-9
Other non-cash expenses and income		-142	-440
Changes in inventories, receivables and other assets		-665	602
Changes in liabilities and deferred income		186	-735
CASH GENERATED FROM OPERATING ACTIVITIES		4,113	3,997
Interest received		62	55
Dividends and capital distribution received		1	2
Interest paid		-780	-725
Reimbursed taxes on income (previous year: taxes on income paid)		13	-196
CASH FLOW FROM OPERATING ACTIVITIES		**3,409**	**3,133**
Proceeds from the disposal of property, plant and equipment and intangible assets		254	248
Payments for purchases of property, plant and equipment and intangible assets		-6,864	-6,486
Proceeds from investment grants		4,819	4,649
Payments for repaid investment grants		-90	-137
Proceeds from the sale of financial assets		24	0
Payments for purchases of financial assets		0	0
Proceeds from the sale of shares in consolidated companies less net cash and cash equivalents diverted		2	0
Payments for acquisition of shares in consolidated companies less net cash and cash equivalents acquired		-1,622	-202
Payments for additions to investments accounted for using the equity method		-2	-7
CASH FLOW FROM INVESTING ACTIVITIES		**-3,479**	**-1,935**
Distribution of profits to minority interests		-14	-12
Repayment of capital amounts under finance leases		-212	-61
Proceeds from issue of bonds		2,477	2,140
Payments for redemption of bonds		-1,000	-1,367
Proceeds from interest-free government loans		0	10
Payments for redemption of interest-free government loans		-481	-438
Proceeds from borrowings and commercial paper		244	5
Repayment of borrowings and commercial paper		-987	-892
CASH FLOW FROM FINANCING ACTIVITIES		**27**	**-615**
NET CHANGES IN CASH AND CASH EQUIVALENTS		**-43**	**583**
Cash and cash equivalents at the beginning of the period	(22)	1,470	879
Changes in cash and cash equivalents due to changes in the scope of consolidation		3	4
Changes in funds due to changes in exchange rates		45	4
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(22)**	**1,475**	**1,470**

Consolidated statement of changes in equity

[€ million]	Subscribed capital	Reserves						Retained earnings	**Equity attributable to shareholder of Deutsche Bahn AG**	Minority interests	**Total equity**
		Capital reserves	Currency translation	Fair value valuation of securities[1]	Fair value valuation of cash flow hedges[1]	Other movements	**Total reserves**				
As of Jan 1, 2010	2,150	5,310	- 91	6	- 55	4	**5,174**	5,596	**12,920**	146	**13,066**
+ Capital introduced	0	0	0	0	0	0	**0**	0	**0**	0	**0**
- Capital decrease	0	0	0	0	0	0	**0**	0	**0**	0	**0**
- Reduction of capital reserves	0	0	0	0	0	0	**0**	0	**0**	0	**0**
- Dividend payments	0	0	0	0	0	0	**0**	0	**0**	- 14	**- 14**
+/- Other changes	0	0	0	0	0	1	**1**	3	**4**	- 4	**0**
+/- Other changes	0	0	98	8	93	0	**199**	1,039	**1,238**	26	**1,264**
AS OF DEC 31, 2010	**2,150**	**5,310**	**7**	**14**	**38**	**5**	**5,374**	**6,638**	**14,162**	**154**	**14,316**

[€ million]	Subscribed capital	Reserves						Retained earnings	**Equity attributable to shareholder of Deutsche Bahn AG**	Minority interests	**Total equity**
		Capital reserves	Currency translation	Fair value valuation of securities[1]	Fair value valuation of cash flow hedges[1]	Other movements	**Total reserves**				
As of Jan 1, 2009	2,150	5,310	- 119	- 5	- 104	4	**5,086**	4,782	**12,018**	137	**12,155**
+ Capital introduced	0	0	0	0	0	0	**0**	0	**0**	0	**0**
- Capital decrease	0	0	0	0	0	0	**0**	0	**0**	0	**0**
- Reduction of capital reserves	0	0	0	0	0	0	**0**	0	**0**	0	**0**
- Dividend payments	0	0	0	0	0	0	**0**	0	**0**	- 12	**- 12**
+/- Other changes	0	0	0	0	0	0	**0**	- 7	**- 7**	11	**4**
+/- Other changes	0	0	28	11	49	0	**88**	821	**909**	10	**919**
AS OF DEC 31, 2009	**2,150**	**5,310**	**- 91**	**6**	**- 55**	**4**	**5,174**	**5,596**	**12,920**	**146**	**13,066**

[1] Equity capital includes deferred taxes.

Notes to the consolidated financial statements

Segment reporting by business segments **January 1 through December 31** [€ million]	DB Bahn Long-Distance		DB Bahn Regional[6]		DB Bahn Urban[6]		DB Arriva		DB Schenker Rail	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Segment revenues										
External revenues	3,602	3,435	7,482	7,509	1,227	1,219	1,046	–	4,314	3,791
Internal revenues	127	130	77	78	45	33	0	–	270	264
TOTAL REVENUES	3,729	3,565	7,559	7,587	1,272	1,252	1,046	–	4,584	4,055
Other external segment revenues	173	140	267	259	53	46	56	–	278	249
Other internal segment revenues	50	51	111	106	2	6	0	–	47	37
TOTAL SEGMENT REVENUES	3,952	3,756	7,937	7,952	1,327	1,304	1,102	–	4,909	4,341
Segment profit / loss (EBIT)	160	80	656	678	23	71	55	–	-71	-291
Adjustment special items[1]	-43	61	73	221	39	0	0	–	83	102
Segment result (EBIT adjusted[1])	117	141	729	899	62	71	55	–	12	-189
EBITDA	524	443	1,156	1,186	93	146	132	–	219	5
EBITDA adjusted[1]	481	504	1,229	1,407	132	146	132	–	302	107
Net interest income										
Results from investments accounted for using the equity method	0	0	0	0	0	0	3	–	7	-2
Other financial result										
Profit before taxes on income										
Taxes on income										
NET PROFIT FOR THE YEAR										
Segment assets[2),3)]	2,277	2,599	5,504	5,767	454	454	4,166	–	4,519	4,481
Investments accounted for using the equity method[2]	0	0	16	15	2	2	105	–	104	97
TOTAL ASSETS[2]	2,277	2,599	5,520	5,782	456	456	4,271	–	4,623	4,578
thereof goodwill	0	0	17	17	5	5	1,338	–	462	452
Segment liabilities[2),3)]	1,029	1,026	2,569	2,322	286	261	983	–	1,531	1,528
Segment capital expenditures	48	57	212	407	91	57	3,571	–	354	674
Additions to assets from changes in scope of consolidation	0	10	0	0	0	0	3,400	–	4	355
Additions to assets from gross capital expenditures	48	47	212	407	91	57	171	–	350	319
Investment grants received	0	0	-19	-37	-17	-10	0	–	-2	-7
NET CAPITAL EXPENDITURES	48	47	193	370	74	47	171	–	348	312
Scheduled depreciation[4]	364	363	490	492	71	75	76	–	287	276
Impairment losses recognized / reversed[4]	0	0	10	16	-1	0	1	–	3	20
Employees[5]	15,270	15,043	29,008	28,668	9,009	8,972	36,454	–	32,618	34,145

1) Adjusted for income respectively expenses from the disposal of financial assets and special items.
2) Segment assets, investments in associated companies and segment liabilities are stated as of December 31; the remaining items relate to the reporting period.
3) Profit transfer agreements were not assigned to segment assets or liabilities.
4) The non-cash items are included in the segment result shown.

Segment reporting by regions January 1 through December 31 [€ million]
External revenues
Segment assets[1]
thereof non-current assets[1]

1) Statement as of December 31.

DB Schenker Logistics		DB Netze Track		DB Netze Stations		DB Services		Subsidiaries/Other		Sum of segments		Consolidation[6]		Total	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
14,257	11,249	913	764	387	373	128	109	1,054	886	34,410	29,335	0	0	34,410	29,335
53	43	3,667	3,605	657	652	1,146	1,128	2,311	2,218	8,353	8,151	-8,353	-8,151	0	0
14,310	11,292	4,580	4,369	1,044	1,025	1,274	1,237	3,365	3,104	42,763	37,486	-8,353	-8,151	34,410	29,335
125	140	760	1,355	201	127	327	231	820	1,287	3,060	3,834	60	30	3,120	3,864
3	2	214	210	28	25	1,561	1,396	1,673	1,667	3,689	3,500	-3,689	-3,500	0	0
14,438	11,434	5,554	5,934	1,273	1,177	3,162	2,864	5,858	6,058	49,512	44,820	-11,982	-11,621	37,530	33,199
248	108	411	1,017	221	214	177	104	-112	275	1,768	2,256	49	-48	1,817	2,208
56	91	190	-459	-4	3	-48	21	-237	-573	109	-533	-60	10	49	-523
304	199	601	558	217	217	129	125	-349	-298	1,877	1,723	-11	-38	1,866	1,685
426	280	1,457	2,039	347	339	335	276	25	398	4,714	5,112	15	-79	4,729	5,033
478	371	1,524	1,472	343	342	287	297	-212	-175	4,696	4,471	-45	-69	4,651	4,402
														-911	-826
2	1	0	0	0	0	0	0	5	10	17	9	0	0	17	9
														-23	-4
														900	1,387
														158	-557
														1,058	830
5,578	4,841	21,341	21,721	3,374	3,241	1,213	1,195	3,787	3,894	52,213	48,193	-738	-1,259	51,475	46,934
10	11	1	1	0	0	0	0	290	243	528	369	0	0	528	369
5,588	4,852	21,342	21,722	3,374	3,241	1,213	1,195	4,077	4,137	52,741	48,562	-738	-1,259	52,003	47,303
1,076	980	0	0	0	0	0	0	13	13	2,911	1,467	0	0	2,911	1,467
2,739	2,291	2,467	2,380	383	393	663	685	5,826	5,949	18,476	16,835	19,211	17,402	37,687	34,237
199	208	4,986	4,624	511	488	177	138	192	256	10,341	6,909	-35	-70	10,306	6,839
10	12	0	0	0	0	0	0	1	0	3,415	377	0	0	3,415	377
189	196	4,986	4,624	511	488	177	138	191	256	6,926	6,532	-35	-70	6,891	6,462
0	0	-4,321	-4,109	-363	-411	0	0	-97	-75	-4,819	-4,649	0	0	-4,819	-4,649
189	196	665	515	148	77	177	138	94	181	2,107	1,883	-35	-70	2,072	1,813
175	172	934	953	125	125	157	171	136	123	2,815	2,750	-34	-32	2,781	2,718
3	0	112	69	1	0	1	1	1	0	131	106	0	1	131	107
58,671	57,134	39,849	40,354	4,636	4,601	25,131	24,460	25,664	26,005	276,310	239,382	0	0	276,310	239,382

[5] The number of employees represents the number of employees as of December 31 (part-time employees converted into equivalent full-time employees).

[6] Previous year data adjusted: reclassification of S-Bahn Berlin GmbH und S-Bahn Hamburg GmbH from the segment DB Bahn Urban to the segment DB Bahn Regional.

Germany		Rest of Europe		North America		Asia/Pacific		Rest of World		Reconciliation		DB Group	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
21,393	19,930	8,664	6,245	1,780	1,371	2,099	1,472	474	317	0	0	34,410	29,335
39,429	40,402	8,908	4,410	579	465	1,466	1,181	170	143	923	333	51,475	46,934
35,719	36,781	6,166	2,667	197	186	654	580	29	31	-621	-615	42,144	39,630

BASIC PRINCIPLES AND METHODS

Fundamental information

Deutsche Bahn AG (DB AG), and its subsidiaries (together "DB Group") provide services in the fields of passenger transport, transport and logistics, and operate an extensive rail infrastructure which is also available to non-Group users on a non-discriminatory basis. Whereas passenger transport and rail infrastructure activities are conducted primarily in the company's domestic market of Germany, transport and logistics activities are conducted on a worldwide basis.

In the year under review, following approval by the cartel authorities, DB Group acquired all shares in the British transport company Arriva Plc, Sunderland/UK (referred to in the following as "Arriva").

DB AG, Potsdamer Platz 2, 10785 Berlin is an Aktiengesellschaft (joint stock corporation); its shares are held entirely by the Federal Republic of Germany (government). The company is maintained under the number HRB 50000 in the commercial register of the Amtsgericht (local court) Berlin-Charlottenburg. DB Group has issued securities in accordance with section 2 (1) clause 1 of the Securities Trading Act (Wertpapierhandelsgesetz; WpHG); these securities are traded on organized markets in accordance with section 2 (5) WpHG.

These consolidated financial statements have been prepared by the Management Board, and will be handed over to the Supervisory Board for the Supervisory Board meeting on March 30, 2011.

Principles of preparing financial statements

The consolidated financial statements are prepared on the basis of section 315a HGB and in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). The accounting standards have been consistently applied throughout the entire reporting period with no changes compared with the previous year.

The financial year of DB AG and its incorporated subsidiaries is the same as the calendar year. The consolidated financial statements are prepared in euros. Unless otherwise specified, all figures are stated in euro million (€ million).

A) STANDARDS, REVISIONS OF STANDARDS AND INTERPRETATIONS WHICH ARE THE SUBJECT OF MANDATORY FIRST-TIME ADOPTION FOR REPORTING PERIODS AFTER JANUARY 1, 2010

In the year under review, DB consolidated financial statements took account of all new and revised standards and interpretations which are the subject of initial binding adoption starting January 1, 2010, which are also relevant for DB Group and which have not been the subject of early adoption in previous periods. The changes to the standards have been recognized in accordance with the transitional regulations. Initial adoption of these new regulations has not had any material impact on the consolidated financial statements. They are set out in the following:

- *IAS 27: Consolidated and Separate Financial Statements (revised January 2008; applicable for reporting periods starting July 1, 2009)*
  IAS 27 governs the treatment of acquisitions and sales of shares after acquiring and retaining control. In future, losses which are attributable to minorities and which exceed the relevant recognized value must be shown as negative carrying amounts in consolidated equity. There will be adjustments for future transactions.
- *IAS 39: Changes to IAS 39 "Financial Instruments: Recognition and Measurement: Eligible Underlyings" (revised July 2008; applicable for reporting periods starting July 1, 2009)*
  IAS 39 specifies how the principles set out in IAS 39 for presenting hedges (Hedge Accounting) are applicable for two special situations: in the case of a unilateral risk in relation to a hedged underlying and in the case of inflation in a financially hedged underlying. This does not have any material impact on DB Group.
- *IFRS 1: First-Time Adoption of International Financial Reporting Standards (revised November 2008; applicable for reporting periods starting July 1, 2009)*
  IFRS 1 has been restructured as part of the revision process. No changes have been made to the contents.
- *IFRS 1: Changes to IFRS 1 "First-time Adoption of International Financial Reporting Standards: Additional exemptions for First-time Adopters" (revised July 2009; applicable for reporting periods starting January 1, 2010)*
  IFRS 1 specifies that companies which apply the full-cost method are exempted from the retrospective application of IFRS for oil and gas assets. In addition, under certain conditions, companies are exempted from reassessing existing agreements to determine whether they include leases. The standard is currently not relevant for DB Group.

- *IFRS 2: Change to IFRS 2 "Share-Based Payment: Share-Based Payments with Cash Settlement by a Company in the Group" (revised June 2009; applicable for reporting periods starting January 1, 2010)*
  IFRS 2 contains clarifications regarding the accounting treatment of cash-settled share-based payment involving several group companies. The standard is currently not relevant for DB Group.
- *IFRS 3: Business Combinations (revised January 2008; applicable for business combinations for which the time of acquisition is after July 1, 2009)*
  IFRS 3 contains regulations particularly with regard to purchase price components, with regard to the treatment of minority interests and goodwill and also with regard to the extent of assets, liabilities and contingent liabilities to be recognized. Adjustments have resulted.
- *Improvements to IFRS 2009: "Improvements to IFRS" (published April 2009; applicable for reporting periods starting January 1, 2010)*
  "Improvements to IFRS 2009" is a second collective standard for amending various IFRS. This contains 15 different changes to 12 existing IFRS. These mainly comprise amendments which are considered to be insignificant, such as the removal of inconsistencies within the standards and the clarification of misleading formulations. A change in relation to the classification of lease arrangements for land has had an impact on DB Group. All other changes have not had any major impact.
- *IFRIC 12: Service Concession Arrangements (published November 2006; applicable for reporting periods starting March 29, 2009 [1])*
  IFRIC 12 deals with the accounting treatment of service concession arrangements between the public sector (the licensor) and a private company (the operator). We are not assuming any impact for DB Group.
- *IFRIC 15: Agreements for the Construction of Real Estate (published July 2008; applicable for reporting periods starting January 1, 2010 [2])*
  IFRIC 15 regulates the recognition of real estate sales in which the contract is signed before the completion of the building work. The interpretation is currently not relevant for DB Group.
- *IFRIC 16: Hedges of a Net Investment in a Foreign Operation (published July 2008; applicable for reporting periods starting June 30, 2009 [3])*
  IFRIC 16 governs issues in connection with the recognition of hedges of exchange rate risks within a company and its international operations. The interpretation is currently not relevant for DB Group.
- *IFRIC 17: Distributions of Non-Cash Assets to Owners (published November 2008; applicable for reporting periods starting November 1, 2009 [4])*
  IFRIC 17 contains regulations regarding the accounting and valuation of distributions of non-cash assets. The interpretation is currently not relevant for DB Group.
- *IFRIC 18: Transfer of Assets from Customers (published January 2009; applicable for reporting periods starting November 1, 2009 [4])*
  IFRIC 18 governs the accounting treatment in those cases in which a company receives assets from its customers in order to provide the customer with access to a network or permanent access to services or the delivery of goods. There has been an impact for DB Group.

[1] → *The time of application for the interpretation envisaged by the IASB has been postponed by the EU from January 1, 2008 to March 29, 2009.*

[2] → *The time of application for the interpretation envisaged by the IASB has been postponed by the EU from January 1, 2009 to January 1, 2010.*

[3] → *The time of application for the interpretation envisaged by the IASB has been postponed by the EU from October 1, 2008 to June 30, 2009.*

[4] → *The time of application for the interpretation envisaged by the IASB has been postponed by the EU from July 1, 2009 to November 1, 2009.*

B) STANDARDS, REVISIONS OF STANDARDS AND INTERPRETATIONS WHICH HAD BEEN ADOPTED AS OF THE REPORTING DATE BUT WHICH ARE NOT YET THE SUBJECT OF MANDATORY ADOPTION AND EARLY ADOPTION

- *IAS 12: Change to IAS 12 "Income Taxes: Deferred Tax: Recovery of Underlying Assets" (published December 2010; applicable for reporting periods starting January 1, 2012)*
  According to IAS 12, the measurement of deferred taxes depends on whether the existing differences are realized as part of continuing use or as a result of a sale. In the case of investment properties in accordance with IAS 40 which are measured at fair value, this change introduces the refutable assumption that such differences are realized by way of a sale. The change currently is not relevant for DB Group.
- *IAS 24: Related Party Disclosures (revised November 2009; applicable for reporting periods starting January 1, 2011)*
  IAS 24 has been changed in such a way that public sector enterprises have been partially exempted from certain disclosure obligations. The definition of a related party has also been specified in greater detail. The standard will have an impact on related party disclosures in the financial statements of DB Group.
- *IAS 32: Change to IAS 32 Financial Instruments: Presentation: Classification of Subscription Rights (revised October 2009; applicable for reporting periods starting February 1, 2010)*
  IAS 32 governs the accounting treatment for subscription rights which are denominated in a currency other than the functional currency. In the past, such subscription rights have been recognized as derivative liabilities. In future, such rights have to be classified as shareholders' equity under certain conditions. We are assuming that there will be no impact for DB Group.
- *IFRS 1: Change to IFRS 1 "First-Time Adoption of International Financial Reporting Standards: Limited Exemption for First-Time Adopters of Comparison Figures in Accordance with IFRS 7" (revised January 2010; applicable for reporting periods starting July 1, 2010)*
  IFRS 1 has been modified in such a way that IFRS first-time adopters are exempt from the disclosure requirements which were introduced in March 2009 as a result of the change to IFRS 7. This ensures that the transitional regulations regarding the application of the changed IFRS 7 are also applicable for IFRS first-time adopters.
- *IFRS 1: Change to IFRS 1 "First-Time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters" (published December 2010; applicable for reporting periods starting July 1, 2011)*
  As a result of this change, the references to the fixed date January 1, 2004 which had previously been included in IFRS 1 was replaced by a reference to the time of the change-over to IFRS 1. Additional application guidelines have been included, specifying the procedure for presenting financial statements which comply with IFRS for situations in which a company was not able to comply with the IFRS regulations for a certain period because its functional currency was exposed to severe hyperinflation. The change does not have any impact on the financial statements of DB Group.
- *IFRS 7: Change to IFRS 7 "Financial Instruments: Disclosures: Transfers of Financial Assets" (published October 2010; applicable for reporting periods starting July 1, 2011)*
  The changes relate to extended disclosure obligations for transfers of financial assets. They are intended to provide a better understanding of the effects of the risks retained by the company as well as the retained or transferred rights and obligations. The change will have an impact on the financial statements of DB Group.
- *IFRS 9: Financial Instruments (published November 2009/extended October 2010; applicable for reporting periods starting January 1, 2013)*
  The part of IFRS 9 published in November 2009 restates the classification and measurement of financial assets. There will be only two measurement categories (amortized cost and fair value). In future, the classification of financial assets will be based on the business model of the company and also the characteristic properties of the contractual cash flows of the respective financial assets.

  That part which was extended in October 2010 governs the classification and measurement of financial liabilities. The existing rules of IAS 39 have been taken over in this respect. A change has resulted for financial liabilities which are measured at fair value. In the case of such liabilities, that part of the change in fair value which results from a change in the company's own credit risk has to be shown in other result and not as profit or loss.

The rules regarding the derecognition of financial instruments in IAS 39 have also been transferred unchanged to IFRS 9.

The change to IFRS 9 will have an impact on the recognition of financial instruments in DB Group. In 2011, IFRS 9 is to be extended to include regulations concerning additional issues.

- *Improvements to IFRS 2010: "Improvements to IFRS" (published May 2010; applicable for reporting periods starting January 1, 2011)*
  "Improvements to IFRS 2010" is a third collective standard for changing various IFRS. It contains changes to nine existing IFRS. These are essentially changes which are considered to be of a minor nature, such as the removal of inconsistencies within the standards and clarification of formulations which might lead to misunderstanding. DB Group is currently assessing the effects resulting from future application for the consolidated financial statements.
- *IFRIC 14: Change to IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction: Advance Payments under Minimum Funding Requirements" (published November 2009; applicable for reporting periods starting January 1, 2011)*
  IFRIC 14 has been changed in such a way that companies which are subject to minimum funding requirements and which make advance contribution payments in order to fulfill these minimum funding requirements are permitted to recognize the benefit arising from such an advance payment as an asset. We are assuming that there will not be a major impact for DB Group.
- *IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (published November 2009; applicable for reporting periods starting July 1, 2010)*
  IFRIC 19 governs the accounting treatment of so-called debt-for-equity swaps. Under such arrangements, a company partially or completely repays a financial liability by way of issuing shares or other instruments of shareholders' equity. This interpretation is currently not relevant for DB Group.

Structure of the balance sheet and the income statement

Assets and liabilities are stated in the balance sheet either as current or non-current items. Assets and liabilities are classified as current if they are realized or due within 12 months after the end of the reporting period. The structure of the balance sheet takes account of the requirements of the ordinance relating to the structure of the financial statements of transport companies. The income statement uses the structure of the cost summary method.

Principles underlying the consolidated financial statements

COMPARABILITY WITH THE PREVIOUS YEAR

After due consideration is given to the following issues, the financial information presented for the year under review is comparable with the financial information for the previous year:

CHANGES IN THE SCOPE OF CONSOLIDATION

For the year under review, changes in the scope of consolidation, and in particular the acquisition of Arriva, have resulted in financial information in the balance sheet, the income statement, the cash flow statement as well as segment reporting which is not directly comparable with that of the previous period. Detailed information relating to these acquisitions as well as explanations concerning the other transactions are set out in the section "Changes in the Group."

CHANGES IN SEGMENT ALLOCATION

With effect from January 1, 2010, S-Bahn Berlin GmbH and S-Bahn Hamburg GmbH, which previously had been allocated to the DB Bahn Urban segment, were allocated to the DB Bahn Regional segment. The previous year figures have been adjusted accordingly. Other changes which were made in segment allocation were insignificant.

CONSOLIDATION METHODS

A) CONSOLIDATION PRINCIPLES

DB AG and all companies (subsidiaries) whose financial and business policy can be determined by DB AG are fully consolidated in the consolidated financial statements of DB AG. They are incorporated in the consolidated financial statements at the point at which DB AG acquires the possibility of control. At the subsidiaries, "control" is defined as a situation in which DB AG directly or indirectly holds a majority of voting rights. The reference date for determining the point at which a company is taken out of the group of fully consolidated companies is established on the basis of the time at which the possibility of control terminates.

For the purpose of uniform accounting, the affiliated companies have applied the accounting guidelines of the parent company.

Minority interests in the shareholders' equity of subsidiaries are shown separately from the shareholders' equity of Group shareholders. The extent of the minority interests is calculated as the minority interests applicable at the point at which the subsidiary was acquired and also that proportion of the change in the shareholders' equity of the subsidiary since the acquisition attributable to the third party. Pro rata losses attributable to the minority interests which exceed the minority interests in the shareholders' equity are ascribed to the shareholders' equity of the Group shareholders, unless the external shareholders have a binding obligation to absorb such losses and are economically and financially in a position to do so.

Internal liabilities within the Group as well as expenses and income and intercompany results between fully consolidated companies are completely eliminated.

B) BUSINESS COMBINATIONS

All subsidiaries acquired after December 31, 2002 have been consolidated using the acquisition method under IFRS 3. Accordingly, the acquirer shall measure the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed. The acquired identifiable assets, liabilities and contingent liabilities are valued under IFRS 3 with their fair value at the date of acquisition, irrespective of any minority interests. Alternatively, acquired long-term assets or groups of assets which are classified as available-for-sale in accordance with IFRS 5 are shown with their fair value less costs to sell.

Any difference between the purchase costs of the business combination and the acquired assets valued at fair value is shown as goodwill. If the purchase price is lower than the fair value of the acquired assets, the difference is shown immediately in the income statement.

Minority interests are calculated on a pro rata basis from the assets, liabilities and contingent liabilities valued with their fair value.

The acquisition and sale of shares in an already fully consolidated company which does not result in a change of control is shown directly in equity. There have accordingly been no changes to the carrying amounts of the assets and liabilities recognized from such transactions.

C) JOINT VENTURES AND ASSOCIATED COMPANIES

Joint ventures are defined as companies which are managed by DB AG jointly with another party either directly or indirectly.

Associated companies are defined as equity participations for which DB Group is able to exercise a major influence on the financial and business policy. Major influence is normally defined as a situation in which DB AG directly or indirectly holds 20 to 50 % of the voting rights in these companies and the related assumption of association is not refuted.

Joint ventures and associated companies are accounted for using the equity method. Alternatively, they are valued in accordance with IFRS 5 if the shares are classified as available-for-sale.

As part of the process of accounting for participations using the equity method, shares in associated companies and joint ventures are shown at cost in the consolidated financial statements, adjusted for the related changes in the net assets of the associated company and joint venture and any impairments resulting from the impairment test. Any pro rata losses attributable to DB Group which exceed the total investment in the associated company or joint venture, consisting of the amortized equity figure as well as other long-term receivables, are not recognized, unless DB Group has taken on corresponding obligations or made payments.

Any positive difference between the cost of the purchased shares and the pro rata assets acquired at the point of purchase and valued at fair value constitutes goodwill, which is contained in the amortized equity figure and is thus also subject to the impairment test. If the purchase price is lower than the fair value following the pro rata assets which have been acquired, the difference is taken immediately to the income statement.

Intercompany results attributable to transactions with associated companies or joint ventures are eliminated on a pro rata basis.

CHANGES IN THE GROUP

A) SUBSIDIARIES

Movements in the group of fully consolidated companies of DB Group are detailed in the following:

[Number]	German 2010	Foreign 2010	Total 2010	Total 2009
FULLY CONSOLIDATED SUBSIDIARIES				
As of Jan 1	184	395	**579**	530
Additions	1	334	**335**	38
Addition due to changes in type of inclusion	0	5	**5**	24
Disposals	15	43	**58**	13
Disposal due to changes in type of inclusion	1	0	**1**	0
AS OF DEC 31	**169**	**691**	**860**	579

Activities in connection with the production of installations from track infrastructure are to some extent carried out in the form of Gesellschaften bürgerlichen Rechts (company constituted under civil law) (common project units). These common project units are terminated when the particular project is completed. They carry out their business activities mainly over a period of between one and five years. Because these common project units are assessed mainly as jointly conducted activities, they are not fully consolidated.

No subsidiary (previous year: one) has not been consolidated, that is of minor significance for the presentation of the net assets, financial position and results of operations of DB Group.

Additions of companies and parts of companies

Overall, expenses of € 1,929 million were incurred for purchasing companies in the year under review (previous year: € 212 million).

The additions to the scope of consolidation comprise of ten new companies which were established in the year under review as well as the acquisition of all shares in the British transport company Arriva (322 companies) as well as three further acquisitions.

The additions resulting from the change in type of recognition comprise the acquisition of further shares in NordCargo S.r.l, Milan/Italy, Masped-Schenker Légi és Tengeri Szállitmányozási Kft., Budapest/Hungary, MASPED-RAILOG Vasúti Szállitmányozási Kft., Budapest/Hungary and Transorient SA, Bucharest/Romania, which had previously been accounted for using the equity method, as well as one company which previously had been recognized at amortized cost.

The main transactions are detailed in the following:

- On August 27, 2010 (closing), following the approval of the cartel authorities, DB Holding UK Limited, London/Great Britain, acquired all shares in the British transport company Arriva for a purchase price of € 1,916 million. In the future, DB Group will bundle all local transport activities outside Germany under the umbrella of DB Arriva. In accordance with the requirements of the EU Commission, the German subsidiaries of Arriva were sold in a package in December 2010 to the Italian railway Ferrovie dello Stato. Arriva operates train and bus services in eleven other European countries apart from Germany. In 2009, the company generated revenues of around GBP 3.15 billion, and employed approximately 37,000 persons outside Germany. After September 2010, the company has been included in segment reporting in the DB Arriva segment.
- With the agreement of June 2, 2010 (legally effective on September 7, 2010), DB Hungaria Holding Kft., Budapest/Hungary acquired the remaining shares in the joint ventures MASPED-RAILOG Vasúti Szállitmányozási Kft. and Masped-Schenker Legi es Tengeri Szállitmányozási Kft. retrospectively as of January 1, 2010 for a purchase price totaling € 9 million. In segment reporting, the company has been shown in DB Schenker Logistics segment since September 2010. As of December 31, 2010, these companies as well as Hungarocargo Kft., Budapest/Hungary and Romtrans Hungaria Szállitmányozási KFT., Budapest/Hungary were merged with Schenker Nemzetközi Szállitmányozási és Logisztikai Kft., Budapest/Hungary.

- On January 11, 2010, DB Schenker Rail increased its holding in the Italian freight rail company NordCargo S.r.l (NordCargo), Milan/Italy by a further 11%, and now holds 60% of the shares in the company. NordCargo operates around 7,000 trains annually, and covers approximately 1.4 million train kilometers. The company is responsible for traction in international routes along the Adriatic and Tyrrhenian coasts between Milan and Naples. In segment reporting, these operations have been shown in the DB Schenker Rail segment since January 2010.
- With the agreement of June 30, 2010 (legally effective on September 6, 2010), Deutsche Bahn Iberica Holding, S.L., Barcelona/Spain acquired a further 20.2% of shares in Transportes Ferroviarios Especiales S.A., Madrid/Spain, for a purchase price of € 24 million. The transaction resulted in a difference of € 11 million. Previously, Deutsche Bahn Iberica Holding, S.L., Barcelona/Spain, sold its 10% stake in Societé de Transports de Véhicules Automóbiles (STVA), S.A., Paris/France, to a third party also for a purchase price of € 24 million. This transaction resulted in a book profit of € 13 million.

The costs of purchase and the fair value of the acquired net assets are shown in the following (cumulatively) for all changes in the scope of consolidation. All purchase price allocations for acquisitions in the period under review are consistent with IFRS 3. The goodwill is calculated as follows:

[€ million]	2010	Thereof Arriva	Thereof Masped	Thereof NordCargo
PURCHASE PRICE				
Payments	1,929	1,916	8	5
+ Outstanding payments	1	0	1	0
TOTAL PURCHASE PRICE	**1,930**	**1,916**	**9**	**5**
– Fair value of net assets acquired	543	541	1	1
GOODWILL	**1,387**	**1,375**	**8**	**4**

Of the overall purchase price for NordCargo, € 1.6 million is attributable to the year under review.

Goodwill is to a large extent substantiated by the synergy effects expected for the period after the acquisition. In addition, a considerable proportion of goodwill is attributable to assets which are not eligible for recognition under IFRS 3, and in particular the employee base and the future revenue potential.

Purchase price allocation Arriva

The acquired net assets are broken down as follows:

[€ million]	Fair value
Property, plant and equipment	1,326
Intangible assets	700
Investments accounted for using the equity method	100
Available-for-sale financial assets	169
Inventories	40
Receivables from financing	66
Trade receivables	250
Other receivables and assets	237
Derivative financial instruments	94
Cash and cash equivalents	327
Deferred tax assets	54
ASSETS	**3,363**
Financial debt	1,510
Other liabilities	638
Derivative financial instruments	37
Retirement benefit obligations	174
Other provisions	155
Deferred income	74
Deferred tax liabilities	204
LIABILITIES	**2,792**
thereof recognized contingent liabilities in accordance with IFRS 3	5
Share of third parties	30
NET ASSETS	**541**
Share of DB Group in net assets before acquisition	0
NET ASSETS ACQUIRED	**541**
Purchase price paid in cash and cash equivalents	1,916
Cash and cash equivalents acquired with acquisition	327
OUTFLOW OF CASH AND CASH EQUIVALENTS THROUGH TRANSACTION	**1,589**

The fair value of the intangible assets essentially relates to acquired customer and franchise agreements (depreciated over the residual useful life of between one and 15 years) and the acquired Arriva brand (unlimited useful life).

We do not expect that some of the goodwill will be allowable for income tax purposes.

The fair value of the trade accounts receivable is € 250 million, including impairments of € 7 million.

If Arriva had been included in the DB consolidated financial statements as of January 1, 2010, DB Group would have reported additional revenues of € 2.0 billion and an additional net profit of € 23 million.

Purchase price allocation Masped Group

[€ million]	Fair value
Property, plant and equipment	0
Intangible assets	2
Trade receivables	11
Other receivables and assets	1
Cash and cash equivalents	1
ASSETS	**15**
Financial debt	6
Other liabilities	8
Other provisions	0
LIABILITIES	**14**
thereof recognized contingent liabilities in accordance with IFRS 3	0
Share of third parties	0
NET ASSETS	**1**
Share of DB Group in net assets before acquisition	0
NET ASSETS ACQUIRED	**1**
Purchase price paid in cash and cash equivalents	9
Cash and cash equivalents acquired with acquisition	1
OUTFLOW OF CASH AND CASH EQUIVALENTS THROUGH TRANSACTION	**8**

There have been no major adjustments to the assets and liabilities.

The fair value of the trade receivable is € 11 million, including impairments of € 0.6 million.

We do not expect that some of the goodwill will be allowable for income tax purposes.

Purchase price allocation NordCargo

The acquired net assets are broken down as follows:

[€ million]	Fair value
Property, plant and equipment	0
Intangible assets	0
Trade receivables	8
Other receivables and assets	5
Cash and cash equivalents	0
Deferred tax assets	1
ASSETS	**14**
Financial debt	0
Other liabilities	11
Retirement benefit obligations	1
Other provisions	0
Deferred income	0
Deferred tax liabilities	0
LIABILITIES	**12**
thereof recognized contingent liabilities in accordance with IFRS 3	0
Share of third parties	1
NET ASSETS	**1**
Share of DB Group in net assets before acquisition	0
NET ASSETS ACQUIRED	**1**
Purchase price paid in cash and cash equivalents	5
Cash and cash equivalents acquired with acquisition	0
OUTFLOW OF CASH AND CASH EQUIVALENTS THROUGH TRANSACTION	**5**

There have been no major adjustments to the assets and liabilities.

The fair value of the trade receivables is € 8 million; this figure does not include any impairments.

We do not expect that some of the goodwill will be allowable for income tax purposes.

The disposals from the scope of consolidation relate to 40 mergers as well as 15 liquidations and three sales.

The liquidations and sales have had the following cumulative impact on the net assets, financial position and results of operations of DB Group:

[€ million]	Dec 31, 2010	Thereof Schenker Libya
Sale price		
– Received payments	2	2
– Directly attributable costs	0	0
TOTAL SALE PRICE	**2**	**2**
Cash and cash equivalents sold with companies	0	0
INFLOW OF CASH AND CASH EQUIVALENTS THROUGH DIVESTITURES	**2**	**2**

The revenues and profits included up to the point of deconsolidation are as follows:

[€ million]	**2010**	2009	Thereof Schenker Libya
Revenues	1	13	11
Net profit for the year	-1	-7	0

The disposal resulting from the change in the type of incorporation relates to one company which has been recognized as a joint venture since January 1, 2010.

The following table shows a summary of the effects on the consolidated income statement resulting from the changes in the scope of consolidation which have taken place compared with the previous year period:

[€ million]	DB Group Jan 1 through Dec 31, 2010	Thereof due to changes in the scope of consolidation	Thereof Arriva	Amounts due to disposals from the scope of consolidation
Revenues	34,410	1,290	1,046	-4
Inventory changes and internally produced and capitalized assets	2,207	6	3	0
Overall performance	36,617	1,296	1,049	-4
Other operating income	3,120	67	56	-1
Cost of materials	-19,314	-511	-343	2
Personnel expenses	-11,602	-509	-439	0
Depreciation	-2,912	-95	-77	0
Other operating expenses	-4,092	-210	-191	9
OPERATING PROFIT (EBIT)	**1,817**	**38**	**55**	**6**
Result from investments accounted for using the equity method	17	3	3	0
Net interest income	-911	-23	-17	0
Other financial result	-23	-12	-11	0
FINANCIAL RESULT	**-917**	**-32**	**-25**	**0**
PROFIT BEFORE TAXES ON INCOME	**900**	**6**	**30**	**6**
Taxes on income	158	-8	-12	0
NET PROFIT FOR THE YEAR	**1,058**	**-2**	**18**	**6**

The revenues of € 1,290 million resulting from additions to the scope of consolidation mainly relate to Arriva (€ 1,046 million), DB Schenker Rail Polska, which was acquired in the previous year (€ 129 million), MASPED-RAILOG Vasúti Szállitmányozási Kft. (€ 29 million) and Masped-Schenker Légi és Tengeri Szállitmányozási Kft. (€ 28 million).

The figures shown for disposals from the scope of consolidation relate mainly to Transcanal SA, Constanţa / Romania, which was sold in the previous year and UVW Unternehmensverbund Westpfalz GmbH.

B) JOINT VENTURES AND ASSOCIATED COMPANIES

[Number]	German 2010	Foreign 2010	Total 2010	Total 2009
JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD				
As of Jan 1	11	8	**19**	18
Additions	0	7	**7**	1
Additions due to changes in type of inclusion	1	0	**1**	0
Disposals	0	0	**0**	0
Disposal due to change in type of inclusion	0	1	**1**	0
AS OF DEC 31	**12**	**14**	**26**	19
ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD				
As of Jan 1	65	38	**103**	107
Additions	1	23	**24**	6
Addition due to changes in type of inclusion	1	3	**4**	0
Disposals	4	1	**5**	4
Disposal due to change in type of inclusion	0	4	**4**	6
AS OF DEC 31	**63**	**59**	**122**	103

Of the 31 additions comprising joint ventures and associates, 23 are companies which were included in connection with the acquisition of Arriva. The other additions are eight (previous year: seven) companies with costs of purchase totaling € 3 million.

The following selected financial data are provided for the major associates and joint ventures; this information has been taken from the consolidated financial statements or the annual financial statements of the relevant companies for the period ended December 31, 2010:

Aggregated financial data

As of December 31 [€ million]	Equity	Assets		Equity		Liabilities		Revenues		Net profit	
	holding	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
JOINT VENTURES											
Aquabus BV, Heerenveen/The Netherlands[1),2),5),6)]	50.00 %	11		4		7		7		0	
ATN Auto Terminal Neuss GmbH & Co. KG, Neuss[4),6)]	50.00 %	8	10	4	5	4	5	11	13	-1	0
London Overground Rail Operations Limited, London/Great Britain[4),6)]	50.00 %	41	28	4	0	37	28	0	0	4	4
PKV Planungsgesellschaft kombinierter Verkehr Duisburg mbH, Duisburg[4),6)]	50.00 %	13	11	1	1	12	10	1	1	0	0
ASSOCIATED COMPANIES											
ALSTOM Lokomotiven Service GmbH, Stendal[3),6)]	49.00 %	32	36	19	20	13	16	38	52	2	-2
Autoport Emden GmbH, Emden	33.30 %	3	3	0	0	3	3	18	13	0	0
Barraqueiro SGPS SA, Lisbon/Portugal[1),2)]	21.50 %	529		215		314		288		12	
BLS Cargo AG, Bern/Switzerland[4),6)]	44.10 %	147	156	63	66	84	90	107	127	-2	1
BwFuhrparkService GmbH, Troisdorf[4),6)]	24.90 %	226	199	98	97	128	102	285	260	1	1
Container Terminal Dortmund GmbH, Dortmund[4),6)]	30.00 %	5	4	2	2	3	2	14	14	1	34
CTS Container-Terminal GmbH Rhein-See-Land-Service, Cologne[4),6)]	22.50 %	8	8	3	3	5	5	3	3	1	0
DAP Barging B.V., Rotterdam/The Netherlands[4),6)]	53.90 %	4	7	2	3	2	4	19	38	1	0
DCH Düsseldorfer Container-Hafen GmbH, Düsseldorf[3),4),6)]	51.00 %	3	4	1	1	2	3	13	17	0	1
EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial, Basel/Switzerland[5),6),7)]	22.60 %	27,416	25,200	1,152	938	26,264	24,262	0	0	34	14
Express Air Systems GmbH (EASY), Kriftel[5)]	50.00 %	7	5	3	2	4	3	14	27	1	1
Güterverkehrszentrum Entwicklungsgesellschaft Dresden mbH, Dresden[4),6)]	24.53 %	19	19	2	1	17	18	1	1	0	0
Hispanauto – Empresas Agrupadas A.E.I.E.©, Madrid/Spain	58.04 %	6	7	0	0	6	7	23	28	0	2
Intercambiador de Transportes Principe PIO S.A., Madrid/Spain[1),2)]	30.00 %	67		9		58		7		-1	
INTERCONTAINER – INTERFRIGO SA, Brussels/Belgium[4),6),9)]	35.66 %	45	64	5	17	40	47		144	-14	3
Kahlgrund-Verkehrs-Gesellschaft mit beschränkter Haftung, Schöllkrippen[4),6)]	28.00 %	13	11	10	9	3	2	9	8	1	0
KM S.P.A., Cremona/Italy[1),2),8)]	49.00 %	11		4		7		0		0	
Kombiverkehr Deutsche Gesellschaft für kombinierten Güterverkehr mbH & Co. Kommanditgesellschaft, Frankfurt am Main[4),6)]	50.00 %	45	45	15	15	30	30	347	432	0	0

As of December 31 [€ million]	Equity	Assets		Equity		Liabilities		Revenues		Net profit	
	holding	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
ASSOCIATED COMPANIES											
LogCap-IR Grundverwertungs-gesellschaft mbH, Vienna/Austria	49.00 %	22	22	5	4	17	18	1	1	0	-5
Lokomotion Gesellschaft für Schienentraktion mbH, Munich[4),6)]	29.40 %	14	14	6	7	8	7	23	32	-1	0
METRANS a. s., Prague/Czech Republic	34.33 %	169	167	97	82	72	85	132	110	22	0
Omfesa Logística S.A., Madrid/Spain	38.66 %	23	23	3	2	20	21	16	13	-3	0
POLZUG Intermodal GmbH, Hamburg[5)]	33.33 %	10	11	7	7	3	4	41	43	0	-2
Pool Ibérico Ferroviario A.E.I.E., Madrid/Spain	9.02 %	5	6	0	0	5	6	20	20	0	2
PORT HANDLOWY ŚWINOUJŚCIE Sp. z o.o., Świnoujście/Poland[6)]	42.80 %	9	8	4	2	5	6	19	13	1	0
Prometro S.A., Porto/Portugal[1),2),5),6)]	20.00 %	22		4		18		28		0	
Railmax C.V., Nijmegen/The Netherlands[4)]	38.27 %	3	0	0	0	3	0	16	0	0	0
Saarländische Nahverkehrs-Service GmbH, Saarbrücken[4),6)]	30.00 %	0	0	0	0	0	0	24	25	0	0
Sociedad de Estudios y Explotacion Material Auxiliar de Transportes, S.A. ("SEMAT"), Madrid/Spain[6)]	48.56 %	38	40	12	15	26	25	19	22	-2	0
SSG Saar-Service GmbH, Saarbrücken[4),6)]	25.50 %	3	3	1	1	2	2	13	12	0	0
TFG Transfracht Internationale Gesell-schaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt am Main	50.00 %	28	28	-1	5	29	23	218	211	-5	0
Trieste Trasporti S.P.A., Triest/Italy[1),2),6)]	39.94 %	101		44		57		71		7	
Unternehmensgesellschaft Verkehrsverbund Rhein-Neckar GmbH (URN GmbH), Mannheim[4),6)]	34.15 %	5	6	0	0	5	6	4	4	0	0
VT-Transman Szemelyszallito es Szolgal-tato Kft, Szekesfehervar/Hungary[1),2),5)]	49.91 %	13		4		9		17		1	

1) No data for 2009 financial year
2) Addition in 2010
3) Deviating financial year
4) Figures from 2009 financial year
5) Based on preliminary figures
6) Figures according to local GAAP
7) Concerns financing transactions exclusively
8) Data as of acquisition date
9) Incomplete data

CURRENCY TRANSLATION

A) FUNCTIONAL CURRENCY AND REPORTING CURRENCY

Currency translation uses the concept of the functional currency. The functional currency of all subsidiaries included in the consolidated financial statements of DB AG is the relevant local currency.

The consolidated financial statements are prepared in euros (reporting currency).

B) TRANSACTIONS AND BALANCES

Transactions which are not carried out in the functional currency of a company included in the scope of consolidation (foreign currency transactions) are translated into the functional currency of the corresponding entity using the rate applicable at the time of the transaction. Exchange rate gains and losses resulting from processing such transactions and valuing monetary assets and liabilities at the rate applicable on the reporting date in the financial statements are recognized in the income statement.

C) SUBSIDIARIES

Subsidiaries whose functional currency is not the euro translate their financial statements which are prepared in local currency into the reporting currency (euro) for the purpose of being included in the consolidated financial statements of DB AG as follows: assets and liabilities are translated using the exchange rate applicable on the reporting date, income and expenditure are translated using the average rate. Differences resulting from currency translation are shown separately under shareholders' equity.

The shareholders' equity which has to be initially consolidated as part of an acquisition of foreign subsidiaries is translated as of the relevant balance sheet date using the historical rate applicable at the time of the acquisition. Any differences resulting from the currency translation are shown separately under shareholders' equity.

As long as the subsidiary is included in the scope of consolidation, the translation differences continue to be shown under consolidated shareholders' equity. If subsidiaries are no longer included in the scope of consolidation, the corresponding translation differences are eliminated and recognized in the income statement.

Goodwill and adjustments to the fair values of assets and liabilities due to acquisitions of foreign subsidiaries are treated as assets and liabilities of the foreign companies and are translated using the exchange rate applicable on the reporting date.

The annual financial statements of subsidiaries which are domiciled in hyperinflationary economies are translated in accordance with IAS 29. No major subsidiary was domiciled in a hyperinflationary economy in the reporting and comparison period.

Currency translation differences resulting from the translation of shares in a foreign subsidiary and also resulting from loans which are part of the net investment in such foreign subsidiaries are shown under shareholders' equity. When the foreign subsidiary is no longer included in the scope of consolidation, the currency translation differences are eliminated via the income statement.

The following exchange rates are some of the rates used for currency translation purposes:

[€]	Closing rates		Average rates	
	2010	2009	**2010**	2009
1 Australian Dollar (AUD)	0.76127	0.62469	0.69323	0.56402
1 Swiss Franc (CHF)	0.79974	0.67404	0.72431	0.66223
1 Yuan Renminbi (CNY)	0.11335	0.10168	0.11145	0.10500
1 Pound Sterling (GBP)	1.16178	1.12600	1.16543	1.12222
1 Hong Kong Dollar (HKD)	0.09629	0.08952	0.09708	0.09253
1 Japanese Yen (JPY)	0.00920	0.00751	0.00860	0.00767
1 Norwegian Krona (NOK)	0.12821	0.12048	0.12493	0.11459
1 Polish Zloty (PLN)	0.25157	0.24364	0.25041	0.23105
1 Swedish Krona (SEK)	0.11154	0.09754	0.10484	0.09416
1 US Dollar (USD)	0.74839	0.69416	0.75422	0.71727

RECOGNITION OF INCOME AND EXPENDITURE

The revenues generated in DB Group relate to the provision of passenger transport, transport and logistics services, the provision of rail infrastructure, the sale of goods and other services related particularly to rail operations, less turnover tax, discounts and any price deductions. They are recognized with their fair value.

The services provided by DB Group are normally completed within a few hours/days. Revenues resulting from the provision of services are therefore recognized as soon as the service has been provided, the extent of the revenues and the costs is reliably measurable and the economic benefit will probably accrue to the Group.

Dividend income is recognized at the point at which the right to receive the payment arises. Interest income is recognized in the income statement using the effective interest method in the period in which the income arises.

All expense and income items are normally recognized without being netted, unless the accounting principles under IFRS permit or require netting.

Expenses are recognized in the income statement at the point at which the service is used or at the point at which the expenses are incurred.

ACCOUNTING AND VALUATION METHODS

A) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognized at cost of purchase and cost of production less cumulative depreciation, and also with due consideration being given to impairments and reversals of previous impairments. Costs of purchase comprise the purchase price plus ancillary purchase costs less purchase price reductions. If there are any closure or restoration obligations, they are recognized in the costs of purchase and production of the property, plant and equipment, and a provision is shown at the same time. Cost of production comprises individual costs as well as overhead costs which are directly allocatable.

If a considerable period is required for manufacturing an asset in order to place it in its intended state in which it is capable of being used or sold, directly attributable borrowing costs are capitalized as costs of production of the asset. If a direct link cannot be established, the average borrowing cost rate of the year under review is used. Turnover tax incurred in connection with the purchase or production of property, plant and equipment is only capitalized if input tax is not permitted to be deducted.

Subsequent costs are capitalized if the expenses enhance the economic benefit of the property, plant and equipment and if the costs can be reliably measured. On the other hand, all other repairs or maintenance are expensed.

Depreciation is taken to the income statement on a straight-line basis over the expected service life of the asset. The following service lives for the main groups of property, plant and equipment are taken as a basis:

	Years
Permanent way structures, tunnels, bridges	75
Track infrastructure	20-25
Buildings and other constructions	10-50
Land improvements	8-20
Signaling equipment	20
Telecommunications equipment	5-20
Rolling stock	15-30
Other technical equipment, machinery and vehicles	3-25
Factory and office equipment	2-20

The appropriateness of the chosen depreciation method and the service lives is subject to an annual review. Our expectations regarding the residual value are also updated annually.

Investment grants are deducted directly from the cost of purchase or cost of production of the assets for which the grants have been given.

B) FINANCE LEASE ASSETS

Rented and leased assets where the underlying leases are classified as finance leases under IAS 17 are capitalized with the lower of fair value or the present value of minimum lease payments at the start of the lease, and are depreciated using the straight-line method over the financial service life of the asset or the shorter duration of the lease.

C) INTANGIBLE ASSETS AND GOODWILL

Intangible assets acquired for a monetary consideration are recognized at cost of purchase. Intangible assets manufactured in-house are recognized with their cost of production, and consist exclusively of software. The costs of the development phase are capitalized if a future economic benefit accrues to DB Group and if the other capitalization criteria are satisfied. The costs of production comprise all costs which can be directly allocated and those costs which are incurred in order to prepare the asset for its envisaged use.

Costs of production comprise mainly costs for material and services, wage and salary costs as well as relevant overhead costs.

If a considerable period is required for manufacturing an asset in order to place it in its intended state in which it is capable of being used or sold, directly attributable borrowing costs are capitalized as costs of production of the asset. If a direct link cannot be established, the average borrowing cost rate of the year under review is used.

Turnover tax incurred in connection with the purchase and production of intangible assets is only capitalized if input tax is not deductible.

Intangible assets (excluding goodwill) are subsequently valued at cost of purchase or cost of production less depreciation and impairments plus any reversals of previous impairments. Depreciation is calculated using the straight-line method. The adequacy of the depreciation method and the service life are subject to an annual review.

The following probable service lives are used as the basis for depreciation on intangible assets:

	Years
Franchises, rights, etc.	Duration of contract
Trademarks	Economic life
Brand names	Economic life
Customer base	Economic life
Purchased software	3 - 5
Software produced in-house	3

Goodwill arises as a positive difference between the costs of purchasing the shares and the fair values of the individually acquired assets, absorbed liabilities and contingent liabilities. They are not depreciated; instead, they are subject to an annual impairment test. Impairment losses in relation to goodwill are not reversed.

D) IMPAIRMENTS OF ASSETS

IAS 36 governs the impairment test for tangible and intangible assets with a certain economic life, which is carried out using a so-called indicator-based asset impairment test. Such an asset impairment test has to be carried out when indicators (so-called triggering events) indicate a possible loss of value. In addition, according to IAS 36, goodwill as well as intangible assets with an indefinite service life have to be subjected at least once a year to an impairment test in the form of a goodwill impairment test.

Definition of cash-generating units

Goodwill impairment tests have to be carried out at the level of individual assets as part of the asset impairment test. If it is not possible to determine future cash flows, which are to a large extent independent, for an individual asset, so-called cash-generating units (CGUs) have to be formed. The criteria for defining the CGUs are based on the structure of the operating business. In DB Group, the CGUs to a large extent correspond to the operating segments, whereby further differentiation has taken place within the segment DB Services as a result of different contents. Due to the congruence between management structure and legal structure, a CGU always consists of at least one legal unit. This means that the data necessary for the asset impairment test can be derived from annual financial statements and planning data.

The impairment test for goodwill is carried out at the level of the CGU to which the goodwill has been allocated. Significant goodwill currently exists in the CGUs DB Schenker Logistics and DB Schenker Rail. Arriva, which was acquired in August 2010 and which is maintained as an independent CGU in DB Group, was not considered in the impairment regulation process in accordance with IAS 36 for the 2010 financial statements. In the year under review, the acquisition-related goodwill of Arriva (€ 1,338 million) was completely allocated to the new CGU DB Arriva. The annual impairment test for the goodwill of DB Arriva was derived from the knowledge of the valuations carried out for the acquisition of Arriva (discounted cash flow method) in order to determine the plausibility of the purchase price. The free cash flows (after tax) for calculating the fair value less cost to sell was derived from the five-year planning of DB Arriva which was submitted by the Management Board of DB Arriva at that time of valuation. The growth rate for extrapolating the last forecast year was 2 % p.a. A weighted average cost of (WACC) 9.0 % was used for discounting the free cash flows. In consequence, the purchase price is covered by the fair value less cost to sell of DB Arriva, which means that there is no impairment requirement in accordance with IAS 36.

The annual impairment test for the Arriva brand has been carried out at the level of the CGU Arriva based on the assumptions described above. In consequence, it has been possible to confirm the value of the brand on the basis of the fair value less costs to sell.

Method

In the impairment test in accordance with IAS 36, the carrying amount of an asset, a CGU or for the goodwill impairment test on the basis of a group of CGUs has to be compared with the corresponding recoverable amount. If the carrying amount is no longer covered by the recoverable amount, this results in a corresponding impairment.

The carrying amount of a CGU is established by adding the carrying amounts of the assets less the liabilities which are related to the relevant assets. In addition, for determining the carrying amount of a CGU, it is also necessary to recognize corporate assets and corporate liabilities jointly used by several CGUs, and the net working capital necessary for the corresponding CGU must also be taken into consideration.

The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. In the impairment tests carried out in DB Group, the recoverable amount is represented by the value in use. The value in use is established as the present value of the free cash flows before interest and before tax attributable to the continuation of a CGU or a group of CGUs. The forecast of cash flows reflects previous experience, and takes account of management expectations with regard to future market developments. The average growth rates are in line with the expectations of the industry. These cash flow forecasts are based on the medium-term planning which is submitted to the Supervisory Board of DB AG and which covers a planning horizon of five years. If cash flow forecasts are necessary beyond the five-year planning horizon, a sustainable free cash flow is derived from the forecast and is extrapolated on the basis of a growth rate related to the specific market development. In general, an average growth rate of 1% p.a. is assumed (unchanged to the previous year).

A weighted average cost of capital (WACC) is used for discounting the free cash flows; this reflects the expectation of return of the capital market for providing debt capital and shareholders' equity to DB Group. In order to maintain consistency with the process of establishing the free cash flows before corporate taxes, a WACC before corporate taxes is used. Risks of free cash flows are recognized by a risk-equivalent capitalization rate. In view of the sub-group structure on the one hand and the fact that there is to a large extent a community of risk and resources within DB Group on the other hand, this rate is defined uniformly as 10.2 % for all CGUs of DB ML Group (previous year: 10.5 %) and 8.0 % for the CGUs of Infrastructure (previous year: 8.4 %). The slight reduction in the WACCs compared with the previous year is attributable to the medium- to long-term development of the external capital market.

Asset impairment test

Processes which comply with the specific requirements of IAS 36 have been implemented in order to carry out the asset impairment test. The service lives of the individual CGUs used for the asset impairment test are based on the service life of the asset or a group of homogenous assets which is (are) most significant for the particular CGU.

In addition, the process of establishing the service life disregards future cash flows which result from major structural changes, disinvestment measures or extension investments. Resulting adjustments to the original plans relate mainly to the major new and expansion infrastructure projects, where it is assumed that the construction process will not be completed in the medium-term, but beyond 2015.

The cash flow forecasts take account of internal transfer prices within DB Group on the basis of arm's length assessments of the companies involved. The published infrastructure prices are applicable for products and services exchanged between transport and infrastructure segments; price increases in the period covered by the planning period have also been taken into consideration.

After the medium-term planning has been completed, a regular check is carried out to determine whether impairments are necessary at the CGU level. In addition to this annual cycle, a test is also performed if current issues arising from the development in business or changes in assumptions indicate that there has been a major deterioration in the value in use.

The voluntary impairment tests carried out in the period under review did not identify any impairment requirement for any CGU. The voluntary asset impairment test carried out in December 2010 after the medium-term planning was adopted also did not identify any impairment requirement for any CGU.

Goodwill impairment test

A goodwill impairment test must be carried out annually for all CGUs or groups of CGUs to which goodwill can be allocated. Because the goodwill which arises in DB Group as a result of acquisitions can always be clearly allocated to a CGU, this goodwill impairment test is an integral part of the asset impairment test which is always carried out annually on a voluntary basis for all CGUs.

The goodwill impairment tests carried out for the CGUs did not identify any impairment requirement. The respective recoverable amount is represented by the value in use of the CGU (with the exception of the CGU DB Arriva), which in turn has been derived from the medium-term planning of the two segments. The details relating to methods presented above are thus applicable correspondingly. At DB Schenker Logistics and DB Schenker Rail, it also has to be borne in mind that separate assumptions relating to the development of the economy, market and competition as well as currency relations have been made for the relevant international markets. These assumptions have been based on the external and internal expert assessments available at the time of the planning.

E) SHARES IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Shares in associated companies and joint ventures are accounted for using the equity method in accordance with IAS 28 (Shares in Associated Companies) or in accordance with the option specified in IAS 31 (Shares in Joint Ventures). Based on the Group costs of purchase at the time of the purchase, the figure for the change in shareholders' equity at the company accounted for using the equity method attributable to the shares of DB Group is extrapolated.

F) FINANCIAL ASSETS

Arm's length purchases or sales of financial assets are recognized or eliminated on the settlement date. At present, there are the following categories in DB Group in accordance with IAS 39:

Available-for-sale financial assets

Available-for-sale financial assets are normally recognized with their fair value. If the fair value of equity instruments is not reliably measurable, the available-for-sale financial assets are recognized at cost of purchase less any impairment.

Shares in non-consolidated subsidiaries and other equity investments are also considered to be available-for-sale financial assets. They are normally shown with their amortized cost of purchase because the future cash flows for determining the market value of the shares cannot be reliably established.

Available-for-sale long- or short-term securities are recognized with their market values as of the reporting date – where such values exist. Changes in fair value are recognized with no impact on the income statement in the reserve attributable to the marking-to-market of securities.

Receivables and other financial assets

Receivables and other financial assets are initially measured at fair value. In general, this is equivalent to the costs of purchase. Long-term interest-free or low-interest receivables (receivables due after more than one year) are discounted to the present value of future cash flows. Discounted receivables are adjusted for cumulative interest in subsequent periods with the effective interest fixed for initial valuation.

Receivables for which there are substantial objective indications of an impairment are adjusted appropriately. Portfolio-based allowances are also recognized in relation to groups of assets; in particular, historical default rates are taken into consideration.

Cash and cash equivalents

This item comprises cash in hand and checks, deposits at banks which are due on sight, as well as cash and cash equivalents. Balances at banks comprise overnight money as well as time deposits due within three months.

Liquid assets are recognized with their nominal value.

G) INVENTORIES

All costs which are directly related to the procurement process are capitalized as the costs of purchase of the inventories. The average method is used as the basis for establishing the cost of purchase of fungible and homogeneous raw materials and supplies. Costs of production comprise individual costs as well as the directly attributable overhead costs.

As of the balance sheet date, inventories are measured with the lower of cost or net realizable value.

H) AVAILABLE-FOR-SALE NON-CURRENT ASSETS

Under IFRS 5, non-current assets are classified as available-for-sale non-current assets if their carrying amount is to be realized by way of sale and not by way of continued use. This can be an individual asset, a disposal group or part of a company. Non-current available-for-sale assets are stated with the lower of carrying amount or market value less costs which are incurred. In the year under review, reclassifications related almost exclusively to the acquired business of Arriva in Germany.

I) DEFERRED TAXES

Deferred taxes are calculated in accordance with IAS 12 (Income Taxes).

The Group tax rate for domestic companies used as the basis for calculating deferred taxes was 30.5%. The Group tax rate comprises the corporation tax rate plus solidarity surcharge and an average trade tax rate. Foreign subsidiaries use their relevant local tax rates for calculating deferred taxes.

A deferred tax asset is recognized in accordance with IAS 12.24 or IAS 12.34 if, after corresponding deferred tax liabilities have been deducted, it is likely that adequate taxable income is available. The medium-term planning with additional estimates is used as the basis of this process. Deferred tax assets relating to income which can be generated after the medium-term period are not recognized, on the grounds that they cannot be reliably determined.

Deferred taxes are established on the basis of the tax rates which can be expected for the period in which the deferred tax is realized on the basis of existing laws or laws which have in essence been adopted.

J) FINANCIAL DEBT AND LIABILITIES

Current liabilities are normally recognized with their nominal amount, which corresponds to the fair value at the point at which the liability is initially recognized and the amortized costs of purchase up to the date at which the liability is settled. Financial debt and other non-current liabilities, when initially recognized, are stated with the amount which corresponds to the fair value of the received assets, where appropriate less transaction costs. Subsequently, they are stated using amortized costs of purchase using the effective interest method. The differences between the amount paid out less transaction costs and the amount repaid are recognized in the income statement over the life of the liability.

Interest-free Federal Government loans which are related to infrastructure capital expenditures are recognized with the present value of the amounts to be repaid, and are adjusted to their nominal repayment amount over their life. The difference between the nominal amount of the loan and the present value is recognized as an interest benefit under accruals. Interest income attributable to the pro rata reversal of these accruals compensates for the interest expense relating to the compounding of the loans.

Liabilities arising from leases which are classified as finance leases in accordance with the allocation criteria of IAS 17 are recognized at the lower of fair value and the present value of minimum leasing payments at the beginning of the lease, and are subsequently stated under financial debt in the amount of amortized cost of purchase. The leasing installments are broken down into an interest component and a repayment component. The interest component of the leasing installment is recognized in the income statement.

K) EMPLOYEE BENEFITS

Pension obligations and similar commitments

In DB Group, there are defined benefit as well as defined contribution retirement pension systems.

The provision for defined retirement benefit systems stated in the balance sheet corresponds to the present value of the pension commitment (Defined Benefit Obligation; DBO) less the fair value of the plan assets on the balance sheet reporting date, adjusted by cumulative actuarial profits and losses which are not reflected in the income statement and subsequently applicable service costs which have not yet been recognized. The pension obligation is calculated annually by independent actuarial appraisals using the projected unit credit method. Actuarial profits and losses are not recognized in the income statement if they do not exceed 10 % of the higher of the obligation or the present value of plan assets (10 % corridor rule). The amount which exceeds the corridor is recognized over the expected average remaining service lives of the employees covered by the plan.

Past service cost is immediately recognized in the income statement, unless the changes in the pension plan (retirement pension system) depend on the employee remaining in the company for a defined period (the period up to the point at which the rights become vested). In this case, the past service cost is recognized in profit or loss on a straight-line basis over the period until vesting.

The expense arising from applying interest to the pension obligations and the expected income from the plan assets is recognized in financial result.

In the case of defined contribution retirement pension systems, DB Group pays contributions to public sector or private retirement pension schemes, either voluntarily or as a result of a contractual or statutory obligation. DB Group does not have any additional payment obligations beyond having to pay the contributions. The contributions are recognized in personnel expenses when due. Advance payments of contributions are recognized as assets to the extent that there is a right for a repayment or reduction of future payment.

The discount rate for measuring pension obligations was determined on the basis of the yields obtained on the market on the balance sheet date for prime fixed-income industrial bonds. Prime corporate bonds with an AA rating are used as the basis in this respect.

Payments on the occasion of termination of employment contracts (severance packages)

Severance packages become payable if an employee is released from his duties before normal pensionable age or if an employee voluntarily terminates his employment contract in return for a severance package. Severance payments are recognized if there is a demonstrable obligation either to terminate the employment agreements of current employees in accordance with a detailed formal plan which cannot be reversed or to pay severance payments if the employment contract is voluntarily terminated by employees within the framework of employment contract termination agreements.

Severance package obligations for agreements agreed as of the balance sheet date are recognized as other liabilities and – if they are not yet included in individual agreements and if they are part of a restructuring obligation in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) – are stated as other provisions.

Semi-retirement agreements are based on the so-called block model. The top-up amounts paid in addition to salary by DB Group during the semi-retirement period as well as additional contributions to the statutory pension insurance scheme constitute benefits arising upon termination of the employment contract. They are shown with their present value at the point at which the obligation originated. The compensation backlog (plus the employer's contributions to social insurance) for the additional work performed during the employment phase is also shown with the present value. The expenses attributable to cumulative interest on the obligations are shown under personnel expenses.

Other benefits due in the long term

Employees who are covered by the regulations of the collective bargaining agreement with regard to maintaining long-term accounts for the employees of various companies of DB Group (referred to in the following as "Lzk-TV"), are able to convert their overtime which they have worked into a long-term account or payment for this account on one occasion or on a regular basis. DB Group has agreed to pay the compensation for the additional overtime or the converted compensation on the basis of a separate contribution agreement plus the related employer's contributions to social insurance into the "Fonds zur Sicherung von Wertguthaben e.V." (credit fund) every month at the point at which the salary payment becomes due. The credit fund has been established in the legal form of a registered association as a joint institution of the wage-bargaining parties in accordance with the Wage Bargaining Act (Tarifvertragsgesetz). The wage bargaining parties, in their capacities as members of the association, are responsible for managing and administering the credits.

The compensation paid to the employees starting with the beginning of a phase during which the employees are exempted from their duties is financed out of the credit fund. The length of the phase during which the employees are exempted from their duties is determined by the size of the credit which has accumulated or by an application of the employee.

With regard to the credits, no further financial risks are retained in DB Group when the funds are paid out.

The plan is treated as a defined contribution plan.

L) OTHER PROVISIONS

Other provisions are set aside if there is a legal or constructive obligation resulting from a past event which is more than 50% likely to result in an outflow of resources and if the extent of the obligation can be reliably estimated. If it is likely that a provision will be refunded, for instance as a result of an insurance policy, the refund is recognized as a separate asset only if it is as good as certain. The income from refunds is not netted with the expenses.

Non-current provisions are discounted using market interest rates. Environmental protection provisions for the rehabilitation of existing ecological legacy issues are discounted on the basis of real interest rates, which are adjusted to reflect the risk and the period until fulfillment. The difference between the nominal value of the expected outflows and the present value recognized for the environmental protection provisions of DB AG for transferred liabilities for the elimination of legacy issues from the time previous to the foundation of DB AG is stated under deferred income, and represents the interest benefit resulting from the longer-term release of the provision. The cumulative interest expense attributable to other provisions is recognized in financial result.

M) DEFERRED INCOME

Deferred public-sector grants

DB Group receives various public-sector grants, which are provided in relation to specific assets or on the basis of a specific performance. The grants are recognized in the balance sheet as soon as it is certain that they will be provided and as soon as the conditions necessary for receiving the grants have been satisfied. The grants related to assets, and in particular investment grants, are deducted directly from the assets for which grants have been received. The interest benefit (difference between nominal value and present value) of interest-free loans are deferred on the basis of the contractual grant conditions.

Deferred profits from sale-and-lease-back agreements

If capital gains have been realized in conjunction with sale-and-lease-back agreements and if the subsequent lease has to be classified as a finance lease, these gains are deferred and released with an impact on the income statement over the life of the relevant agreements.

N) DERIVATIVE FINANCIAL INSTRUMENTS

Recognition of derivative financial instruments

At the point at which the contract is concluded, derivative financial instruments are recognized as a financial asset or a financial liability in the balance sheet. Derivative financial instruments are initially and subsequently measured at fair value. The treatment of changes in the fair value depends on the type of the hedged underlying. At the point at which the contract is taken out, derivative financial instruments are generally classified as a hedging instrument (a) for hedging the fair value of certain assets or liabilities recognized in the balance sheet (fair value hedge) or (b) for hedging the cash flows arising from a contractual obligation or an expected transaction (cash flow hedge).

Fair-value hedges

The purpose of fair value hedges is to provide protection against changes in the value of balance sheet items. In these cases, the hedge as well as the hedged risk content of the underlying are recognized with their present value. Changes in value are recognized in the income statement.

DB Group currently does not have any fair value hedges.

Cash flow hedges

Cash flow hedges are used to provide protection against fluctuations in the cash flows of financial assets or liabilities. When future cash flows are hedged, the hedging instruments are also recognized with their fair value. Changes in value are initially recognized in shareholders' equity with no impact on the income statement, and are only recognized in the income statement at the point at which the corresponding losses or profits from the underlying have an impact on the income statement or the transactions expire.

Derivative financial instruments which do not satisfy the requirements for recognizing hedges in accordance with IAS 39

If hedges which in economic terms are used for interest, currency or price hedging do not satisfy the restrictive requirements of IAS 39 for being recognized as a hedge, the changes in value are immediately recognized in the income statement.

Calculation of the fair value

The fair value of financial instruments which are traded in an active market is derived from the market price applicable on the balance sheet date. In order to calculate the fair value of financial instruments which are not traded on an active market, common measurement methods such as option price or present value models are applied. If valuation-relevant parameters are not directly observable on the market, forecasts are used based on comparable financial instruments which are traded in an active market; these forecasts are then adjusted by premiums or discounts on the basis of historical data. The mean value of bid and offer rates are used. Trades for which no premium has been paid have a fair value of zero upon conclusion. In the case of long-dated derivatives, a credit risk adjustment is made in relation to the fair value if the counterparty is no longer classified as "investment grade" by the rating agencies and if the overall position constitutes a receivable from the point of view of DB Group. However, this is not the case in these financial statements due to considerations of materiality.

All derivatives used in DB Group are measured using common methods such as option price or present value models, because their fair values are not traded on an active market. No parameters from non-observable markets are used for measurement purposes.

CAPITAL MANAGEMENT IN DB GROUP (IN ACCORDANCE WITH IAS 1)

The purpose of financial management of DB Group is to achieve sustainable growth in the enterprise value and also to comply with a capital structure which is adequate for maintaining a very good rating.

The capital structure is managed on the basis of the gearing figure. Gearing is defined as the ratio between net financial debt (financial debt less receivables from financing and cash and cash equivalents) and shareholders' equity. The main instruments for managing the capital structure are: scheduled repayment of financial debt as well as strengthening of the capital base by way of retained earnings.

The medium-term aim is to achieve gearing of 100 % and thus parity between debt and equity in the financing structure. This objective is unchanged compared with last year. Gearing has developed as follows:

[€ million]	2010	2009
Financial debt	18,553	16,510
– Receivables from financing	–139	–29
– Cash and cash equivalents	–1,475	–1,470
NET FINANCIAL DEBT	**16,939**	**15,011**
÷ Equity	14,316	13,066
GEARING	**118 %**	**115 %**

There was a minimum deterioration in gearing compared with the previous year, as the positive net income with the corresponding strengthening of shareholders' equity was not able to compensate for the rise in net financial debt. If DB Arriva is adjusted, net financial debt would have declined by € 2,973 million to € 13,966 million, and gearing would have improved to 98 %.

There are no major external capital market restrictions.

Based on adjusted EBIT, return on capital employed (ROCE) is calculated as a key component of the value management concept. The capital employed represents the use of capital provided by shareholders and providers of debt which is tied up in DB Group and which is associated with return expectations. The parameter is derived on the basis of the closing balance sheet for the year under review. The following table shows the process of calculating capital employed, using the asset and liability items shown in the balance sheet.

[€ million]	2010	2009
Property, plant and equipment / intangible assets	42,027	39,509
+ Inventories	916	814
+ Trade receivables	3,877	3,030
+ Receivables and other assets	1,002	689
– Receivables from financing	–139	–29
+ Income tax receivables	99	150
+ Assets held for sale	169	0
– Trade liabilities	–4,286	–3,267
– Other liabilities	–3,436	–3,183
– Income tax liabilities	–146	–60
– Other provisions	–6,256	–6,419
– Deferred income	–2,515	–2,638
CAPITAL EMPLOYED	**31,312**	**28,596**

For further calculation, the adjusted EBIT and EBITDA in the following table is derived from the operating result (EBIT) shown in the income statement. The corresponding details at the segment level have been calculated using the same method.

[€ million]	2010	2009
Operating profit (EBIT)	1,817	2,208
Release of personnel-related provisions	–140	61
Provisions for technology-related risks raised	141	331
Revaluation of property-related risks	40	35
Property sales Stuttgart 21	0	–639
Other	8	–311
EBIT ADJUSTED	**1,866**	**1,685**
Depreciation	2,912	2,825
Impairments (previous year: installations / properties)	–127	–108
EBITDA ADJUSTED	**4,651**	**4,402**

Adjustments to EBIT totaling € 49 million were recognized in the year under review. These adjustments are mainly attributable to the creation of provisions for obligations arising from technology risks for vehicles and superstructure (€ 141 million) as well as the reversal of personnel provisions (€ 140 million) and also the reassessment of real estate risks (€ 40 million).

The capital employed and the adjusted EBIT have resulted in the following figures for return on capital employed (ROCE).

[€ million]	2010	2009
EBIT adjusted	1,866	1,685
÷ Capital employed	31,312	28,596
RETURN ON CAPITAL EMPLOYED (ROCE)	**6.0 %**	**5.9 %**

On a comparable basis (excluding DB Arriva) ROCE would have improved to 6.4 %.

CRITICAL ASSESSMENTS AND APPRAISALS

The consolidated financial statements are based on assessments and assumptions relating to the future. Assessments and appraisals established on this basis are continuously reviewed, and are based on historical experience and other factors, including expectations of future events which appear to be reasonable in the given circumstances. Of course, the assessments will not always correspond to subsequent actual circumstances.

The assessments and assumptions which may involve a significant risk in the form of a major adjustment of the carrying amounts of assets and liabilities during the next financial year are discussed in the following.

A) IMPAIRMENT OF CASH-GENERATING UNITS

Depending on specific events or circumstances, DB Group regularly assesses whether there is any need for impairment of a CGU. Fundamental principles and assumptions of the impairment procedure used in DB Group in accordance with IAS 36 (Impairment of Assets) are detailed in the section “Accounting and valuation methods” under “Impairments of assets.” We have provided the following explanations concerning individual assumptions which have an impact on the value of a CGU:

EBITDA margin

If the actual EBITDA margin is 10 % lower than the current assumptions, there would not be any impairment requirement at any of the defined CGUs for the property, plant and equipment and the intangible assets in accordance with IAS 36.

Average real growth rate of cash flows

If the long-term growth rate of cash flows were to be 10 % lower than the current assumption (assuming average growth of 1.0 % p.a.), there would also not be any impairment requirement (similar to the situation in the previous year).

Weighted average cost of capital

If the weighted average cost of capital (WACC), which has been used as the standard method of determining the present value of the value in use, were to be 10 % higher than the current model assumptions of 8.0 % for CGUs of the infrastructure and 10.2 % for CGUs of DB ML Group, there would only be a shortfall in the carrying amount for the CGU DB Vehicle Fleet. This impairment requirement would not be applicable if the increase in WACC were less than 7 % compared with the assumed standard rate. For all other CGUs, there would not be any impairment requirement even if WACC were to increase by 10 %.

Useful life and residual value

If the terminal value of the cash-generating units were to be 8 % lower, there would be an impairment requirement for the CGU DB Vehicle Fleet. For all other cash generating units, there would also not be an impairment requirement if the terminal value were to be 10 % lower.

B) DEFERRED TAXES

The calculation of deferred tax assets is generally based on the medium-term planning. If the sum of net profits planned for the medium-term planning period were to decline by 10 % in conjunction with otherwise unchanged tax parameters, deferred tax assets would have to be adjusted by € 141 million (previous year: € 107 million).

C) ENVIRONMENTAL PROTECTION PROVISIONS

The environmental protection provisions relate primarily to the obligation of DB AG to remedy the ecological legacy issues which arose before January 1, 1994 on the land of the Deutsche Bundesbahn and the former Deutsche Reichsbahn. The ecological legacy issues comprise mainly contamination of soil and groundwater as a result of using the properties. The obligation to rehabilitate the property is derived from the Federal Soil Protection Act (Bundesbodenschutzgesetz; BodSchG), the Water Management Act (Wasserhaushaltsgesetz; WHG), the Landfill Site Ordinance (Deponieverordnung; DepV) as well as other additional acts and ordinances.

The provision has been calculated on the basis of a discounting method using the present value, where rehabilitation measures are probable, the rehabilitation costs can be reliably estimated and no future benefit is expected to be derived from these measures.

The estimation of future rehabilitation costs is subject to various uncertainties. In addition to technical developments in the rehabilitation field and the intensity of innovation, changes in the legal background can also have a substantial impact on rehabilitation costs. For establishing the amount of the provision stated in the balance sheet, the rehabilitation obligations which are currently physically known or identifiable have been used as the basis for estimating the expected costs in relation to the current price level.

The figure shown for environmental protection provisions is calculated on the basis of expected cash-effective outflows and on the basis of the application of a risk-adjusted real interest rate of 0.71% (previous year: 0.69%).

If major legal conditions or official covenants result in implementation times of rehabilitation measures which differ considerably from the estimated time corridor, this might result in a changed time horizon for the expected cash outflows, and also to a changed provision. In addition, price increases may also result in a higher provision.

D) TRADE RECEIVABLES AND OTHER RECEIVABLES

The impairment of doubtful receivables to a considerable extent comprises assessments and appraisals of individual receivables which are based on the creditworthiness of the particular customer, current economic developments as well as an analysis of historical bad debts at the portfolio level. If the impairment is derived on the basis of historical default rates at the portfolio level, any decline in the overall volume of receivables results in a corresponding reduction of such provisions (and vice versa).

E) PENSIONS AND SIMILAR OBLIGATIONS

Actuarial methods have been used for measuring defined benefit pension commitments as well as benefit commitments which are similar to pensions and the resultant costs and income. The valuations are based on actuarial assumptions. These include in particular discount factors, salary and pension trends as well as biometrical calculation bases. The discount factors which are used reflect the interest rates (giving due consideration to the duration of the underlying obligation) which are achieved on the balance sheet date for high-quality fixed-income bonds with a corresponding term. In the case of externally financed pension plans, the values of the corresponding plan assets or the refund claims are based on the market values as of the balance sheet date. This value is used as the basis for determining the expected yield of the fund assets or the refund claims. The expected yield of fund assets or the refund claims is determined on a uniform basis, taking account of historical long-term yields, the portfolio structure and expectations of future long-term yields. Other key assumptions for expenses and income attributable to pension commitments and benefit commitments similar to pensions are to some extent based on current market conditions. Expenses and income attributable to pension commitments and benefit commitments similar to pensions may change as a result of changes to these underlying key assumptions.

F) PROVISIONS

Estimates are associated with the process of determining all types of provisions.

Special items in internal reporting

The special items consist of issues which are of an exceptional nature. These are adjusted in internal reporting if the factor is of an exceptional and non-operational nature and if the impact on results is material.

NOTES TO THE INCOME STATEMENT

With regard to the special effects shown in the following tables, please refer to the section “Special items in internal reporting.”

(1) Revenues

[€ million]	2010	2009
Revenues from services and sale of goods	34,410	29,335
thereof concession fees for rail transport	4,370	4,489
TOTAL	**34,410**	**29,335**
– Special items	–	–
– Effects scope of consolidation	–1,286	–
– Effects exchange rates	– 668	–
TOTAL COMPARABLE	**32,456**	**29,335**

Revenues are € 5,075 million higher than the corresponding previous year figure (+17.3 %). This increase is mainly attributable to the positive economic development in the year under review and also the initial consolidation of DB Arriva. The main growth in revenues has been reported by the segments DB Schenker Rail and DB Schenker Logistics. Even when adjusted by the major effects from changes in the scope of consolidation, and in particular the contributions to revenues made by the acquired DB Arriva and the full-year integration of DB Schenker Rail Polska, the increase is still 13.2 % compared with the previous year.

Concession fees for rail transport have declined slightly compared with the previous year; these revenues consist almost exclusively of payments from performance-based transport contracts with the Federal states. The revenues include positive currency effects of € 668 million, mainly relating to the segment DB Schenker Logistics.

Movements in revenues broken down according to business segments and regions are set out in segment reporting.

(2) Inventory changes and internally produced and capitalized assets

[€ million]	2010	2009
Inventory changes	26	16
Internally produced and capitalized assets	2,181	1,920
TOTAL	**2,207**	**1,936**

Own investments relate mainly to construction and project business in rail infrastructure and also the modernization of rolling stock as well as the processing of appropriate spare parts.

(3) Other operating income

[€ million]	2010	2009
SERVICES FOR THIRD PARTIES AND SALES OF MATERIALS		
Income from maintenance and repairs	5	1
Sale of materials and energy	163	101
Other third-party services	732	716
	900	**818**
Leasing and rental income	184	181
Income from claims for damages and compensation	80	99
INCOME FROM FEDERAL GRANTS		
Federal compensation payments	77	79
Other investment grants	36	41
Other Federal grants	213	142
	326	**262**
Income from the disposal of property, plant and equipment and intangible assets	168	594
Income from the disposal of non-current financial instruments	15	0
Income from the release of provisions	812	1,038
Income from the reversal of negative differences	0	0
OTHER INCOME		
Income from third parties fees	30	25
Income from remediation of ecological burdens	44	66
Miscellaneous other income	561	781
	635	**872**
TOTAL	**3,120**	**3,864**
– Special items	- 484	- 1,537
– Effects scope of consolidation	- 66	–
– Effects exchange rates	- 12	–
TOTAL COMPARABLE	**2,558**	**2,327**

Other third party services also include maintenance work performed on rolling stock owned by third parties (€ 119 million; previous year: € 110 million).

The decline in income from the disposal of property, plant and equipment and intangible assets compared with the previous year and also the lower miscellaneous other income are mainly attributable to the fact that the one-off effect of the realization of the property sale in connection with Stuttgart 21 in the previous year was not repeated.

In the previous year, part of the provision for ecological legacy issues was reversed (€ 600 million). Because this one-off effect has not been repeated, there has been a decline in income from the reversal of provisions, although this was opposed in the year under review by partial reversals of personnel provisions.

The increase in income from government grants was due to the economic stimulus programs I and II. In addition, this income mainly comprises settlement payments made by central, regional and local authorities in connection with the Railroad Crossing Act (Eisenbahnkreuzungsgesetz; EkrG), the Municipal Traffic Financing Act (Gemeindeverkehrsfinanzierungsgesetz; GVFG) as well as compensation payments for level crossings in accordance with an EU ordinance.

(4) Cost of materials

[€ million]	2010	2009
COSTS OF RAW MATERIALS, CONSUMABLES AND SUPPLIES		
Energy costs		
Electricity	1,494	1,307
Electricity tax	174	166
Diesel, other fuel	958	789
Other energies	147	115
	2,773	**2,377**
Other supplies and purchased goods	364	333
Price and value adjustment to materials	- 46	- 35
	3,091	**2,675**
COSTS OF PURCHASED SERVICES		
Purchased transport services	10,942	8,308
Cleaning, security, disposal, snow and ice control	267	230
Provisions	144	130
Infrastructure usage expenses		
Train-path usage	191	128
Station usage	9	1
	200	**129**
Other purchased services	724	569
	12,277	**9,366**
Maintenance expenses	3,946	3,586
TOTAL	**19,314**	**15,627**
- Special items	- 180	- 332
- Effects scope of consolidation	- 509	–
- Effects exchange rates	- 468	–
TOTAL COMPARABLE	**18,157**	**15,295**

The increase in purchased transport services compared with the previous year is mainly attributable to the higher levels of activity in the segment DB Schenker Logistics. There has also been an increase resulting from changes in the scope of consolidation as well as positive exchange rate effects.

(5) Personnel expenses and employees

[€ million]	2010	2009
WAGES AND SALARIES		
Employees	8,051	7,335
Civil servants assigned	1,371	1,403
	9,422	**8,738**
SOCIAL SECURITY EXPENSES		
Employees	1,511	1,382
Civil servants assigned	282	281
Costs of adjusting staffing levels	226	555
Retirement benefit expenses	161	159
	2,180	**2,377**
TOTAL	**11,602**	**11,115**
- Special items	- 19	- 467
- Effects scope of consolidation	- 509	–
- Effects exchange rates	- 107	–
TOTAL COMPARABLE	**10,967**	**10,648**

The figure stated for personnel expenses includes expense of € 744 million for defined contribution plans (previous year: € 684 million).

The amount shown for adjusting staffing levels mainly comprises costs of severance payment agreements and semi-retirement agreements and restructuring costs. The decline is mainly attributable to the much more positive macroeconomic environment and (an associated factor) the higher volume of output and lower impairment requirement.

The retirement benefit expenses relate to active persons as well as persons who are no longer employed in DB Group or their surviving dependants. They are attributable primarily to service costs, employers' contributions to the company top-up benefit scheme as well as the contributions to Pensions-Sicherungs-Verein aG (pension insurance association). The interest expense resulting from compounding the pension obligations and the expected income from plan assets is shown in financial result. For detailed explanations regarding the development of pension obligations, please refer to the Notes under (32).

The activities of the civil servants in DB Group are based on statutory allocation within the framework of the German Rail Restructuring Act (Eisenbahnneuordnungsgesetz; ENeuOG), Art. 2 §12. For the work of the allocated civil servants, DB AG reimburses to the Federal Railroad Fund (Bundeseisenbahnvermögen; BEV) those costs which would be incurred if an employee covered by collective bargaining arrangements were to be employed instead of the allocated civil servant (pro forma calculation).

The development in wages and salaries mainly reflects the acquisitions in the year under review (in particular Arriva). In addition, the domestic companies have felt the impact of the agreements arising from the wage settlement in the previous year (in relation to the reporting year) and the one-off payment in connection with the wage-bargaining negotiations in 2010. The companies outside Germany have mainly felt the impact of exchange rate fluctuations.

The development in the number of employees in DB Group, converted to full-time employees in each case, is shown in the following:

[FTE]	At year end		Average for the year	
	2010	2009	**2010**	2009
Employees	241,525	203,062	216,245	202,972
Civil servants	34,785	36,320	35,565	36,916
SUBTOTAL	**276,310**	**239,382**	**251,810**	**239,888**
Trainees	9,667	9,259	8,515	8,109
TOTAL	**285,977**	**248,641**	**260,325**	**247,997**

In the event of changes in the scope of consolidation, the employees are included on a pro rata basis up to the time of deconsolidation or after the date of initial consolidation.

Adjusted by the number of employees of Arriva which was acquired in the year under review, there are 239,856 full-time employees (239,635 on an annual average basis).

The development in the number of employees, based on the number of natural persons, is shown in the following:

[Natural persons]	At year end	
	2010	2009
Employees	253,479	213,394
Civil servants	36,616	38,199
SUBTOTAL	**290,095**	**251,593**
Trainees	9,667	9,259
TOTAL	**299,762**	**260,852**

(6) Depreciation

Depreciation relates mainly to the property, plant and equipment used as rail infrastructure as well as the rolling stock. It is shown in the income statement less any recovery in amounts written down in the year under review.

For further explanations, please refer to the details concerning the development in property, plant and equipment or intangible assets under Notes (13) and (14).

The depreciation includes special effects attributable to adjustment (€ −127 million; previous year: € −108 million), effects attributable to changes in scope of consolidation (€ +95 million) and exchange rate changes (€ +11 million).

(7) Other operating expenses

[€ million]	2010	2009
RENTAL AND LEASING EXPENSES		
Operating lease expenses	1,241	1,100
Conditional leasing expenses	5	6
	1,246	**1,106**
Legal, consultancy and audit fees	182	139
Contributions and fees	231	229
Insurance expenses	173	169
Sales promotion and advertising expenses	88	77
Cost of printing and office supplies	79	75
Travel and representation expenses	225	210
Research and not capitalized development costs	8	7
OTHER PURCHASED SERVICES		
IT services	165	147
Other communication services	67	64
Other services	388	254
	620	**465**
Damages payable	90	67
Impairments in receivables and other assets [1]	75	-7
Loss from disposal of property, plant and equipment and intangible assets	184	129
Expenses from disposal of non-current financial instruments	8	0
Other operational taxes	79	0
OTHER EXPENSES		
Grants for third-party facilities	77	82
Other personnel-related expenses	108	78
Miscellaneous other expenses	620	538
Net of expenses and income consolidation	-1	-4
	804	**694**
TOTAL	**4,092**	**3,360**
– Special items	-207	-107
– Effects scope of consolidation	-201	–
– Effects exchange rates	-78	–
TOTAL COMPARABLE	**3,606**	**3,253**

[1] Including payments for receivables written down in the previous year.

Other operating expenses have increased compared with the previous year; this is mainly due to the increased level of operations in the segment DB Schenker Logistics as well as the first-time consolidation of DB Arriva.

The legal, consultancy and audit fees comprise fees of € 20.8 million for the auditor of the consolidated financial statements (previous year: € 21.9 million); this figure comprises auditing services of € 11.0 million (previous year: € 10.9 million), other certification services of € 3.7 million (previous year: € 4.1 million), tax advice services of € 0.3 million (previous year: € 0.3 million) as well as other services of € 5.8 million (previous year: € 6.6 million).

The increase in the allowances recognized in relation to receivables and other assets is attributable to allowances which were reversed in the previous year. In the year under review, the increase in expenses for other operating taxes is essentially attributable to the reversal of provisions in the previous year.

(8) Result from investments accounted for using the equity method

The following contributions to earnings are recognized in the income statement as a result of shares in companies over which significant influence can be exercised or which are managed as joint ventures:

[€ million]	**2010**	2009
JOINT VENTURES		
Other	0	-2
	0	**-2**
ASSOCIATED COMPANIES		
METRANS a.s.	8	6
EUROFIMA	8	8
Other	1	-3
	17	**11**
TOTAL	**17**	**9**

(9) Net interest income

[€ million]	**2010**	2009
INTEREST INCOME		
Other interest and similar income	132	94
Income from securities	0	0
Interest accrued and other interest income	182	251
	314	**345**
INTEREST EXPENSES		
Other interest and similar expenses	-708	-642
Interest accrued on non-current provisions and liabilities	-294	-339
Interest accrued on retirement benefit obligations	-152	-121
Interest expense of finance lease	-71	-69
	-1,225	**-1,171**
TOTAL	**-911**	**-826**

The increase in other interest and similar expenses is mainly attributable to the financing costs for the acquisition of Arriva as well as the absorbed bank borrowings of Arriva.

The decline in interest income from the reversal of deferred income and other interest income is attributable to one-off income which was included in the previous year as a result of the adjustment of the terms of the environmental protection provisions.

The interest income and expenses from the financial assets and liabilities not measured at fair value through profit or loss amount to € 54 million (previous year: € 38 million) and € -884 million respectively (previous year: € -821 million).

(10) Other financial result

[€ million]	2010	2009
Result from equity investments	1	2
Result from currency exchange gains	-221	121
Result from foreign exchange-based derivative contracts	200	-96
Result of other derivatives	-3	2
Result from disposal of financial instruments	1	0
Impairments on financial instruments	0	-33
Miscellaneous financial result	**-1**	0
TOTAL	**-23**	**-4**

The result from exchange rate effects is attributable to the conversion of foreign currency liabilities or receivables with an impact on the income statement using the spot rate applicable on the reference date (IAS 21). The result from exchange rate effects theoretically has to be netted with the result from currency-related derivatives. Both parameters have changed appreciably compared with the previous year figure due to significant exchange rate fluctuations of the euro particularly with regard to the Japanese yen and the Swiss franc and also the raising of new secured foreign currency bonds. The result from currency-based derivatives comprises the reclassification of currency-related changes in the market value of cash flow hedges recognized under shareholders' equity with no impact on the income statement. The result from other derivatives relates to the development in the market value of derivatives which are not classified as effective hedges in accordance with IAS 39.

(11) Taxes on income

[€ million]	2010	2009
Actual tax expense	-127	-73
Income due to lapsing of tax obligations	3	27
ACTUAL TAXES ON INCOME EXPENSES	**-124**	**-46**
Deferred tax income	282	-511
TOTAL	**158**	**-557**

The actual tax expense has been incurred mainly at foreign subsidiaries. The increase compared with the previous year is mainly attributable to the lower income from actual taxes on income attributable to other periods and also the extension of the consolidation group.

In the year under review, there was deferred tax income (previous year: deferred tax expense) resulting mainly from the updated medium-term planning, which indicates that tax results in the medium term will be higher than was indicated in the medium-term planning of the previous year.

Starting with the net profit of DB Group before taxes on income and the theoretical taxes on income calculated using a Group tax rate of 30.5%, the following reconciles the calculated taxes with the actual taxes on income:

[€ million]	2010	2009
Profit before taxes on income	900	1,387
Group tax rate	30.5 %	30.5 %
EXPECTED TAX EXPENSE	**- 275**	**- 423**
Additional (previous year: reduced) recognition as well as usage of existing temporary differences and losses carried forward	423	- 206
Income not subject to tax	16	18
Tax effects related to IAS 12.33	102	108
Expenses not deductible for tax purposes	- 32	- 28
Differences in tax rates of foreign companies	14	15
Other effects	- 90	- 41
TAXES ON INCOME AS REPORTED	**158**	**- 557**
Effective tax rate	- 17.6 %	40.2 %

The reconciliation amount as detailed in IAS 12.33 relates exclusively to additional tax write-downs resulting from the fact that tax-free grants in the IFRS financial statements have been deducted directly from the costs of purchasing the assets. It is not permissible for deferred taxes to be created in relation to these temporary differences.

In the year under review, the other effects include in particular effects attributable to the difference in the assessment bases of different income tax bases, income taxes attributable to other periods and losses without the creation of deferred taxes. The actual income taxes attributable to other periods amount to € 1 million.

(12) Earnings per share

Under IAS 33 (Earnings per Share), undiluted earnings per share are calculated by dividing the net income of DB Group attributable to the shareholders of DB AG by the weighted average number of shares in issue during the year under review. Undiluted earnings per share correspond to diluted earnings per share.

[€ million]	2010	2009
Net profit for the year	1,058	830
thereof attributable to minority interests	19	9
thereof attributable to shareholders of DB AG	1,039	821
Number of issued shares	430,000,000	430,000,000
Earnings per share (€ / share), undiluted	2.42	1.91
Earnings per share (€ / share), diluted	2.42	1.91

NOTES TO THE BALANCE SHEET

(13) Property, plant and equipment

Property, plant and equipment as of December 31, 2010 [€ million]	Land	Commercial, operating and other buildings	Permanent way structures	Track infra-structure, signaling and control equipment	Rolling stock for passenger and freight transport	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under con-struction	**Total**
COST OF PURCHASE AND COST OF PRODUCTION									
As of Jan 1, 2010	4,404	5,512	12,574	15,182	21,579	1,554	3,489	3,531	**67,825**
Changes in the scope of consolidation	69	302	0	0	1,894	37	184	19	**2,505**
thereof additions	69	302	0	0	1,894	37	190	19	**2,511**
thereof disposals	0	0	0	0	0	0	-6	0	**-6**
Additions[1]	64	165	484	1,349	669	64	299	3,724	**6,818**
Investment grants	-2	-45	-401	-1,097	-20	-8	-33	-3,212	**-4,818**
Transfers	14	200	204	192	373	27	29	-1,040	**-1**
Transfers related to assets held for sale	0	0	0	0	3	0	0	-3	**0**
Disposals	-71	-78	-12	-132	-366	-64	-296	53	**-966**
Currency translation differences	10	61	2	0	9	8	34	3	**127**
AS OF DEC 31, 2010	**4,488**	**6,117**	**12,851**	**15,494**	**24,141**	**1,618**	**3,706**	**3,075**	**71,490**
ACCUMULATED DEPRECIATION									
As of Jan 1, 2010	-454	-2,045	-3,633	-8,800	-11,901	-1,024	-2,241	-288	**-30,386**
Changes in the scope of consolidation	-1	-86	0	0	-941	-22	-135	0	**-1,185**
thereof additions	-1	-86	0	0	-941	-22	-136	0	**-1,186**
thereof disposals	0	0	0	0	0	0	1	0	**1**
Depreciation	-10	-189	-188	-655	-1,201	-92	-326	0	**-2,661**
Impairments	-126	-4	-5	-6	-14	-1	-3	0	**-159**
Reversal of impairment losses	1	0	0	26	0	0	1	0	**28**
Transfers	4	-4	-7	5	-3	-4	9	0	**0**
Transfers related to assets held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	35	48	9	117	307	42	249	4	**811**
Currency translation differences	-2	-27	-1	0	-7	-4	-24	0	**-65**
AS OF DEC 31, 2010	**-553**	**-2,307**	**-3,825**	**-9,313**	**-13,760**	**-1,105**	**-2,470**	**-284**	**-33,617**
CARRYING AMOUNT DEC 31, 2010	**3,935**	**3,810**	**9,026**	**6,181**	**10,381**	**513**	**1,236**	**2,791**	**37,873**
Carrying amount Dec 31, 2009	3,950	3,467	8,941	6,382	9,678	530	1,248	3,243	37,439

[1] Including € 144 million for credit items from previous years.

Property, plant and equipment as of December 31, 2009 [€ million]	Land	Commercial, operating and other buildings	Permanent way structures	Track infra-structure, signaling and control equipment	Rolling stock for passenger and freight transport	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under con-struction	**Total**
COST OF PURCHASE AND COST OF PRODUCTION									
As of Jan 1, 2009	4,330	5,419	12,435	14,739	20,588	1,448	3,471	3,725	**66,155**
Changes in the scope of consolidation	16	32	3	11	198	28	18	5	**311**
thereof additions	16	32	3	11	198	28	18	5	**311**
thereof disposals	0	0	0	0	0	0	0	0	**0**
Additions[1]	123	118	415	1,235	656	71	229	3,555	**6,402**
Investment grants	-12	-54	-397	-1,003	-14	-15	-29	-3,124	**-4,648**
Transfers	26	-4	127	333	368	32	40	-920	**2**
Transfers related to assets held for sale	0	0	0	0	4	0	0	-4	**0**
Disposals	-86	-35	-13	-133	-260	-22	-252	268	**-533**
Currency translation differences	7	36	4	0	39	12	12	26	**136**
AS OF DEC 31, 2009	**4,404**	**5,512**	**12,574**	**15,182**	**21,579**	**1,554**	**3,489**	**3,531**	**67,825**
ACCUMULATED DEPRECIATION									
As of Jan 1, 2009	-384	-1,871	-3,451	-8,210	-10,848	-925	-2,123	-277	**-28,089**
Changes in the scope of consolidation	-2	-10	-2	-10	-77	-15	-7	0	**-123**
thereof additions	-2	-10	-2	-10	-77	-15	-7	0	**-123**
thereof disposals	0	0	0	0	0	0	0	0	**0**
Depreciation	-8	-184	-182	-678	-1,158	-93	-316	0	**-2,619**
Impairments	-58	0	-1	-51	-25	-3	-1	-12	**-151**
Reversal of impairment losses	0	0	0	44	0	0	0	0	**44**
Transfers	-10	12	-3	0	0	-1	2	-1	**-1**
Transfers related to assets held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	8	24	8	105	231	20	212	2	**610**
Currency translation differences	0	-16	-2	0	-24	-7	-8	0	**-57**
AS OF DEC 31, 2009	**-454**	**-2,045**	**-3,633**	**-8,800**	**-11,901**	**-1,024**	**-2,241**	**-288**	**-30,386**
CARRYING AMOUNT DEC 31, 2009	**3,950**	**3,467**	**8,941**	**6,382**	**9,678**	**530**	**1,248**	**3,243**	**37,439**
Carrying amount Dec 31, 2008	3,946	3,548	8,984	6,529	9,740	523	1,348	3,448	**38,066**

[1] Including € 129 million for credit items from previous years.

Impairments of € 159 million (previous year: € 151 million) mainly relate to real estate, track and bridges of DB Netz AG as well as rolling stock of DB Regio AG, DB Schenker Rail Deutschland AG and DB Regio NRW GmbH.

Reversals of impairments relating mainly to track of DB Netz AG amounted to € 28 million (previous year: € 44 million).

The positive book value disposals of € 57 million (previous year: € 270 million) relating to work in progress are attributable to the repayment of investment grants received and shown as assets in previous years.

Financial debt was backed by tangible assets with carrying amounts of € 196 million (previous year: € 131 million). This relates primarily to rolling stock which is used for securing loans, mainly of EUROFIMA (European Company for the Financing of Railroad Rolling Stock), Basel/Switzerland, and which is used at DB Bahn Long-Distance, DB Bahn Regional and DB Schenker Rail. Restrictions to rights of disposal in relation to property, plant and equipment existed to the extent of € 58 million (previous year: € 24 million) mainly at SüdbadenBus GmbH, Regional Bus Stuttgart GmbH and S.A.B. Autoservizi S.R.L., Bergamo/Italy.

Property, plant and equipment includes leased assets which are shown separately in the following overview. The leased property, plant and equipment comprises assets which are substantially but not legally owned by DB Group, so that the underlying lease agreements have to be classified as finance leases.

Leased assets [€ million]	Land	Commercial, operating and other buildings	Permanent way structures	Track infrastructure, signaling and control equipment	Rolling stock for passenger and freight transport	Technical equipment and machinery	Other equipment, operating and office equipment	**Total**
ASSETS LEASED FROM THIRD PARTIES UNDER FINANCE LEASE								
Cost of purchase and cost of production	18	769	19	0	1,177	7	0	**1,990**
Accumulated depreciation	-1	-192	-2	0	-618	-3	0	**-816**
CARRYING AMOUNT DEC 31, 2010	**17**	**577**	**17**	**0**	**559**	**4**	**0**	**1,174**
Cost of purchase and cost of production	6	750	19	0	979	8	0	**1,762**
Accumulated depreciation	0	-173	-2	0	-667	-2	0	**-844**
CARRYING AMOUNT DEC 31, 2009	**6**	**577**	**17**	**0**	**312**	**6**	**0**	**918**

The figure shown for the commercial, operating and other structures under leased fixed assets mainly relates to concourse buildings of DB Station & Service AG. The figure shown under rolling stock for passenger and freight transport relates mainly to rolling stock used by the transport companies of DB Group (locomotives, freight wagons, buses). The increase is mainly attributable to DB Arriva.

The assets which are leased (as lessor) by way of an operating lease and which have been calculated on the basis of retrospective calculations and also on the basis of our own surveys report a residual carrying amount of € 1,073 million as of December 31, 2010 for land and buildings (previous year: € 1,045 million) and a residual carrying amount of € 2,175 million (previous year: € 2,220 million) for mobile assets (mainly rolling stock). The increase in the residual carrying amount of real estate is mainly attributable to the modernization of rented properties. In the case of movable assets, the decline is mainly attributable to depreciation relating to passenger transport vehicles. Rental and leasing income resulting from the rental and leasing of these assets are expected to be received in future years as detailed in the following:

Expected rental and leasing income [€ million]	Residual maturity							**Total**
	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	**Total more than 1 year**	
DEC 31, 2010								
Minimum lease payments	404	253	219	192	166	882	**1,712**	**2,116**
DEC 31, 2009								
Minimum lease payments	387	256	212	189	167	969	**1,793**	**2,180**

(14) Intangible assets

Intangible assets as of December 31, 2010 [€ million]	Capitalized development costs – products currently in use	Capitalized development costs – products under development	Purchased intangible assets	Goodwill	Payments made on account	**Total**
COST OF PURCHASE AND COST OF PRODUCTION						
As of Jan 1, 2010	44	18	1,163	1,488	43	**2,756**
Changes in the scope of consolidation	0	0	741	1,388	0	**2,129**
thereof additions	0	0	741	1,389	0	**2,130**
thereof disposals	0	0	0	-1	0	**-1**
Additions	0	27	45	0	1	**73**
Investment grants	0	0	-1	0	0	**-1**
Transfers	0	39	5	0	-43	**1**
Transfers related to assets held for sale	0	0	0	0	0	**0**
Disposals	-14	0	-51	0	0	**-65**
Currency translation differences	0	2	4	55	0	**61**
AS OF DEC 31, 2010	**30**	**86**	**1,906**	**2,931**	**1**	**4,954**
ACCUMULATED DEPRECIATION						
As of Jan 1, 2010	-40	0	-625	-21	0	**-686**
Changes in the scope of consolidation	0	0	-40	2	0	**-38**
thereof additions	0	0	-40	0	0	**-40**
thereof disposals	0	0	0	2	0	**2**
Depreciation	-2	0	-118	0	0	**-120**
Impairments	0	0	0	0	0	**0**
Reversal of impairment losses	0	0	0	0	0	**0**
Transfers	0	0	0	0	0	**0**
Transfers related to assets held for sale	0	0	0	0	0	**0**
Disposals	14	0	41	0	0	**55**
Currency translation differences	0	0	-10	-1	0	**-11**
AS OF DEC 31, 2010	**-28**	**0**	**-752**	**-20**	**0**	**-800**
CARRYING AMOUNT DEC 31, 2010	**2**	**86**	**1,154**	**2,911**	**1**	**4,154**
Carrying amount Dec 31, 2009	4	18	538	1,467	43	**2,070**

Intangible assets as of December 31, 2009 [€ million]	Capitalized development costs – products currently in use	Capitalized development costs – products under development	Purchased intangible assets	Goodwill	Payments made on account	Total
COST OF PURCHASE AND COST OF PRODUCTION						
As of Jan 1, 2009	47	11	1,097	1,338	30	**2,523**
Changes in the scope of consolidation	0	0	54	128	0	**182**
thereof additions	0	0	54	128	0	**182**
thereof disposals	0	0	0	0	0	**0**
Additions	1	8	38	9	13	**69**
Investment grants	0	0	– 1	0	0	**– 1**
Transfers	– 4	– 1	4	0	0	**– 1**
Transfers related to assets held for sale	0	0	0	0	0	**0**
Disposals	0	0	– 33	– 1	0	**– 34**
Currency translation differences	0	0	4	14	0	**18**
AS OF DEC 31, 2009	**44**	**18**	**1,163**	**1,488**	**43**	**2,756**
ACCUMULATED DEPRECIATION						
As of Jan 1, 2009	– 43	0	– 550	– 20	0	**– 613**
Changes in the scope of consolidation	0	0	– 2	0	0	**– 2**
thereof additions	0	0	– 2	0	0	**– 2**
thereof disposals	0	0	0	0	0	**0**
Depreciation	– 4	0	– 95	0	0	**– 99**
Impairments	0	0	0	0	0	**0**
Reversal of impairment losses	0	0	0	0	0	**0**
Transfers	7	0	– 7	0	0	**0**
Transfers related to assets held for sale	0	0	0	0	0	**0**
Disposals	0	0	29	0	0	**29**
Currency translation differences	0	0	0	– 1	0	**– 1**
AS OF DEC 31, 2009	**– 40**	**0**	**– 625**	**– 21**	**0**	**– 686**
CARRYING AMOUNT DEC 31, 2009	**4**	**18**	**538**	**1,467**	**43**	**2,070**
Carrying amount Dec 31, 2008	4	11	547	1,318	30	**1,910**

Segment reporting shows the allocation of reported goodwill to the various segments.

(15) Investments accounted for using the equity method

[€ million]	2010	2009
As of Jan 1	369	355
Additions	103	5
Disposals from divestitures	0	0
Group share of profit	17	9
Capital increase	0	2
Other movements in capital	0	10
Dividends received	-5	-8
Impairments	0	0
Transfers	-2	-7
Currency translation differences	45	3
Other valuations	1	0
AS OF DEC 31	**528**	**369**

The figure shown in the balance sheet as of December 31, 2010 refers to goodwill of € 43 million (previous year: € 15 million) and is mainly attributable to the shares held in the associated companies EUROFIMA, METRANS a.s., Prague/Czech Republic, BLS Cargo AG, Bern/Switzerland and Barraqueiro SGPS SA, Lisbon/Portugal. The negotiability of the shares in EUROFIMA is limited.

(16) Deferred tax assets

[€ million]	2010	2009
Deferred tax assets in respect of temporary differences	529	433
Deferred tax assets in respect of tax losses carried forward	942	740
TOTAL	**1,471**	**1,173**

No deferred tax assets have been created in relation to the following losses carried forward and temporary differences:

[€ million]	2010	2009
Tax loss carry-forwards for which no deferred tax asset has been created	13,482	14,323
Temporary differences for which no deferred tax asset has been created	5,295	5,918
Temporary differences for which IAS 12.24b in conjunction with 12.33 prohibits recognition of a deferred tax asset	4,389	4,764
TOTAL	**23,166**	**25,005**

The losses carried forward are mainly attributable to the tax law treatment of Federal Government grants paid in previous years to DB AG in accordance with section 21 (5) and section 22 (1) Deutsche Bahn Foundation Act (Deutsche Bahn Gründungsgesetz; DBGrG) as a contribution.

On the basis of current laws, the domestic losses carried forward are fully allowable in accordance with current legislation (in terms of the actual amount and also the reason for being allowable).

The temporary differences which are not permitted to be recognized in accordance with IAS 12.24b in conjunction with 12.33 relate exclusively to additional tax depreciation from previously received tax-free investment grants.

The following deferred tax assets and deferred tax liabilities shown in the balance sheet are not applicable in relation to statement and valuation differences for the individual balance sheet items and tax losses carried forward:

[€ million]	Deferred tax assets		Deferred tax liabilities	
	2010	2009	**2010**	2009
NON-CURRENT ASSETS				
Property, plant and equipment	67	16	217	120
Intangible assets	3	1	207	37
Investments accounted for using the equity method	1	0	28	9
Real estate held as financial asset	12	1	1	8
Other financial assets	0	1	2	2
CURRENT ASSETS				
Trade receivables	21	14	1	1
Other financial assets	4	5	1	0
Assets held for sale	0	1	3	0
NON-CURRENT LIABILITIES				
Financial debt	96	97	3	1
Other liabilities	16	0	0	1
Derivative financial instruments	0	10	24	0
Retirement benefit obligations	57	12	4	3
Other provisions	188	124	2	3
CURRENT LIABILITIES				
Financial debt	30	33	0	2
Trade liabilities	0	9	0	1
Other liabilities	26	26	8	3
Derivative financial instruments	0	14	0	0
Other provisions	138	86	6	2
Losses carried forward	942	740	0	0
SUBTOTAL	**1,601**	1,190	**507**	193
Offsetting [1]	-130	-17	-130	-17
AMOUNT STATED IN THE BALANCE SHEET	**1,471**	**1,173**	**377**	**176**

[1] To the extent permitted by IAS 12 (Income Taxes).

Tax assets and liabilities are netted if they exist in relation to the same tax authority, if they are of identical maturity and if they relate to the same tax subject. The increase in deferred tax assets is attributable to the expected increased utilization of the tax loss carry-forwards in the medium-term planning period as well as additions to the scope of consolidation. The increase in the deferred tax liabilities is essentially attributable to additions to the scope of consolidation.

Deferred tax assets of € 0 million (previous year: € 24 million) shown directly in equity and deferred tax liabilities of € 11 million (previous year: € 1 million) are included in the deferred taxes shown in the balance sheet.

(17) Available-for-sale financial assets

[€ million]	Investments in subsidiaries		Other investments		Securities		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
As of Jan 1	1	2	32	55	5	8	**38**	**65**
Currency translation differences	0	0	0	1	0	0	**0**	**1**
Changes in the scope of consolidation	0	-1	30	3	0	0	**30**	**2**
Additions	0	0	0	0	0	0	**0**	**0**
Disposals through sale	0	0	-11	0	0	0	**-11**	**0**
Other disposals	0	0	0	0	0	0	**0**	**0**
Fair value changes [1]	0	0	10	4	0	0	**10**	**4**
Reclassifications	0	0	-2	2	0	0	**-2**	**2**
Impairment losses	0	0	0	-33	0	0	**0**	**-33**
Other [1]	-1	0	0	0	0	-3	**-1**	**-3**
AS OF DEC 31	**0**	**1**	**59**	**32**	**5**	**5**	**64**	**38**
Non-current amount	0	1	59	32	4	4	**63**	**37**
Current amount	0	0	0	0	1	1	**1**	**1**

[1] Other investments figure from previous year adjusted.

(18) Inventories

[€ million]	**2010**	2009
Raw materials, consumables and supplies	974	897
Unfinished products, work in progress	193	165
Finished products and goods	44	36
Advance payments	18	13
Impairments	-313	-297
TOTAL	**916**	**814**

(19) Receivables and other assets

[€ million]	Trade receivables	Receivables from financing	Advance payments	Other assets	**Total**
DEC 31, 2010					
Gross value	4,166	142	199	663	**5,170**
Impairments	-250	-3	0	-38	**-291**
NET VALUE	**3,916**	**139**	**199**	**625**	**4,879**
thereof due from related parties	41	4	0	88	**133**
DEC 31, 2009					
Gross value	3,291	38	99	544	**3,972**
Impairments	-209	-9	0	-36	**-254**
NET VALUE	**3,082**	**29**	**99**	**508**	**3,718**
thereof due from related parties	47	2	0	93	**142**

The financing receivables include receivables of € 57 million due from Arriva Deutschland.

The impairments for the financial instruments classified in accordance with IFRS 7 have developed as follows (IFRS 7.16):

[€ million]	Trade receivables	Receivables from financing	Other assets	**Total**
As of Jan 1, 2010	-209	-9	-36	**-254**
Additions	-60	0	-3	**-63**
Release	29	0	2	**31**
Amounts used	1	8	1	**10**
Transfers to current assets	0	0	0	**0**
Changes in the scope of consolidation	-7	-2	0	**-9**
Currency translation differences	-4	0	-2	**-6**
AS OF DEC 31, 2010	**-250**	**-3**	**-38**	**-291**
As of Jan 1, 2009	-248	-9	-41	**-298**
Additions	-71	0	-3	**-74**
Release	105	0	7	**112**
Amounts used	12	0	2	**14**
Transfers to current assets	0	0	0	**0**
Changes in the scope of consolidation	-7	0	-1	**-8**
Currency translation differences	0	0	0	**0**
AS OF DEC 31, 2009	**-209**	**-9**	**-36**	**-254**

Individual allowances are created in relation to receivables if there are objective indications of an impairment. In the case of identical receivables (portfolios of receivables) which cannot be identified as impaired individually, global allowances (based on experience) are recognized on the basis of the age structure of such receivables. Any impairments which are recognized are deducted from financial assets on the assets side of the balance sheet. Previous impairments are reversed if the reasons for the original impairments are no longer applicable.

The total amount of allocations to impairments of € 63 million (previous year: € 74 million) consists of individual allowances of € 43 million (previous year: € 60 million) and global individual allowances of € 20 million (previous year: € 14 million).

The reversals have recognized reductions of individual allowances of € 25 million (previous year: € 60 million) and reductions of global individual allowances of € 6 million (previous year: € 52 million).

Costs of € 49 million were incurred for the complete derecognition of receivables and other assets (previous year: € 32 million).

Income of € 7 million was reported for amounts received in relation to previously derecognized receivables and other assets (previous year: € 10 million).

The following overview shows the maturity structure of the receivables for the financial instruments classified in accordance with IFRS 7 and the advanced payments which have been made:

[€ million]	Residual maturity							**Total**
	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	**Total more than 1 year**	
AS OF DEC 31, 2010								
Trade receivables	3,877	23	8	8	0	0	**39**	**3,916**
Receivables from financing	107	4	4	6	16	2	**32**	**139**
Advance payments	171	28	0	0	0	0	**28**	**199**
Other assets	562	8	0	1	2	52	**63**	**625**
TOTAL	**4,717**	**63**	**12**	**15**	**18**	**54**	**162**	**4,879**
AS OF DEC 31, 2009								
Trade receivables	3,030	19	18	8	7	0	**52**	**3,082**
Receivables from financing	0	1	2	6	2	18	**29**	**29**
Advance payments	74	25	0	0	0	0	**25**	**99**
Other assets	430	6	1	0	0	71	**78**	**508**
TOTAL	**3,534**	**51**	**21**	**14**	**9**	**89**	**184**	**3,718**

The increase in trade receivables is mainly attributable to the DB Schenker Logistics segment.

As a result of the large number of customers in the various operating segments, there is no evidence of any concentration of credit risks with trade receivables.

The fair values of the receivables and other assets are to a large extent equivalent to the carrying amounts.

The maximum default risk is essentially equivalent to the carrying amount in each case. No collateral is normally held.

The gross amounts of the individually adjusted receivables as well as the age structure in accordance with IFRS 7.37a are shown in the following:

[€ million]	Gross value adjusted	Neither written down nor overdue	Not value adjusted and overdue within the following period of time (days)					
			Less than 29	30 - 59	60 - 89	90 - 179	180 - 359	More than 359
AS OF DEC 31, 2010								
Trade receivables	247	2,807	711	166	72	68	33	62
Receivables from financing	4	137	1	0	0	0	0	0
Other assets	38	265	48	8	2	9	5	21
TOTAL	**289**	**3,209**	**760**	**174**	**74**	**77**	**38**	**83**
AS OF DEC 31, 2009								
Trade receivables	213	2,178	621	134	51	43	23	28
Receivables from financing	13	25	0	0	0	0	0	0
Other assets	33	236	29	3	3	5	8	12
TOTAL	**259**	**2,439**	**650**	**137**	**54**	**48**	**31**	**40**

As of the balance sheet date, there are no indications that debtors of the receivables which are neither impaired nor overdue will not meet their payment obligations.

(20) Income tax receivables

The income tax receivables mainly relate to advance payments which have been made as well as allowable withholding taxes.

(21) Derivative financial instruments

The volume of hedges which have been taken out is shown in the following overview of nominal values:

[€ million]	**2010**	2009
INTEREST-BASED CONTRACTS		
Interest swaps	168	7
	168	**7**
CURRENCY-BASED CONTRACTS		
Currency swaps	1,252	838
Currency-forward / future contracts	552	437
Interest-currency swaps	3,448	2,060
	5,252	**3,335**

[Volume]	**2010**	2009
OTHER CONTRACTS		
Diesel (1,000 tons)	1,269	525
HSL (1,000 tons)	173	162
Hard coal (1,000 tons of a coal equivalent ("MTCE"))	949	1,603
USD forward contracts for procurement of diesel fuel (USD million)	0	32

The volume of interest rate swaps has increased to € 168 million as a result of transferred operations of Arriva. The nominal value of the interest-currency swaps has increased considerably by € 1,388 million to € 3,448 million. This was due to the hedging of foreign currency bond issues and the issuing of internal foreign currency loans.

The portfolio of foreign currency swaps has increased by € 414 million to € 1,252 million. In addition to increasing levels of international business following the purchase of Arriva, this is due to a restructuring of our activities in Sweden which resulted in an increase in the SEK credit balances which have been translated into euros. The volume of currency forwards increased to € 552 million as a result of the hedging of foreign exchange holdings which had previously been changed into euros.

The volume of diesel price hedging increased considerably by 0.7 million tons to 1.3 million tons due to transferred legacy business of Arriva. The pure currency hedging for diesel procurement has expired. The volume of coal price hedging declined to approximately 0.9 million tons, because some legacy transactions expired. Hedging for heavy fuel oil was roughly unchanged compared with the previous year.

All derivative financial instruments are marked-to-market on the reporting date. The following overview shows the structure of the item stated in the balance sheet depending on the type of underlying hedge:

[€ million]	Assets		Liabilities	
	2010	2009	**2010**	2009
INTEREST-BASED CONTRACTS				
Interest swaps	0	0	12	0
Interest forward/future contracts	0	0	0	0
Other interest derivatives	0	0	0	0
	0	**0**	**12**	**0**
CURRENCY-BASED CONTRACTS				
Currency swaps	8	13	10	7
Currency forward/future contracts	2	5	5	4
Other currency derivatives	0	0	0	0
Interest-currency swaps	210	29	132	140
	220	**47**	**147**	**151**
OTHER CONTRACTS				
Energy price derivatives	155	15	21	97
	155	**15**	**21**	**97**
TOTAL	**375**	**62**	**180**	**248**
Interest-based contracts	0	0	12	0
Currency-based contracts	167	28	74	142
Other contracts	112	8	2	38
NON-CURRENT PORTION	**279**	**36**	**88**	**180**
Current portion	96	26	92	68

CASH FLOW HEDGES

In order to minimize the interest rate and exchange rate risk, foreign currency issues as well as internal foreign currency loans are translated into euros, and floating-rate financial liabilities are generally converted into fixed-income financial liabilities. Energy price hedging is intended to reduce price fluctuations attributable to energy sourcing.

The negative valuation of the interest rate swaps is due to a decline in the level of interest rates since the transactions were concluded. The weakening of the euro particularly against the Japanese yen and the Swiss franc has resulted in a considerable increase in assets in the form of interest-currency swaps.

The development in the value of the currency swaps is attributable to the weakening of the euro mainly against the Swedish krona and also a brief strengthening of the euro against sterling in December.

The increase in assets in the form of energy derivatives is attributable to the high level of oil prices at the end of the year.

The market values of the cash flow hedges are shown as follows under assets and liabilities:

[€ million]	Assets		Liabilities	
	2010	2009	**2010**	2009
INTEREST-BASED CONTRACTS				
Interest swaps	0	0	12	0
	0	**0**	**12**	**0**
CURRENCY-BASED CONTRACTS				
Currency swaps	8	13	10	7
Currency forward/future contracts	0	0	0	0
Interest-currency swaps	210	29	132	140
	218	**42**	**142**	**147**
OTHER CONTRACTS				
Energy price derivatives	155	15	21	97
	155	**15**	**21**	**97**
TOTAL	**373**	**57**	**175**	**244**
Interest-based contracts	0	0	12	0
Currency-based contracts	167	28	74	140
Other contracts	112	8	2	38
NON-CURRENT PORTION	**279**	**36**	**88**	**178**
Current portion	94	21	87	66

The following tables show the periods within which the hedged cash flows of the underlyings (interest and redemption payments as well as energy payments) will occur:

Redemption – nominal value [€ million]	Due in					
	2011	2012	2013	2014	2015	2016 ff.
USD	1,466	20	–	–	–	–
GBP	258	1	1	1	1	3
CHF	322	75	–	–	6	750
JPY	5,000	5,000	–	55,000	–	54,600
HKD	109	250	–	250	–	–
NOK	–	–	180	–	–	–
SEK	6,579	–	1,000	–	750	250
DKK	1,122	50	50	43	43	60
SGD	50	–	93	210	61	153
NZD	3	23	–	–	–	–
CAD	45	–	–	–	–	–
MXN	142	–	–	–	–	–
PLN	217	200	218	216	–	–
SAR	6	–	13	–	–	–
CZK	425	–	–	–	–	–

Interest payments – nominal value [€ million]	Due in					
	2011	2012	2013	2014	2015	2016 ff.
USD	75	1	–	–	–	–
GBP	1	0	0	0	0	0
CHF	15	16	13	13	13	66
JPY	1,692	1,622	1,562	1,562	658	3,165
HKD	27	24	13	6	–	–
NOK	7	7	7	–	–	–
SEK	181	95	94	40	40	57
DKK	25	8	6	5	3	3
SGD	16	16	16	10	7	14
NZD	1	1	–	–	–	–
CAD	0	–	–	–	–	–
MXN	1	–	–	–	–	–
PLN	38	30	21	11	–	–
SAR	0	0	0	–	–	–
CZK	1	–	–	–	–	–

Energy – nominal value [€ million]	Due in					
	2011	2012	2013	2014	2015	2016 ff.
Diesel	296	152	77	41	28	27
HSL	25	20	17	1	–	–
Hard coal	71	36	3	–	–	–

The interest payments are generally reflected in the income statement in the periods specified. In the case of interest rates, the period during which interest is recognized in the income statement may differ from the maturities of the interest payments.

The energy payments are recognized in the income statement in the periods in which they fall due.

In the case of interest and interest-currency hedges, the effectiveness of the hedge is assessed prospectively using the Critical Terms Match method. This method is used because the major valuation parameters of the underlying and hedges are identical. The retrospective effectiveness measurement is carried out as of every balance sheet date by means of the Hypothetical Derivative method. In this method, the development in value of the hedge which is actually taken out is compared with the development in value of a theoretical hedge in which all valuation-relevant parameters are identical to those of the underlying. In the case of energy price derivatives, the effectiveness of the hedge is assessed prospectively using the linear regression. The retrospective measurement of effectiveness is carried out as of every balance sheet date by means of the Dollar Offset method. In this method, the changes in the market value of the underlying are compared with the changes in the market value of the hedging instrument. The resultant quotient determines the inefficiency.

The inefficiencies of cash flow hedges of the energy price derivatives recognized in the income statement amounted to € 2 million in the year under review (previous year: € 1 million).

NON-HEDGE DERIVATIVES

Currency forwards taken out to hedge operations are normally classified as non-hedge derivatives. The development of the euro against the US dollar has had a negative impact on the development in the value of the non-hedge derivatives. This development was positively affected mainly by the weakening of the euro against the Swedish krona.

The market values of the non-hedge derivatives are shown under assets and liabilities as follows:

[€ million]	Assets		Liabilities	
	2010	2009	**2010**	2009
INTEREST-BASED CONTRACTS				
Interest swaps	0	0	0	0
Other interest derivatives	0	0	0	0
	0	**0**	**0**	**0**
CURRENCY-BASED CONTRACTS				
Currency forward/future contracts	2	5	5	4
Other currency derivatives	0	0	0	0
Interest-currency swaps	0	0	0	0
	2	**5**	**5**	**4**
OTHER CONTRACTS				
Energy price derivatives	0	0	0	0
	0	**0**	**0**	**0**
TOTAL	**2**	**5**	**5**	**4**
Interest-based contracts	0	0	0	0
Currency-based contracts	0	0	0	2
Other contracts	0	0	0	0
NON-CURRENT PORTION	**0**	**0**	**0**	**2**
Current portion	2	5	5	2

(22) Cash and cash equivalents

[€ million]	2010	2009
Cash at bank and in hand	1,474	1,469
Cash equivalents	1	1
TOTAL	**1,475**	**1,470**
Effective interest rate on short-term bank deposits (%)	0.51	0.76
Average term of short-term bank deposits	0.2	0.2

The interest rates for current bank deposits were in a range of between 0.2 % and 1.2 % (previous year: 0.2 % to 2.5 %).

(23) Held-for-sale assets and liabilities

The additions of € 169 million consist almost exclusively of the acquired business of Arriva in Germany, for which DB Group, in line with the commitments provided to the EU Commission, had to sign a legally binding purchase agreement with a suitable purchaser by December 11, 2010. On December 8, 2010, the Supervisory Board of DB AG agreed to the conclusion of a purchase agreement for the Arriva Deutschland Group with a syndicate. The syndicate consists of the Italian rail company Ferrovie dello Stato (the syndicate leader) and the financial investor Cube Infrastructure. The completion of the sale is still subject to the approval of the European Commission with regard to the selected purchaser and also the approval of the acquisition under cartel law. We expect to receive corresponding approval in the first quarter of 2011.

(24) Subscribed capital

The share capital of DB AG is € 2,150 million. It consists of 430,000,000 no-par value bearer shares. All shares are held by the Federal Republic of Germany.

(25) Reserves

A) CAPITAL RESERVES

Capital reserves comprise reserves which have not been part of earnings.

B) RESERVE RESULTING FROM VALUATION WITH NO IMPACT ON PROFIT OR LOSS

RESERVE FOR CURRENCY TRANSLATION DIFFERENCES

The currency translation differences resulting from the method of functional currency (IAS 21) are shown separately as part of consolidated shareholders' equity.

RESERVE FOR MARKET VALUATION OF SECURITIES

The reserve includes the market changes of financial instruments which have been classified as “available-for-sale financial assets” and which have to be recognized with no impact on profit or loss. The reserve has to be reversed to the income statement or eliminated when a financial instrument is sold or in the event of a permanent reduction in the market value.

The measurement of financial instruments directly in equity has resulted in the creation of deferred tax liabilities of € 2 million in the year under review (previous year: € 1 million).

RESERVE ATTRIBUTABLE TO THE MARKET VALUATION OF CASH FLOW HEDGES

This item shows the interest-, currency- and fair-value-related changes in the market value of cash flow hedges applicable for effective hedges.

The development in the reserve is shown in the following:

[€ million]	2010	2009
As of Jan 1	-55	-104
Changes in fair value	328	-25
Reclassifications		
Financial result	-193	96
Net interest income	-2	1
Cost of materials	-2	-1
Changes in deferred taxes	-38	-22
AS OF DEC 31	**38**	**-55**

Reclassification effects relate exclusively to this reserve.

(26) Retained earnings

Generated shareholders' equity contains all net profits generated since January 1, 1994 less goodwill netted under HGB up to December 31, 2002.

This item also shows the impact on shareholders' equity attributable to the first-time adoption of IFRS if they are not included in the reserves attributable to valuation with no impact on the income statement.

(27) Minority interests

Minorities comprise the share of third parties in the net assets of consolidated subsidiaries.

(28) Financial debt

This item shows all interest-bearing liabilities including the interest-free Federal loans stated with their present values. The maturity structure of financial debt is as follows:

[€ million]	Residual maturity							**Total**
	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	**Total more than 1 year**	
AS OF DEC 31, 2010								
Federal loans	433	413	238	227	219	1,406	**2,503**	**2,936**
Bonds	1,371	644	747	530	693	7,850	**10,464**	**11,835**
Commercial paper	42	0	0	0	0	0	**0**	**42**
Bank borrowings	157	84	35	19	9	842	**989**	**1,146**
EUROFIMA loans	0	434	0	519	0	200	**1,153**	**1,153**
Finance lease liabilities	145	196	463	80	160	380	**1,279**	**1,424**
Other financial liabilities	11	0	3	0	0	3	**6**	**17**
TOTAL	**2,159**	**1,771**	**1,486**	**1,375**	**1,081**	**10,681**	**16,394**	**18,553**
thereof due to related companies	436	847	238	746	219	1,609	**3,659**	**4,095**
AS OF DEC 31, 2009								
Federal loans	491	422	402	226	215	1,520	**2,785**	**3,276**
Bonds	999	1,244	623	746	434	6,017	**9,064**	**10,063**
Commercial paper	0	0	0	0	0	0	**0**	**0**
Bank borrowings	87	8	6	4	4	807	**829**	**916**
EUROFIMA loans	0	0	434	0	519	0	**953**	**953**
Finance lease liabilities	185	83	144	401	38	430	**1,096**	**1,281**
Other financial liabilities	18	1	0	2	0	0	**3**	**21**
TOTAL	**1,780**	**1,758**	**1,609**	**1,379**	**1,210**	**8,774**	**14,730**	**16,510**
thereof due to related companies	495	423	836	226	734	1,520	**3,739**	**4,234**

The following fair values are summarized compared with the carrying amounts:

[€ million]	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Federal loans	2,936	3,082	3,276	3,522
Bonds	11,835	12,475	10,063	10,596
Commercial paper	42	42	0	0
Bank borrowings	1,146	1,150	916	916
EUROFIMA loans	1,153	1,224	953	1,014
Finance lease liabilities	1,424	1,557	1,281	1,368
Other finance liabilities	17	17	21	21
TOTAL	**18,553**	**19,547**	**16,510**	**17,437**

The differences between the carrying amounts and the fair values of the financial debt are due to the usually changed market interest rates for financial debt with a comparable risk profile. In view of the short maturities involved and also in view of the fact that interest charged is closely linked to market rates, there are no significant differences between the carrying amounts and the fair values of other financial liabilities.

Federal loans are attributable almost exclusively to financing provided by the Federal Republic of Germany for capital expenditures in expanding and replacing track. This is based on the responsibility for the transport needs of the public which is anchored in section 87e (4) of the Basic Law (Grundgesetz) and specified in the Federal Track Expansion Act (Bundesschienenwegeausbaugesetz; BSchwAG). The loans are generally extended as interest-free loans.

The arrangements for repaying the loans are detailed in individual and collective financing agreements. In general, the loans are repaid in equal annual installments, which are based on the corresponding annual depreciation applicable for the financed assets.

The Federal loans granted by the Federal Government have developed as follows:

[€ million]	2010	2009
As of Jan 1	3,276	3,511
Addition	0	9
Repayment	– 481	– 435
Reclassification	18	57
Cumulative interest	123	134
AS OF DEC 31	**2,936**	**3,276**

A loan of € 660 million has to be repaid in four equal installments at the beginning of the years 2009 to 2012. For this period, interest is charged on the installments – contrary to the common situation.

The issued bonds consist of the following transactions:

[€ million]	Volume of issue	Issue currency	Residual maturity in years	Effective interest rate %	**Carrying amount 2010**	**Fair value 2010**	Carrying amount 2009	Fair value 2009
UNLISTED BONDS								
Total DB AG	67	JPY, USD	0.7 – 1.5		61	62	52	53
Total DB Finance	243	HKD, JPY, CHF	1.5 – 8.9		269	279	227	228
TOTAL					**330**	**341**	**279**	**281**
LISTED BONDS OF DB FINANCE								
Bond 2000 – 2010	1,000	EUR	–	6.150	–	–	999	1,021
Bond 2001 – 2013	750	EUR	2.9	5.250	748	820	746	817
Bond 2002 – 2012	500	EUR	1.6	5.500	499	530	499	538
Bond 2003 – 2018	1,000	EUR	7.2	5.000	990	1,107	989	1,069
Bond 2003 – 2015	700	EUR	4.5	4.600	693	746	692	740
Bond 2004 – 2011	209	USD	0.5	5.090	187	190	173	182
Bond 2004 – 2018	300	EUR	7.2	4.850	298	332	298	321
Bond 2004 – 2016	500	EUR	5.9	4.300	499	543	499	526
Bond 2004 – 2014	366	JPY	3.9	1.700	459	477	374	382
Bond 2004 – 2011	197	CHF	1.0	2.300	234	244	202	207
Bond 2006 – 2011	678	USD	0.0	5.200	599	599	555	576
Bond 2006 – 2011	316	USD	0.0	5.820	300	299	276	288
Bond 2006 – 2018	300	EUR	7.2	4.510	304	332	305	321
Bond 2006 – 2017	500	EUR	6.0	4.116	497	527	496	514
Bond 2007 – 2019	600	EUR	8.6	5.110	597	666	595	642
Bond 2009 – 2019	1,000	EUR	8.2	4.923	995	1,094	994	1,065
Bond 2009 – 2021	600	EUR	10.8	4.445	597	658	596	607
Bond 2009 – 2017	500	EUR	6.8	3.774	497	515	496	499
Bond 2010 – 2020	500	EUR	9.5	3.572	497	493	–	–
Bond 2010 – 2025	500	EUR	14.5	3.870	494	479	–	–
Bond 2010 – 2020	410	JPY	9.8	1.150	433	423	–	–
Bond 2010 – 2022	500	EUR	11.8	3.464	496	476	–	–
Bond 2010 – 2020	567	CHF	9.4	1.924	592	584	–	–
TOTAL					**11,505**	**12,134**	**9,784**	**10,315**
TOTAL BONDS					**11,835**	**12,475**	**10,063**	**10,596**

In 2010, a matured bond of Deutsche Bahn Finance B.V. (DB Finance), Amsterdam/the Netherlands was repaid (€ 1,000 million), and five new listed bonds of DB Finance were issued. These comprise three bonds each for an amount of € 500 million, one bond in an amount of JPY 47 billion (€ 410 million) and one bond in an amount of CHF 750 million, which was issued in two tranches of CHF 400 million (€ 299 million) and CHF 350 million (€ 268 million).

Bank borrowings are detailed in the following table:

Bank borrowings [€ million]	Currency	Residual maturity in years	Nominal interest rate %	**Carrying amount 2010**	**Fair value 2010**	Carrying amount 2009	Fair value 2009
Loan 2002 - 2016	EUR	5.7	FRN	200	200	200	200
Loan 2002 - 2022	EUR	11.7	FRN	200	200	200	200
Loan 2003 - 2016	EUR	5.7	FRN	200	200	200	200
Loan 2003 - 2022	EUR	11.7	FRN	200	200	200	200
Other				346	350	116	116
TOTAL				**1,146**	**1,150**	**916**	**916**

The increase in other bank borrowings is mainly attributable to transferred liabilities of Arriva. These are intended in particular to finance rolling stock and buses.

Bank borrowings were secured in an amount of € 197 million (previous year: € 1 million). Liabilities are not secured in DB Group. Secured bank borrowings are due to acquisitions. The significant increase is attributable to the purchase of Arriva.

As of December 31, 2010, guaranteed credit facilities with a total volume of € 3,901 million (previous year: € 3,055 million) were available to DB Group. Of this figure, € 2,500 million (previous year: € 1,800 million) was attributable to back-up lines for the € 2.0 billion commercial paper program of DB AG and DB Finance. None of these back-up lines had been drawn down as of December 31, 2010. Global credit facilities totaling € 1,401 million (previous year: € 1,255 million) are used for working capital and surety for payment financing of subsidiaries with worldwide operations, primarily in the DB Schenker Logistics segment.

The liabilities due to EUROFIMA are detailed in the following:

Liabilities due to EUROFIMA [€ million]	Currency	Residual maturity in years	Nominal interest rate %	**Carrying amount 2010**	**Fair value 2010**	Carrying amount 2009	Fair value 2009
Loan 2000 - 2014	EUR	3.8	5.970	219	249	219	248
Loan 2001 - 2014	EUR	3.7	5.410	300	334	300	332
Loan 2002 - 2012	EUR	1.6	FRN	34	34	34	34
Loan 2002 - 2012	EUR	1.6	FRN	400	400	400	400
Loan 2010 - 2021	EUR	10.8	4.050	200	207	–	–
TOTAL				**1,153**	**1,224**	**953**	**1,014**

One new EUROFIMA loan amounting to € 200 million was taken out in the year under review. The liabilities due to EUROFIMA are secured by way of transfer of ownership of rail material (rolling stock) in view of the statutes of EUROFIMA.

Of the figure stated for liabilities attributable to finance leases, € 415 million (previous year: € 434 million) related to real estate leasing agreements for various concourse buildings of DB Station & Service AG and a logistics center of Schenker Deutschland AG in Echingen, and € 557 million (previous year: € 600 million) related to leasing agreements for various rolling stock (multiple units, engines, freight cars, buses). These agreements have been concluded mainly as sale-and-leaseback transactions for achieving advantageous financing conditions with German lessors.

The following table provides information concerning the main finance leases:

[€ million]	Nominal amount	Currency	Residual maturity in years	Nominal interest rate %	**Carrying amount 2010**	**Fair value 2010**	Carrying amount 2009	Fair value 2009
FINANCE LEASES – ASSETS OTHER THAN REAL ESTATE								
Double-deck coaches (1994)	174	DEM	2.0	5.87	95	101	102	110
ICE 2 multiple units (1997)	184	DEM	0.0	4.50	0	0	101	104
Locomotives/freight cars (1999)	182	NLG	1.0 – 2.3	5.69 – 5.83	31	33	50	53
Freight locomotives (2000)	101	DEM	4.5	5.35	69	77	73	81
Freight locomotives (2000)	154	EUR	6.0	5.40	121	134	127	138
Locomotives (2001)	178	EUR	4.5 – 6.0	4.87	141	152	147	156
Diesel rail cars for regional transport (2009)	55	EUR	8.0	8.34	53	70	–	–
Buses (2009)	56	GBP	3.2	4.91	47	51	–	–
					557	**618**	**600**	**642**
FINANCE LEASES – REAL ESTATE								
Logistics center (1986)	24	DEM	5.0	8.50	10	14	14	15
Concourse buldings (1998)	497	DEM	2.3 – 11.0	4.00 – 5.95	405	431	420	447
					415	**445**	**434**	**462**
Other					452	494	247	264
TOTAL					**1,424**	**1,557**	**1,281**	**1,368**

The above finance leases for locomotives and multiple units cannot be terminated during a fixed basic lease term, and have a maximum remaining term of eight years. Most of the contracts contain a clause enabling the lessee to purchase the assets for the residual value or the higher market value after the end of the lease, whereby the difference between the residual value and the market value at the end of the lease is shared between the lessor (25 %) and the lessee (75 %).

The financing leasing portfolio for movable assets has expanded as a result of the purchase of Arriva mainly to include buses in Great Britain and local transport diesel multiple units in Denmark.

The finance leases for the concourse buildings of DB Station & Service AG have a maximum remaining term of eleven years, and cannot be terminated during the fixed lease. At the end of the lease, the lessee is able to buy the assets for a fixed price. If this option is not exercised, the lease is extended for a second period, at the end of which the lessor has a put option for the real estate with regard to DB Station & Service AG.

In addition, liabilities attributable to finance leases (see Note (13)) are secured by rights of the lessors in relation to the leased assets. The leased assets have a carrying amount of € 1,174 million (previous year: € 918 million).

The position "Other" has increased as a result of numerous leasing agreements from Arriva for buses and trains which have been concluded in various European countries. It also includes the carrying amount of a power procurement agreement of DB Energie GmbH worth € 122 million (previous year: € 129 million) as well as the carrying amount of an inverter agreement of DB Energie GmbH in the amount of € 54 million (previous year: € 57 million). Both agreements are classified as embedded financial leases as a result of the fact that the power is procured primarily by DB Energie GmbH and also in view of the underlying agreement duration in accordance with IFRIC 4 (Determining whether an Arrangement Contains a Lease) in conjunction with IAS 17.

In the subsequent years, the following payments have to be made in connection with finance leases:

[€ million]	Residual maturity							**Total**
	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	**Total more than 1 year**	
AS OF DEC 31, 2010								
Minimum lease payments (nominal value)	220	263	507	114	191	553	**1,628**	**1,848**
– Future interest charges	75	67	44	34	31	173	**349**	**424**
FINANCE LEASE LIABILITIES	**145**	**196**	**463**	**80**	**160**	**380**	**1,279**	**1,424**
AS OF DEC 31, 2009								
Minimum lease payments (nominal value)	251	140	196	433	64	514	**1,347**	**1,598**
– Future interest charges	66	57	52	32	26	84	**251**	**317**
FINANCE LEASE LIABILITIES	**185**	**83**	**144**	**401**	**38**	**430**	**1,096**	**1,281**

(29) Other liabilities

[€ million]	Residual maturity							**Total**
	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	**Total more than 1 year**	
AS OF DEC 31, 2010								
Trade liabilities	4,286	33	27	37	24	156	**277**	**4,563**
Miscellaneous other liabilities	3,109	21	4	2	6	17	**50**	**3,159**
TOTAL	**7,395**	**54**	**31**	**39**	**30**	**173**	**327**	**7,722**
thereof due to related parties	401	0	0	0	0	0	**0**	**401**
AS OF DEC 31, 2009								
Trade liabilities	3,267	29	28	24	26	178	**285**	**3,552**
Miscellaneous other liabilities	2,732	18	10	3	2	133	**166**	**2,898**
TOTAL	**5,999**	**47**	**38**	**27**	**28**	**311**	**451**	**6,450**
thereof due to related parties	424	0	0	0	0	0	**0**	**424**

The miscellaneous other liabilities comprise the following:

[€ million]	2010	2009
PERSONNEL-RELATED LIABILITIES		
Unused holiday entitlements	283	220
Outstanding overtime	216	207
Social security	86	65
Severance payments	21	27
Christmas bonuses	8	5
Holiday pay	15	9
Other obligations	603	465
OTHER TAXES		
Value-added tax	59	98
Payroll and church taxes, solidarity surcharge	102	88
Miscellaneous other taxes	130	95
Interest payable	270	270
Sales discounts	150	121
Deferred construction grants	132	131
Liabilities due to Railway Crossings Act	4	3
Reconveyance obligations	2	2
Miscellaneous liabilities	1,078	1,092
TOTAL	**3,159**	**2,898**

The increase in the other personnel obligations is mainly attributable to the acquisition of Arriva and also higher bonus obligations.

The other liabilities were secured in an amount of € 1 million in the year under review (previous year: € 1 million).

(30) Income tax liabilities

The income tax liabilities as of December 31, 2010 related mainly to obligations to the fiscal authorities in Great Britain, Germany and India.

(31) Additional disclosures relating to the financial instruments

Carrying amounts and fair values based on valuation categories.

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS OF DECEMBER 31, 2010

Valuation categories (according to IAS 39) [€ million]	Held for trading[1]	Held to maturity	
	Fair value (recognized in the income statement)	At amortised cost	At cost
CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES			
ASSETS			
NON-CURRENT FINANCIAL ASSETS			
Shares in affiliated companies (at cost)	0	0	0
Subsidiaries (at cost)	0	0	41
Subsidiaries (at fair value)	0	0	0
Securities (at cost)	0	0	0
Securities (at fair value)	0	0	0
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**0**	**0**	**41**
Trade receivables	0	0	0
Receivables from financing	0	0	0
Receivables from finance lease	0	0	0
Advance payments and accrued income	0	0	0
Plan assets according to IAS 19	0	0	0
Miscellaneous other assets	0	0	0
RECEIVABLES AND OTHER ASSETS	**0**	**0**	**0**
Interest-based derivatives – hedging	0	0	0
Currency-based derivatives – hedging	0	0	0
Commodity-based derivatives – hedging	0	0	0
Interest-based derivatives – non-hedging	0	0	0
Currency-based derivatives – non-hedging	0	0	0
DERIVATIVE FINANCIAL INSTRUMENTS	**0**	**0**	**0**
TOTAL NON-CURRENT FINANCIAL ASSETS	**0**	**0**	**41**
CURRENT FINANCIAL ASSETS			
Subsidiaries (at cost)	0	0	0
Securities (at cost)	0	0	0
Securities (at fair value)	0	0	0
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**0**	**0**	**0**
Trade receivables	0	0	0
Receivables from financing	0	0	0
Receivables from finance lease	0	0	0
Advance payments and accrued income	0	0	0
Held to maturity securities	0	0	0
Receivables from other taxes	0	0	0
Plan assets according to IAS 19	0	0	0
Miscellaneous other assets	0	0	0
OTHER RECEIVABLES AND ASSETS	**0**	**0**	**0**
Interest-based derivatives – hedging	0	0	0
Currency-based derivatives – hedging	0	0	0
Commodity-based derivatives – hedging	0	0	0
Interest-based derivatives – non-hedging	0	0	0
Currency-based derivatives – non-hedging	2	0	0
Commodity-based derivatives – non-hedging	0	0	0
DERIVATIVE FINANCIAL INSTRUMENTS	**2**	**0**	**0**
Cash and cash equivalents	0	0	0
Available-for-sale assets	0	0	167
TOTAL CURRENT FINANCIAL ASSETS	**2**	**0**	**167**

Available for sale Fair value (not recognized in the income statement)	At cost	Loans and receivables At amortised cost	Not attributable to a category according to IAS 39[2)]	**Total**	Fair value
0	0	0	0	**0**	n/a
0	0	0	0	**41**	n/a
18	0	0	0	**18**	18
0	0	0	0	**0**	n/a
4	0	0	0	**4**	4
22	**0**	**0**	**0**	**63**	**22**
0	0	39	0	**39**	39
0	0	11	0	**11**	11
0	0	0	21	**21**	21
0	0	0	28	**28**	n/a
0	0	0	4	**4**	n/a
0	0	18	41	**59**	59
0	**0**	**68**	**94**	**162**	**130**
0	0	0	0	**0**	0
0	0	0	166	**166**	166
0	0	0	113	**113**	113
0	0	0	0	**0**	0
0	0	0	0	**0**	0
0	**0**	**0**	**279**	**279**	**279**
22	**0**	**68**	**373**	**504**	**431**
0	0	0	0	**0**	n/a
0	0	0	0	**0**	n/a
1	0	0	0	**1**	1
1	**0**	**0**	**0**	**1**	**1**
0	0	3,877	0	**3,877**	3,877
0	0	106	0	**106**	106
0	0	0	1	**1**	1
0	0	0	171	**171**	171
0	0	0	0	**0**	0
0	0	0	142	**142**	142
0	0	0	0	**0**	0
0	0	339	81	**420**	420
0	**0**	**445**	**395**	**840**	**840**
0	0	0	0	**0**	0
0	0	0	51	**51**	51
0	0	0	43	**43**	43
0	0	0	0	**0**	0
0	0	0	0	**2**	2
0	0	0	0	**0**	0
0	**0**	**0**	**94**	**96**	**96**
0	0	1,475	0	**1,475**	1,475
0	0	0	2	**169**	169
1	**0**	**5,797**	**491**	**6,458**	**6,458**

1) Including non-hedge derivatives. DB Group did not apply the fair value option according to IAS 39. Thus the sub-category "held for trading" was used instead of the main category "fair value through profit and loss."

2) For the transition from the categories of financial assets and financial liabilities to the figures stated in the balance sheet.

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS OF DECEMBER 31, 2009

Valuation categories (according to IAS 39) [€ million]	Held for trading [1]	Held to maturity	
	Fair value (recognized in the income statement)	At amortised cost	At cost
CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES			
ASSETS			
NON-CURRENT FINANCIAL ASSETS			
Shares in affiliated companies (at cost)	0	0	1
Subsidiaries (at cost)	0	0	25
Subsidiaries (at fair value)	0	0	0
Securities (at cost)	0	0	0
Securities (at fair value)	0	0	0
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**0**	**0**	**26**
Trade receivables	0	0	0
Receivables from financing	0	0	0
Receivables from finance lease	0	0	0
Advance payments and accrued income	0	0	0
Plan assets according to IAS 19	0	0	0
Miscellaneous other assets	0	0	0
RECEIVABLES AND OTHER ASSETS	**0**	**0**	**0**
Interest-based derivatives – hedging	0	0	0
Currency-based derivatives – hedging	0	0	0
Commodity-based derivatives – hedging	0	0	0
Interest-based derivatives – non-hedging	0	0	0
Currency-based derivatives – non-hedging	0	0	0
DERIVATIVE FINANCIAL INSTRUMENTS	**0**	**0**	**0**
TOTAL NON-CURRENT FINANCIAL ASSETS	**0**	**0**	**26**
CURRENT FINANCIAL ASSETS			
Subsidiaries (at cost)	0	0	0
Securities (at cost)	0	0	0
Securities (at fair value)	0	0	0
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**0**	**0**	**0**
Trade receivables	0	0	0
Receivables from financing	0	0	0
Receivables from finance lease	0	0	0
Advance payments and accrued income	0	0	0
Held to maturity securities	0	0	0
Receivables from other taxes	0	0	0
Plan assets according to IAS 19	0	0	0
Miscellaneous other assets	0	0	0
OTHER RECEIVABLES AND ASSETS	**0**	**0**	**0**
Interest-based derivatives – hedging	0	0	0
Currency-based derivatives – hedging	0	0	0
Commodity-based derivatives – hedging	0	0	0
Interest-based derivatives – non-hedging	0	0	0
Currency-based derivatives – non-hedging	5	0	0
Commodity-based derivatives – non-hedging	0	0	0
DERIVATIVE FINANCIAL INSTRUMENTS	**5**	**0**	**0**
Cash and cash equivalents	0	0	0
Available-for-sale assets	0	0	0
TOTAL CURRENT FINANCIAL ASSETS	**5**	**0**	**0**

Available for sale		Loans and receivables	Not attributable	**Total**	Fair value
Fair value (not recognized in the income statement)	At amortised cost	At amortised cost	to a category according to IAS 39 [2]		
0	0	0	0	**1**	n/a
0	0	0	0	**25**	n/a
8	0	0	0	**8**	8
0	0	0	0	**0**	n/a
3	0	0	0	**3**	3
11	**0**	**0**	**0**	**37**	**11**
0	0	52	0	**52**	52
0	0	8	0	**8**	8
0	0	0	21	**21**	21
0	0	0	25	**25**	n/a
0	0	0	25	**25**	n/a
0	0	14	39	**53**	53
0	**0**	**74**	**110**	**184**	**134**
0	0	0	0	**0**	0
0	0	0	28	**28**	28
0	0	0	8	**8**	8
0	0	0	0	**0**	0
0	0	0	0	**0**	0
0	**0**	**0**	**36**	**36**	**36**
11	**0**	**74**	**146**	**257**	**181**
0	0	0	0	**0**	n/a
0	0	0	0	**0**	n/a
1	0	0	0	**1**	1
1	**0**	**0**	**0**	**1**	**1**
0	0	3,030	0	**3,030**	3,030
0	0	0	0	**0**	0
0	0	0	0	**0**	0
0	0	0	74	**74**	74
0	0	0	0	**0**	0
0	0	0	97	**97**	97
0	0	0	2	**2**	2
0	0	280	51	**331**	331
0	**0**	**280**	**224**	**504**	**504**
0	0	0	0	**0**	0
0	0	0	14	**14**	14
0	0	0	7	**7**	7
0	0	0	0	**0**	0
0	0	0	0	**5**	5
0	0	0	0	**0**	0
0	**0**	**0**	**21**	**26**	**26**
0	0	1,470	0	**1,470**	1,470
0	0	0	0	**0**	0
1	**0**	**4,780**	**245**	**5,031**	**5,031**

1) Including non-hedge derivatives. DB Group did not apply the fair value option according to IAS 39. Thus the sub-category “held for trading” was used instead of the main category “fair value through profit and loss.”

2) For the transition from the categories of financial assets and financial liabilities to the figures stated in the balance sheet.

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS OF DECEMBER 31, 2010

Valuation categories (according to IAS 39) [€ million]	Held for trading[1]		Other liabilities
	Fair value (recognized in the income statement)	At cost	At amortised cost
CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES			
EQUITY AND LIABILITIES			
NON-CURRENT FINANCIAL LIABILITIES			
Federal loans	0	0	2,503
Bonds	0	0	10,465
Commercial paper	0	0	0
Bank liabilities	0	0	989
EUROFIMA loans	0	0	1,153
Finance lease liabilities	0	0	0
Other financial liabilities	0	0	6
FINANCIAL DEBT	**0**	**0**	**15,116**
Trade liabilities	0	0	18
Miscellaneous other liabilities	0	0	50
OTHER LIABILITIES	**0**	**0**	**68**
Interest-based derivatives – hedging	0	0	0
Currency-based derivatives – hedging	0	0	0
Commodity-based derivatives – hedging	0	0	0
Currency-based derivatives – non-hedging	0	0	0
DERIVATIVE FINANCIAL INSTRUMENTS	**0**	**0**	**0**
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**0**	**0**	**15,184**
CURRENT FINANCIAL LIABILITIES			
Federal loans	0	0	433
Bonds	0	0	1,370
Commercial paper	0	0	42
Bank liabilities	0	0	157
Finance lease liabilities	0	0	0
Other financial liabilities	0	0	11
FINANCIAL DEBT	**0**	**0**	**2,013**
Trade liabilities	0	0	4,133
TRADE LIABILITIES	**0**	**0**	**4,133**
Liabilities from other taxes	0	0	0
Miscellaneous other liabilities	0	0	1,586
OTHER LIABILITIES	**0**	**0**	**1,586**
Interest-based derivatives – hedging	0	0	0
Currency-based derivatives – hedging	0	0	0
Commodity-based derivatives – hedging	0	0	0
Currency-based derivatives – non-hedging	5	0	0
DERIVATIVE FINANCIAL INSTRUMENTS	**5**	**0**	**0**
TOTAL CURRENT FINANCIAL LIABILITIES	**5**	**0**	**7,732**

[1] Including non-hedge derivatives. DB Group did not apply the fair value option according to IAS 39. Thus the subcategory “held for trading” was used instead of the main category “fair value through profit and loss.”

[2] For the transition from the categories of financial assets and financial liabilities to the figures stated in the balance sheet.

Not attributable to a category according to IAS 39 [2)]	**Total**	Fair value
0	**2,503**	2,649
0	**10,465**	11,104
0	**0**	0
0	**989**	989
0	**1,153**	1,224
1,278	**1,278**	1,412
0	**6**	6
1,278	**16,394**	**17,384**
259	**277**	18
0	**50**	50
259	**327**	**68**
12	**12**	12
74	**74**	74
2	**2**	2
0	**0**	0
88	**88**	**88**
1,625	**16,809**	**17,540**
0	**433**	433
0	**1,370**	1,370
0	**42**	42
0	**157**	157
146	**146**	146
0	**11**	11
146	**2,159**	**2,159**
153	**4,286**	4,286
153	**4,286**	**4,286**
291	**291**	291
1,232	**2,818**	2,818
1,523	**3,109**	**3,109**
0	**0**	0
68	**68**	68
19	**19**	19
0	**5**	5
87	**92**	**92**
1,909	**9,646**	**9,646**

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS OF DECEMBER 31, 2009

Valuation categories (according to IAS 39) [€ million]	Held for trading[1]	Other liabilities	
	Fair value (recognized in the income statement)	At cost	At amortised cost
CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES			
EQUITY AND LIABILITIES			
NON-CURRENT FINANCIAL LIABILITIES			
Federal loans	0	0	2,785
Bonds	0	0	9,064
Commercial paper	0	0	0
Bank liabilities	0	0	829
EUROFIMA loans	0	0	953
Finance lease liabilities	0	0	0
Other financial liabilities	0	0	3
FINANCIAL DEBT	**0**	**0**	**13,634**
Trade liabilities	0	0	4
Miscellaneous other liabilities	0	0	166
OTHER LIABILITIES	**0**	**0**	**170**
Interest-based derivatives – hedging	0	0	0
Currency-based derivatives – hedging	0	0	0
Commodity-based derivatives – hedging	0	0	0
Currency-based derivatives – non-hedging	2	0	0
DERIVATIVE FINANCIAL INSTRUMENTS	**2**	**0**	**0**
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**2**	**0**	**13,804**
CURRENT FINANCIAL LIABILITIES			
Federal loans	0	0	491
Bonds	0	0	999
Commercial paper	0	0	0
Bank liabilities	0	0	87
Finance lease liabilities	0	0	0
Other financial liabilities	0	0	18
FINANCIAL DEBT	**0**	**0**	**1,595**
Trade liabilities	0	0	3,125
TRADE LIABILITIES	**0**	**0**	**3,125**
Liabilities from other taxes	0	0	0
Miscellaneous other liabilities	0	0	1,453
OTHER LIABILITIES	**0**	**0**	**1,453**
Interest-based derivatives – hedging	0	0	0
Currency-based derivatives – hedging	0	0	0
Commodity-based derivatives – hedging	0	0	0
Currency-based derivatives – non-hedging	2	0	0
DERIVATIVE FINANCIAL INSTRUMENTS	**2**	**0**	**0**
TOTAL CURRENT FINANCIAL LIABILITIES	**2**	**0**	**6,173**

[1] Including non-hedge derivatives. DB Group did not apply the fair value option according to IAS 39. Thus the subcategory “held for trading” was used instead of the main category “fair value through profit and loss.”

[2] For the transition from the categories of financial assets and financial liabilities to the figures stated in the balance sheet.

	Not attributable to a category according to IAS 39[2)]	Total	Fair value
	0	**2,785**	3,031
	0	**9,064**	9,597
	0	**0**	0
	0	**829**	829
	0	**953**	1,014
	1,096	**1,096**	1,183
	0	**3**	3
	1,096	**14,730**	**15,657**
	281	**285**	4
	0	**166**	166
	281	**451**	**170**
	0	**0**	0
	140	**140**	140
	38	**38**	38
	0	**2**	2
	178	**180**	**180**
	1,555	**15,361**	**16,007**
	0	**491**	491
	0	**999**	999
	0	**0**	0
	0	**87**	87
	185	**185**	185
	0	**18**	18
	185	**1,780**	**1,780**
	142	**3,267**	3,267
	142	**3,267**	**3,267**
	281	**281**	281
	998	**2,451**	2,451
	1,279	**2,732**	**2,732**
	0	**0**	0
	7	**7**	7
	59	**59**	59
	0	**2**	2
	66	**68**	**68**
	1,672	**7,847**	**7,847**

The financial instruments shown at fair value belong to the valuation level 2 in accordance with IFRS 7.27.

Cash and cash equivalents, trade receivables as well as other receivables mostly have short remaining terms. Accordingly, their carrying amounts as of the closing date closely approximate the fair value.

The fair values of other non-current receivables with remaining terms of more than one year are equivalent to the present values of the cash flows associated with the assets.

Trade liabilities and other liabilities generally have short remaining terms. The recognized figures are approximately equivalent to the fair values.

The fair values of other non-current receivables with remaining terms of more than one year are equivalent to the present values of the cash flows associated with the assets.

No held-to-maturity securities are shown as of the balance sheet date.

The net results according t o valuation categories are detailed in the following:

[€ million]	Interest income	Interest expense	Other income	Other expenses	Valuation after recognition			**Total net result**
					at fair value	from exchange rate trans-formation	from impairments	
2010								
Held for trading assets and liabilities including non-hedge derivatives	0	0	0	0	-3	0	0	**-3**
Available for sale	0	0	14	-8	0	0	0	**6**
Loans and receivables	50	0	5	0	0	-20	-75	**-40**
Other liabilities	0	-806	0	-3	0	0	0	**-809**
TOTAL	**50**	**-806**	**19**	**-11**	**-3**	**-20**	**-75**	**-846**
thereof recognized in the statement of income	50	-806	19	-11	-3	-20	-75	**-846**
thereof covered directly in equity	0	0	0	0	0	0	0	**0**
2009								
Held for trading assets and liabilities including non-hedge derivatives	9	-10	0	0	2	0	0	**1**
Available for sale	0	0	2	0	0	0	-33	**-31**
Loans and receivables	36	0	2	0	0	25	8	**71**
Other liabilities	0	-751	0	-3	0	0	**0**	**-754**
TOTAL	**45**	**-761**	**4**	**-3**	**2**	**25**	**-25**	**-713**
thereof recognized in the statement of income	45	-761	4	-3	2	25	-25	**-713**
thereof covered directly in equity	0	0	0	0	0	0	0	**0**

The net results mainly include net interest income of € –756 million (previous year: € –716 million).

The interest attributable to financial instruments is shown in net interest income (see point (9) in the Notes); the other components of net result are shown under other financial result.

The net result of financial liabilities in the category "Other liabilities" includes interest expenses attributable to the cumulative interest relating to interest-free loans.

Foreign currency gains and losses attributable to the translation of foreign currency liabilities are opposed by almost identical losses/gains attributable to derivatives (see point (10) in the Notes).

(32) Pension obligations

In DB Group, a distinction is made between pensions for employees and pensions for civil servants.

PENSIONS FOR CIVIL SERVANTS

After they retire, civil servants assigned to the companies of DB Group receive pensions from the Federal Railroad Fund under the Civil Servants Benefits Act (Beamtenversorgungsgesetz) as a result of their status as civil servants.

Only while the assigned civil servants are actively working for DB Group are payments made to the Federal Railroad Fund as part of a pro forma settlement in the same way as for newly recruited employees (section 21 (1) DBGrG). This also includes theoretical amounts for contributions to statutory pension insurance schemes as well as theoretical costs in accordance with the collective bargaining agreement regarding the additional company pension scheme for employees of DB AG (ZVersTV). The payments made to the Federal Railroad Fund for retirement pensions and supplementary benefits of civil servants are defined contribution retirement schemes.

PENSIONS FOR EMPLOYEES

The retirement benefit obligations with regard to employees mainly relate to the following:

a) Employees who were employed by Deutsche Bundesbahn before DB AG was established (January 1, 1994) enjoy supplementary benefits in view of their former membership of the public sector. The employees are entitled to benefits from this additional pension insurance from Deutsche Rentenversicherung Knappschaft-Bahn-See (KBS). As an official authority, KBS has not only assumed responsibility for managing and paying the statutory pension for DB Group employees; it also continues the additional pension insurance for the transferred employees who are beneficiaries.

The Federal Railroad Fund bears the costs of these additional benefits, less the contribution made by the employees themselves (section 14 (2) DBGrG). Accordingly, DB AG does not set aside any provisions for these public sector benefits.

b) Employees of the former Deutsche Reichsbahn and the employees who have been recruited after January 1, 1994 receive an additional company pension from DB AG within the framework of the ZVersTV. This supplementary company pension is a defined benefit scheme, which is linked to salary and length of service.

c) Domestic employees of DB Schenker Logistics mainly have a commitment for benefits from a defined contribution employer financed benefit plan which is not salary-linked. Depending on the extent of benefits and in the event of early payment of benefits, capital payments have to be made or, if appropriate, pension benefits to be capitalized have to be provided. For senior executives, there is a defined contribution employer financed benefit scheme which is salary-linked. The benefits have to be provided in the form of an annuity with a capital option.

There are no plan assets for both benefit schemes. In addition, most employees are able to participate in an employee financed benefit scheme in which a defined contribution direct commitment without plan assets is provided in return for a salary waiver. The employee contributions are topped up by the employer.

Senior executives have a purely employee financed benefit scheme. This scheme has plan assets which are capable of being netted.

Employees of DB Schenker Logistics abroad mainly have final-salary benefit schemes with and without a length-of-service link. These include some government schemes.

Approximately half of the benefit obligations abroad is funded exclusively by provisions. The other half is included in schemes featuring proportionate fund and insurance cover. Employee and employer contributions are normally paid into these schemes.

In Germany, there are defined contribution plans in the form of direct insurance at DB Schenker Logistics. Abroad, some benefit schemes have to be treated as defined contribution plans.

d) The direct commitments provided to senior executives as a result of employment agreements and the commitments arising from other pension obligations comprise defined benefit as well as defined contribution retirement benefit schemes. These are employee as well as employer financed and are partially or completely covered with plan assets eligible for netting purposes.

e) In addition, there are also employee financed direct insurance policies, mainly with DEVK Deutsche Eisenbahn Versicherung, Lebensversicherungsverein a.G., as well as a purely employee financed pension fund at DEVK Pensionsfonds-AG which is the subject of a collective bargaining agreement. These external facilities for a company pension scheme are not relevant for the purpose of creating provisions.

f) Abroad, there are mainly compensation-linked defined benefit schemes with and without a link to the period of service with the company. The obligations are financed by provisions and are also proportionately fund-backed or insurance-backed by means of employee as well as employer contributions.

g) The company pension scheme of DB Schenker Rail (UK) is essentially a defined benefit pension scheme (linked to salary and length of service) within the British “Railway Pension Scheme.” The costs of the pension scheme are shared between the employer and the employee in the ratio 60:40 and respectively recognized in the balance sheet. The plan assets are managed by an independent trustee. The most recent actuarial valuation of assets and obligations in the plan for the purpose of meeting the legal requirements with regard to the plan members was carried out as of December 31, 2007.

h) Within DB Arriva, there are mainly defined benefit retirement benefit commitments. By far the most important defined benefit plans (related to salary and length of service) relates to employees of DB Arriva within the “Railway Pension Scheme” in Great Britain. The costs of the pension scheme are shared between the employer and the employee in the ratio 60:40 and respectively recognized in the balance sheet. The corresponding pension obligations are to a large extent covered by fund assets.

Under a franchise agreement, Arriva Trains Wales Limited and XC Trains Limited pay contributions to the British “Railway Pension Scheme” for employees loaned for the period of the agreement (franchise period). Under IAS 19, the plan assets are therefore shown with the present value of the expected contributions in accordance with the contribution payment plan for the duration of the franchise. The present value of the defined benefit obligations is determined by the extent of the present value of the expected future service cost during the franchise.

The “Arriva Passenger Services Pension Plan” is another major defined benefit pension plan. A cap was imposed in the 2010 financial year with regard to future salary increases. This change has been classified as a plan reduction in accordance with IAS 19, and has accordingly been recognized directly in the income statement. This has meant that, in the 2010 financial year, a profit of € 39.8 million from the plan reduction was recognized in connection with the decline in defined benefit obligations.

In addition, individual companies of DB Arriva also issued defined contribution retirement benefit commitments to their employees. Under such arrangements, the employer does not enter into any obligations apart from paying contributions to an external benefit scheme. The extent of the future pension benefits depends exclusively on the amount of contributions paid to the external benefit scheme, including the income generated by investing these contributions.

In addition, some contributions have also been paid to social pension funds within the context of statutory regulations (government schemes). DB Arriva is also involved in some joint plans of several employers.

The figures stated for pension provisions in the balance sheet are detailed in the following:

[€ million]	**2010**	2009
Funded obligations	2,907	1,417
Unfunded obligations	1,937	1,687
TOTAL OBLIGATIONS AS OF DEC 31	**4,844**	**3,104**
Fair value of plan assets as of Dec 31[1]	-2,442	-1,010
Unrecognized actuarial losses	-464	-358
Unrecognized past service cost	0	0
Amount not recognized as an asset due to the limitation of IAS 19.58	0	0
NET LIABILITY RECOGNIZED IN THE BALANCE SHEET	**1,938**	**1,736**

[1] Plus € 4 million (previous year: € 24 million) realized as pension asset.

Significant pension obligations were taken on as part of the acquisition of Arriva. The increase in the overall obligations and the fair value of the plan assets are essentially attributable to this acquisition. The initial integration of Arriva has resulted in an increase of € 1,556 million in the DBO and an increase of € 1,163 million in plan assets.

The total pension commitment has developed as follows:

[€ million]	**2010**	2009
Obligations as of Jan 1	3,104	2,581
Current service cost, excluding employee contributions	97	74
Employee contributions	11	3
Interest expense	152	121
Pensions paid	-115	-92
Past service costs	2	4
Plan settlements of retirement benefit obligations	-2	0
Plan cuts	-44	-1
Transfers	36	14
Changes in the scope of consolidation	1,560	4
thereof additions	1,560	4
thereof disposals	0	0
Actuarial gains (-)/losses	42	320
Currency effects	1	76
OBLIGATIONS AS OF DEC 31	**4,844**	**3,104**

The development of the plan assets is detailed in the following:

[€ million]	**2010**	2009
Fair value of plan assets as of Jan 1	1,010	813
Employer contributions	56	31
Employee contributions	10	1
Expected return on plan assets	71	41
Pensions paid	-59	-40
Plan settlements of retirement benefit obligations	-1	0
Plan cuts	-2	0
Transfers	57	18
Changes in the scope of consolidation	1,163	0
thereof additions	1,163	0
Actuarial gains (-)/losses	148	88
Currency effects	-11	58
FAIR VALUE OF PLAN ASSETS AS OF DEC 31[1]	**2,442**	**1,010**

[1] Plus € 4 million (previous year: € 24 million) realized as pension asset.

The reported plan assets are broken down as follows:

[€ million]	**2010**	2009
Stocks and other securities	1,729	750
Interest-bearing securities	312	142
Real estate or other self-used assets	4	3
Reinsurance	88	52
Other assets	313	87
	2,446	**1,034**
thereof realized as pension asset	-4	-24
	2,442	**1,010**

The actual income from plan assets amounted to € 219 million (previous year: income of € 129 million).

Changes in the net pension provisions are detailed in the following:

[€ million]	2010	2009
Provision of Jan 1	1,736	1,649
Pension expenses	158	166
Employer contribution	-56	-32
Pensions paid	-56	-52
Transfers	-23	-4
Changes in the scope of consolidation	174	4
thereof additions	174	4
thereof disposals	0	0
Currency effects	5	5
PROVISION AS OF DEC 31	**1,938**	**1,736**

The expenses to be stated in the income statement are detailed in the following:

[€ million]	2010	2009
Amortization of unrealized profits (-)/losses	20	7
Service cost, excluding employee contributions	97	74
Employee contributions	1	2
Interest expense	152	121
Past service cost	2	4
Expected return on plan assets	-71	-41
Plan cuts	-42	-1
Result on transfer of retirement benefit obligations	-1	0
Asset ceiling	0	0
PENSION EXPENSE	**158**	**166**

The interest expense and expected income from the plan assets are recorded under financial result.

The expected income from plan assets has been derived on the basis of the income actually generated in the past.

All other items are recognized under personnel expenses.

The actuarial parameters used for assessing the value of most of the pension provision are set out in the following:

[%]	2010	2009
Discount rate	4.25[1]/5.25[2]	4.75[1]/5.50[2]
Expected rate of salary increases	2.50/4.50	2.50
Expected medical cost trend rate	0.00	0.00
Expected rate of pension increases (dependent on staff group)	2.00/2.80	2.00/3.70
Expected average staff turnover	2.67	2.67
Expected return on plan assets	1.25 - 11.00	1.25 - 7.30

[1] Domestic and foreign (excluding Great Britain)
[2] Great Britain

The 2005 G mortality tables of Professor Dr. Klaus Heubeck have been used for valuing the pension obligations for the German Group companies. Country-specific mortality tables have been used for valuing the pension obligations of the other Group companies.

In the 2011 financial year, direct pension payments are expected to be € 63 million, and payments into plan assets are expected to be € 53 million.

[€ million]	2010	2009	2008	2007	2006
Present value of pension obligation as of Dec 31	4,844	3,104	2,581	2,746	1,764
Fair value of plan assets as of Dec 31	- 2,442	- 1,010	- 813	- 1,359	- 168
DEFICIT	**2,402**	**2,094**	**1,768**	**1,387**	**1,596**
Experience-based adjustment of retirement benefit obligations	- 85	91	3	- 11	64
Experience-based adjustment of plan assets	- 148	- 88	368	5	4

(33) Other provisions

As of December 31 [€ million]	Environmental protection provisions		Construction and project risks provisions		Staff-related provisions		Decommissioning provisions		Other provisions		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
As of Jan 1	1,534	2,120	63	79	1,540	1,146	383	359	2,899	2,837	6,419	6,541
Currency translation differences	0	0	0	0	3	2	0	0	5	3	8	5
Changes in the scope of consolidation	1	3	0	0	1	12	0	0	157	10	159	25
thereof additions	1	3	0	0	1	12	0	0	158	10	160	25
thereof disposals	0	0	0	0	0	0	0	0	- 1	0	- 1	0
Amounts used	- 49	- 53	- 3	- 6	- 298	- 343	- 4	- 3	- 543	- 459	- 897	- 864
Unused amounts reversed	- 1	- 600	- 6	- 14	- 391	- 16	- 32	- 3	- 489	- 562	- 919	- 1,195
Reclassifications	- 1	- 1	0	0	26	- 3	0	0	- 42	- 5	- 17	- 9
Additional amounts provided	2	4	2	1	349	679	9	12	980	1,023	1,342	1,719
Compounding/discounting	4	61	2	3	97	63	18	18	40	52	161	197
AS OF DEC 31	**1,490**	**1,534**	**58**	**63**	**1,327**	**1,540**	**374**	**383**	**3,007**	**2,899**	**6,256**	**6,419**

The following table breaks down the other provisions into current and non-current amounts, and also details their estimated residual maturity:

[€ million]	Residual maturity							Total
	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	**Total more than 1 year**	
AS OF DEC 31, 2010								
Environmental protection provisions	103	95	106	101	101	984	**1,387**	**1,490**
Construction and project risks provisions	25	11	7	7	6	2	**33**	**58**
Staff-related provisions	329	195	134	94	115	460	**998**	**1,327**
Decommissioning provisions	9	0	0	0	0	365	**365**	**374**
Other provisions	2,047	499	172	86	67	136	**960**	**3,007**
TOTAL	**2,513**	**800**	**419**	**288**	**289**	**1,947**	**3,743**	**6,256**
AS OF DEC 31, 2009								
Environmental protection provisions	102	95	97	102	101	1,037	**1,432**	**1,534**
Construction and project risks provisions	28	13	10	3	4	5	**35**	**63**
Staff-related provisions	384	244	170	106	139	497	**1,156**	**1,540**
Decommissioning provisions	18	0	0	0	0	365	**365**	**383**
Other provisions	1,897	552	145	134	44	127	**1,002**	**2,899**
TOTAL	**2,429**	**904**	**422**	**345**	**288**	**2,031**	**3,990**	**6,419**

PROVISIONS FOR ENVIRONMENTAL PROTECTION

Of the figure stated for environmental protection provisions, € 1,474 million (previous year: € 1,518 million) relate to remedial action obligations of DB AG. In order to take account of the remedial action obligations recognized in the environmental protection provisions, DB AG has set up the following programs

- 4-stage soil decontamination program
- 3-stage sewerage network program
- 2-stage landfill shut-down program

These measures will ensure that the work on investigating and carrying out remedial action will be systematic, cost-efficient and consistent with the legal situation. In the 4-stage soil decontamination program, the contamination in the soil and/or groundwater is localized using the following stages: historical investigation, rough examination and detailed analysis. The program involves a feasibility study, implementation and approval planning as well as remedial action, and due consideration is given to technical and legal requirements for the remedial action which aims to ensure appropriate utilization.

The 3-stage sewerage network program aims to remedy any contamination of soil and/or groundwater resulting from leaks. The program also involves a plan to optimize the existing sewerage network to ensure that it is capable of meeting future requirements and to ensure that the need to take remedial action can be limited to this future network. The network which is not utilized will be decommissioned.

The 2-stage landfill program will guarantee that landfill sites on rail property are identified and measured in a standard manner, and that these landfill sites will be decommissioned in accordance with the Landfill Regulation (Deponieverordnung; DepV)/Technical Instructions for Residential Area Waste (Technische Anleitung Siedlungsabfall; TASi) and the German Federal Soil Protection Act (Bundesbodenschutzgesetz; BBodSchG).

The term of the provision for existing ecological legacy contamination is unchanged (until 2028) as a result of the long-term periods applicable for remedial action.

STAFF-RELATED PROVISIONS

[€ million]	2010	2009
Obligations under employment contracts	804	1,043
Costs of early retirement / part-time working in the run-up to retirement	252	257
Service anniversary provisions	110	122
Other	161	118
TOTAL	**1,327**	**1,540**

The staff-related provisions include obligations which result from the demand of many employees under labor law and the willingness of DB AG not to terminate employment contracts for operational reasons before the end of 2023. In such cases, DB Group will incur losses in the form of personnel expenses which will have to be borne until the employment contract is terminated or the employee is placed with another company; no reciprocal benefit will be provided in return for these costs. DB AG has set up a separate subsidiary, namely DB JobService GmbH, in order to absorb employees who have been made redundant.

The provisions set aside to cover early retirement obligations and semi-retirement cover the obligations arising from collective bargaining agreements, and have been calculated on the basis of actuarial reports.

DECOMMISSIONING PROVISIONS

The decommissioning provisions refer to the company's pro rata decommissioning obligation in relation to a joint power generation plant. The valuation of the provision is based on an unchanged discount rate of 5.0 %.

OTHER PROVISIONS

The other provisions comprise provisions for outstanding invoices for transport services, litigation risks, decommissioning and demolition obligations as well as third-party obligations for maintenance, potential losses as well as other real estate risks and numerous other aspects which individually are of minor significance.

(34) Deferred income

[€ million]	2010	2009
Deferred Federal grants	1,744	2,064
Deferred revenues	471	397
Deferred profits on sale-and-leaseback transactions	55	67
Other	245	110
TOTAL	**2,515**	**2,638**
Non-current share	1,895	2,096
Current share	620	542

The deferred Federal grants comprise mainly the interest benefit (difference between the nominal value and present value) attributable to the interest-free loans; this has developed as follows during the year under review:

[€ million]	2010	2009
As of Jan 1	1,789	2,061
Additions	0	1
Reclassifications	-38	-53
Amounts released	-214	-220
AS OF DEC 31	**1,537**	**1,789**

Of the figure shown for the reversal in the year under review, the main item of € 123 million (previous year: € 134 million) is attributable to compensation for the cumulative interest in relation to the present value of interest-free Federal loans. The remainder is attributable to the release of amortized deferrals relating to premature one-off repayments at the present value in 1999 and in 2004.

Deferred revenues constitute that part of compensation which is attributable to the period after the balance sheet date.

The deferred profits on sale-and-leaseback transactions relate to concourse buildings of various stations with the related retail premises as well as rolling stock.

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents in the year under review, and was prepared in accordance with IAS 7 (Cash Flow Statements). The cash flows are broken down into operating activities, investing activities and financing activities. The indirect method has been used for showing cash flow from operating activities.

Interest income and interest payments, dividend income as well as tax payments are stated under operating activities.

Cash and cash equivalents include the cash and cash equivalents stated in the balance sheet with a residual maturity of less than three months (cash in hand, cash deposited with the Bundesbank, cash at banks and checks as well as securities).

Cash flow from operating activities

The cash flow from operating activities is calculated by adjusting the net profit for the period before taxes by items which are not cash-effective and by adding the change in non-current assets and liabilities (excluding financial debt). The cash flow from operating activities is then established after due consideration is given to interest and tax payments.

While profit before taxes on income decreased, the increase in the cash inflow from operating activities is mainly attributable to a much lower result generated by the disposal of property, plant and equipment and intangible assets, a reduced result of non-cash expenses and income, the increase in trade accounts payable as well as the decline in taxes on income while trade accounts receivables increased significantly.

Cash flow from investing activities

The cash flow from investing activities is calculated as the inflow of funds attributable to the disposal of property, plant and equipment and intangible assets as well as investment grants, and the outflow of funds for capital spending in property, plant and equipment and intangible assets as well as non-current financial assets.

Inflow of funds attributable to investment grants are shown under investing activities, because there is a close relationship between investment grants which are received and the outflows of funds for capital spending in property, plant and equipment.

The considerable increase in the outflow of cash from investing activities is mainly attributable to the outflows for the acquisition of Arriva and higher outflows for investments in property, plant and equipment in conjunction with a simultaneous increase in the inflows from investing grants.

When changes take place in the scope of consolidation as a result of the acquisition or sale of companies, the acquisition price which is paid (excluding any liabilities which are transferred) less the acquired or sold financial resources are stated as cash flow from investing activities. The other effects of the acquisition or sale on the balance sheet are eliminated in the corresponding items of the three categories.

Cash flow from financing activities

The cash flow from financing activities is due to the net inflows and outflows attributable to issued bonds, bank loans and other loans which have been raised as well as inflows attributable to the raising of and/or outflows for the redemption of Federal loans.

The increase in the inflow of cash from financing activities is mainly attributable to the net increase in inflows from the raising of funds. There has been a considerable increase in net inflows from issuing bonds compared with the previous year, and the net outflows from the redemption and repayment of the Federal loans has increased further compared with the previous year.

NOTES TO THE SEGMENT REPORT

Segment reporting has been prepared in accordance with IFRS 8 (Operating Segments). DB Group has identified its operating segments on the basis of internal management reporting; the segmentation of the divisions is based on the services rendered by the various divisions. In this connection, management reporting is addressed to the Group Management Board in its function as the primary decision maker. Management reporting in DB Group is based on the accounting principles in accordance with IFRS. With regard to reconciling the segment data with the corresponding corporate data, it is accordingly mainly necessary to take account of consolidation effects. For this reason, a consolidation column is used for reconciliation purposes. The operations of the Group divisions are covered in the reporting format in line with the corporate organization structure of DB Group. The main regions covered by DB Group are detailed in the segment information based on regions.

DB Group uses the following primary segments:

- *DB Bahn Long-Distance*
  This segment comprises all cross-regional rail transport operations and other services. Most of these transport services are provided in Germany.
- *DB Bahn Regional*
  This segment comprises the S-Bahn services in Berlin and Hamburg and the activities for regional passenger transport and other services. Most of these services are provided in Germany.
  The foreign companies are to be allocated to the DB Arriva segment starting in the 2011 financial year. Only regional transportation activities in Germany will be attributed to this segment in future.
- *DB Bahn Urban*
  DB Bahn Urban segment comprises urban bus services. Most of these services are provided in Germany.
  Starting in the 2011 financial year, the domestic companies will be attributed to the DB Bahn Regional segment, and the international companies will be attributed to the DB Arriva segment. The previous DB Bahn Urban segment will no longer be applicable and will not be replaced.
- *DB Arriva*
  In the year under review, only the activities of the new acquisition Arriva have been combined in the DB Arriva segment.
  In the 2011 financial year, the international regional transport activities which previously had been allocated to the DB Bahn Urban segment and the DB Bahn Regional segment will be transferred to the DB Arriva segment.
- *DB Schenker Rail*
  This segment pools the activities for rail freight transport services. It operates primarily in Germany, Denmark, the Netherlands, Italy, Great Britain, Poland and Spain.
- *DB Schenker Logistics*
  The main player in DB Schenker Logistics segment is Schenker as a logistics service provider with global activities involving freight forwarding, transport and other services in commodity and product transport.
- *DB Netze Track*
  This segment is responsible for installing, maintaining and operating the complete track-related rail infrastructure in Germany.
- *DB Netze Stations*
  This segment comprises the operation, development and marketing of passenger stations and retail facilities in stations in Germany.
- *DB Services*
  DB Services segment provides all types of services, mainly in the fields of transport, logistics, information technology and telecommunications. The companies in this segment mainly render their services within the Group.
- *Subsidiaries/Other*
  DB AG and DB ML AG with their numerous management, financing and service functions in their capacity as the management holding of DB Group are shown in this segment. In addition, this segment also comprises DB Energie GmbH, DB ProjektBau GmbH and the other subsidiaries and remaining activities.
- *Consolidation*
  The data concerning the segments are shown after intrasegment relations have been eliminated. The transactions between the segments (inter-segment relations) are eliminated in the column “Consolidation.” This column also includes reconciliation amounts relating to figures shown in the consolidated financial statements.

The segment revenues comprise external and internal revenues, other external segment revenues as well as other internal segment revenues attributable to the operations of the segment. Inventory changes and internally produced and capitalized assets are not included in segment revenues; their effect is to reduce segment expenses.

The external segment revenues consist exclusively of revenues generated by the segments with parties outside the Group. The internal segment revenues comprise revenues with other segments (intersegment revenues). Market prices are used for establishing the transfer prices for internal transactions. The segment expenses include cost of materials and personnel expenses, depreciation, impairments and reversals of impairments, as well as other operating expenses attributable to the operations of the segment.

Segment result (operating profit before interest) is defined as the difference between segment revenues and segment expenses, and is operating profit (EBIT) before financial result (consisting of earnings from investments accounted for using the equity method, net interest and other financial result) and taxes on income.

The adjusted segment result (EBIT adjusted) is used for internal management of DB Group and its segments. Aspects which are of an exceptional nature are adjusted from segment result and operating result (EBIT). A general adjustment is recognized to reflect the income and expenses attributable to the disposal of financial instruments. An adjustment is also recognized if an individual adjustment is of an exceptional and non-operational nature and if the extent of the impact on earnings is significant.

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) is also significant for internal management purposes. This parameter is derived from adjusted EBIT, by adding the depreciation and amortization – where appropriate adjusted by the exceptional factors included in this item.

Segment assets comprise property, plant and equipment, intangible assets, receivables and other assets (excluding profit and loss transfer agreements, receivables from financing and taxes on income), inventories, derivative financial instruments related to operations as well as cash and cash equivalents. The amortized goodwill resulting from the acquisition of the relevant companies is shown separately. The figures are reconciled with the figures stated in the consolidated financial statements by including the receivables from financing and receivables related to taxes on income in the column "Consolidation."

Segment liabilities comprise the provisions and operating liabilities (excluding profit and loss transfer agreements, liabilities from financing and taxes on income) as well as the derivative financial instruments (liabilities) relating to operations and available-for-sale liabilities. The figures are reconciled with the figures stated in the consolidated financial statements by including the liabilities from financing and liabilities related to taxes on income in the column "Consolidation."

Segment capital expenditures comprise capital expenditures related to intangible assets (including acquired goodwill) as well as to property, plant and equipment and, with the additions to assets attributable to company acquisitions and gross capital expenditures, cover all additions to the scope of consolidation as of the balance sheet date before the investment grants which have been received are taken into consideration.

Additions to assets from changes in the scope of consolidation are shown as part of segment capital expenditures, and comprise exclusively the capital expenditures in property, plant and equipment and intangible assets, including the goodwill acquired as part of company acquisitions or included in the consolidated financial statements for the first time.

The additions to assets attributable to gross capital expenditures comprise the property, plant and equipment and intangible assets acquired in the year under review by the companies in the scope of consolidation, before the additions to assets attributable to company acquisitions are taken into consideration.

The net capital expenditures are based on the allocation of the assets to the legal entities, and comprise the additions to assets resulting from gross capital expenditures in property, plant and equipment as well as the intangible assets less the deducted investment grants.

Depreciation refers to the property, plant and equipment attributable to the various divisions as well as the intangible assets.

Impairments which are recognized constitute the amount of the impairment relating to the property, plant and equipment and the intangible assets including any goodwill included in the segment assets.

Reversals of previous impairments which are recognized comprise the amount of the reversal in relation to the property, plant and equipment or the intangible assets included in segment assets.

The segments are subject to the same accounting principles which are described in the section "Principles of the combined financial statements" and which are applicable for the remainder of the combined financial statements. Internal segment transactions within the Group are generally conducted on an arm's length basis.

Explanations concerning the information according to regions

External revenues are stated on the basis of the registered offices of the Group company providing the service.

Segment assets and non-current assets are allocated on the basis of the location of the company. The contents are determined in accordance with segment reporting. The non-current assets comprise intangible assets, property, plant and equipment as well as non-current receivables and other assets (excluding financial instruments, deferred tax assets, rights from insurance policies as well as assets in conjunction with benefits after termination of the employment agreement).

Information concerning major clients

In the year under review and the previous year, no single customer accounted for more than 10 % of overall revenues at DB Group.

RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

Management of financial and energy price risks

As a logistics group with international operations, DB Group is exposed to financial risks in the form of changes in interest rates and exchange rates. In addition, there are also energy price risks on the procurement side as a result of fluctuations in the prices of diesel fuel and electricity. One of the aspects of corporate policy is to actively manage and thus limit these risks by means of the use of derivative financial instruments.

DB AG with its central Group Treasury is responsible for all financing and hedging transactions of DB Group. It cooperates with the subsidiaries to identify, evaluate and control financial and energy price risks. At regular intervals, the Management Board is informed of major financial risks and receives a schedule of all financial instruments as well as the impact on results and the balance sheet.

The Management Board of DB AG has defined principles for risk management. The guidelines for Group financing and for the internal control system contain binding rules for the use of derivative financial instruments for managing interest rate and foreign exchange risks and the risks of energy price changes, as well as the procedure for dealing with related counterparty default risks. In the structure and procedure organization, there is a clear functional and organizational segregation between scheduling and trading on the one hand (front office) as well as settlement and monitoring on the other (back office). Group Treasury operates on the global financial markets using the minimum requirements applicable for risk management (Mindestanforderungen an das Risikomanagement; MaRisk) of the banks prepared by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; BaFin), and is subject to regular internal and external control.

Derivative financial instruments are used exclusively for hedging interest, currency and energy price risks. All individual transactions correspond to on-balance-sheet or anticipated underlyings (for instance bonds, purchases of diesel fuel and electricity). The aim is to achieve qualification as an effective hedge in accordance with IAS 39. Speculation is not permitted. Ongoing market and risk assessment takes place as part of risk management.

Interest rate risks

In line with the length of time that assets are tied up, the financial requirement is covered mainly by issuing long-term and fixed-interest bonds. Interest rate management comprises a comparatively low amount of variable interest for optimizing interest costs. Interest rate derivatives such as interest rate swaps, caps, floors and collars are used for managing the fixed-floating ratio.

In accordance with IFRS 7, existing interest rates are detailed by means of a sensitivity analysis which investigates the effects of theoretical changes in market interest rates on results and shareholders' equity.

The sensitivity analysis which has been carried out has taken account of the following financial instruments:

- Derivatives designated in cash flow hedges (interest hedges and interest-currency hedges) have an impact on the hedge reserve in shareholders' equity and are therefore taken into consideration in the sensitivity calculations relating to shareholders' equity;
- Financial instruments with a variable return have an impact on net interest income. This is applicable to variable-income interest-currency swaps as well as variable-rate loans/finance leases;
- Cash at banks and current borrowings/deposits with banks have an impact on net interest income.

If the level of market interest rates for the exposure had been 100 basis points higher (lower) as of the balance sheet date, the result would have been affected as follows:

[€ million]	Changes in market level of interest rates			
	2010		2009	
	+100 BP[1)]	**- 100 BP[1)]**	+100 BP[1)]	- 100 BP[1)]
Impact on total result	-13	+15	-4	+4
thereof recognized in the statement of income	-1	+1	-1	+1
thereof covered directly in equity	-12	+14	-3	+3

1) Basis points

Foreign currency risks

The foreign currency risks are attributable to financing measures and operating activities.

In order to avoid interest rate and foreign currency risks, the foreign currency bonds issued within the framework of Group financing are converted into Euro liabilities by means of cross-currency swaps. However, it is not necessary for such bonds to be converted in individual cases if there is a guarantee that the bond can be serviced out of inflows of foreign currency payments.

Group Treasury extends loans to foreign subsidiaries in their functional currency. These positions are normally hedged with the aid of interest-currency swaps.

We have international operations with our activities in the Transport and Logistics division, and are thus exposed to operational exchange rate risks. In order to minimize these risks, the subsidiaries take out internal foreign exchange transactions with Group Treasury and hedge all major foreign currency positions in their functional currency. Group Treasury in turn hedges its open foreign currency positions by way of opposite transactions on the financial markets. In exceptional cases and to a limited extent, subsidiaries are permitted to hedge foreign currency positions with banks themselves.

In order to present foreign currency risks, IFRS 7 requires a sensitivity analysis which investigates the effects of theoretical changes in foreign currency relations on result and shareholders' equity.

The currency sensitivity analysis is based on the following assumptions:

- The cross-currency swaps which are concluded and the current currency transactions are always allocated to original underlyings.
- All major foreign currency positions arising from operating activities are always 100 % hedged. If exchange rate changes are 100 % hedged, they do not have any impact on results or capital.
- Foreign currency risks can only occur if a 100 % hedge does not exist in justified exceptional cases; for instance if a conservative estimate is made for hedge volumes for anticipated foreign currency cash flows in order to avoid overhedging.
- On-balance-sheet foreign currency risks may result from energy price hedging which is not denominated in the respective functional currency.

If the following foreign currency risks for currency hedges had weakened (or strengthened) by 10 % as of the balance sheet date, the result would have been affected as follows:

[€ million]	Appreciation of foreign currency by			
	2010		2009	
	+10 %	**-10 %**	+10 %	-10 %
GBP	-4	+5	+3	-3
CAD			+1	-1
PLN			+22	-22
USD			+2	-2
CHF	-3	+4		
DKK	-2	+2		

DB Group has numerous equity investments in foreign subsidiaries, whose net assets are exposed to a translation risk. This translation risk is not perceived to be a foreign currency risk for the purposes of IFRS 7, and is not hedged.

Energy price risks

DB Group is one of the largest consumers of electricity in Germany. In addition, the Group also requires considerable volumes of diesel fuel. The high energy procurement volume and the volatility of electricity and mineral oil markets result in substantial earnings risks, which are continuously monitored.

The Energy Price Risk Management Committee (ERMC) is responsible for managing and minimizing these risks; this committee is responsible for ensuring the implementation of the risk policy of DB Group specifically with regard to energy price risks. The ERMC takes decisions with regard to specific hedging strategies and measures in which financial and energy derivatives are used.

Swaps relating to the commodities underlying the price formulae (coal and heating oil) are used as hedges for the risks of price changes for sourcing electricity. Diesel price risks are for instance limited by taking out diesel swaps (hybrid hedges of diesel price and currency risks and individual hedges of currency risks are possible in exceptional cases).

Energy price risks are quantified by means of sensitivity analyses in accordance with IFRS 7. These provide information concerning the effects of theoretical energy price changes on result and shareholders' equity (in relation to the balance sheet exposure on the balance sheet date).

The following assumptions have been made for performing the sensitivity analyses:

- In the case of energy price swaps, the effective part is recognized in shareholders' equity, and the ineffective part is recognized in the income statement.
- If options are used (collars), the intrinsic value constitutes the effective part of the hedge, so that the intrinsic value is shown in shareholders' equity. On the other hand, the fair value is not part of the hedge, and is shown in the income statement.

If the energy prices at the end of the year had been 10 % lower (or higher), the result would have been affected as follows:

[€ million]	Change in market prices of			
	2010		2009	
	+10 %	**-10 %**	+10 %	-10 %
Impact on total result	+89	-89	+43	-43
thereof recognized in the consolidated statement of income	+1	-1	+0	-0
Diesel	+1	-1	+0	-0
Hard coal	+0	-0	+0	-0
HSL	+0	-0	+0	-0
thereof covered directly in equity	+88	-88	+43	-43
Diesel	+73	-73	+30	-30
Hard coal	+9	-9	+11	-11
HSL	+6	-6	+2	-2

Counterparty default risk of interest, currency and energy derivatives

Counterparty default risk is defined as possible losses due to the default of counterparties ("worst-case scenario"). It represents the replacement costs (at market values) of the derivative financial instruments for which DB Group has claims against contract partners. The counterparty default risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.

The maximum counterparty default risk resulting from the derivative financial instruments as of the balance sheet date is € 375 million (previous year: € 62 million). The increase in the counterparty default risks compared with the previous year is mainly attributable to the development in value of the cross-currency swaps and the energy price derivatives. The maximum individual risk – default risk in relation to individual contract partners – is € 115 million, and exists in relation to a bank with a Moody's rating of Aa3. For transactions with terms of more than one year, all banks which are exposed to a counterparty default risk have at least a Moody's rating of A2.

Liquidity risk

Liquidity management involves maintaining adequate liquid assets, constantly checking the commercial paper market for ensuring adequate market liquidity and depth and the constant availability of financial resources via guaranteed credit facilities of banks (see Note (28)).

The following table shows the contractually agreed undiscounted interest payments and redemption payments relating to the original financial liabilities as well as the derivative financial instruments with a positive and negative fair value of DB Group:

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

As of December 31, 2010 [€ million]	2011 Fixed/variable interest	2011 Redemption	2012 Fixed/variable interest	2012 Redemption	2013-2015 Fixed/variable interest	2013-2015 Redemption	2016-2020 Fixed/variable interest	2016-2020 Redemption	2021 ff. Fixed/variable interest	2021 ff. Redemption
NON-DERIVATIVE FINANCIAL LIABILITIES										
Federal loans	18	439	9	431	–	799	–	1,213	–	974
Bonds	475	1,371	419	645	1,076	1,980	1,119	6,302	154	1,600
Commercial paper	0	42	–	–	–	–	–	–	–	–
Bank liabilities	26	157	23	84	59	63	55	433	16	407
EUROFIMA loans	42	–	42	434	83	519	40	–	8	200
Finance lease liabilities	75	145	67	196	108	703	64	271	108	109
Other financial liabilities	–	11	–	–	–	3	–	3	–	–
Trade liabilities	–	4,286	–	33	–	88	–	156	–	–
Other miscellaneous liabilities	–	3,109	–	21	–	12	–	17	–	–
DERIVATIVE FINANCIAL LIABILITIES (NET/GROSS SETTLED)										
Interest/currency derivatives connected with cash flow hedges	95	904	66	118	150	577	176	1,141	–	–
Interest derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	2	–	2	–	6	–	4	–	0	–
Currency derivatives connected with cash flow hedges	–	471	–	–	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	325	–	6	–	1	–	–	–	–
Energy prices derivatives	20	–	2	–	1	–	–	–	–	–
DERIVATIVE FINANCIAL ASSETS (GROSS SETTLED)										
Interest/currency derivatives connected with cash flow hedges	29	226	21	93	40	405	9	54	–	–
Interest derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	791	–	–	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	175	–	6	–	1	–	–	–	–
Energy prices derivatives	–	–	–	–	–	–	–	–	–	–

As of December 31, 2010	2011		2012		2013 - 2015		2016 - 2020		2021 ff.	
[€ million]	Fixed / variable interest	Redemption	Fixed / variable interest	Redemption	Fixed / variable interest	Redemption	Fixed / variable interest	Redemption	Fixed / variable interest	Redemption
VOLUNTARY INFORMATION ABOUT DERIVATIVES										
DERIVATIVE FINANCIAL ASSETS (NET SETTLED)										
Interest / currency derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Energy prices derivatives	50	–	37	–	57	–	8	–	–	–
INFLOW OF FUNDS FROM GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS										
Interest / currency derivatives connected with cash flow hedges	-100	-1,111	-56	-205	-115	-1,044	-98	-1,248	–	–
Interest derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	-1,259	–	–	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	-498	–	-12	–	-1	–	–	–	–
Energy prices derivatives	–	–	–	–	–	–	–	–	–	–
FINANCIAL WARRANTIES	–	194	–	–	–	–	–	–	–	–

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

As of December 31, 2009 [€ million]	2010 Fixed / variable interest	2010 Redemption	2011 Fixed / variable interest	2011 Redemption	2012 – 2014 Fixed / variable interest	2012 – 2014 Redemption	2015 – 2019 Fixed / variable interest	2015 – 2019 Redemption	2020 ff. Fixed / variable interest	2020 ff. Redemption
NON-DERIVATIVE FINANCIAL LIABILITIES										
Federal loans	26	498	18	441	9	963	–	1,271	–	1,184
Bonds	465	1,000	405	1,246	944	1,810	1,020	5,456	53	600
Commercial paper	–	–	–	–	–	–	–	–	–	–
Bank liabilities	15	87	18	8	52	14	58	407	24	400
EUROFIMA loans	35	–	35	–	93	953	–	–	–	–
Finance lease liabilities	66	185	57	83	110	583	61	327	24	103
Other financial liabilities	–	18	–	1	–	2	–	–	–	–
Trade liabilities	–	3,262	–	29	–	77	–	178	–	–
Other miscellaneous liabilities	–	2,846	–	17	–	15	–	21	–	–
DERIVATIVE FINANCIAL LIABILITIES (NET/GROSS SETTLED)										
Interest / currency derivatives connected with cash flow hedges	66	–	66	1,017	66	542	12	64	–	–
Interest derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	547	–	–	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	123	–	28	–	–	–	–	–	–
Energy prices derivatives	–	53	–	39	–	6	–	–	–	–
DERIVATIVE FINANCIAL ASSETS (GROSS SETTLED)										
Interest / currency derivatives connected with cash flow hedges	19	22	17	103	27	228	9	80	–	–
Interest derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	290	–	–	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	281	–	3	–	2	–	–	–	–
Energy prices derivatives	–	–	–	–	–	–	–	–	–	–

As of December 31, 2009		2010		2011		2012 – 2014		2015 – 2019		2020 ff.
[€ million]	Fixed / variable interest	Redemption	Fixed / variable interest	Redemption	Fixed / variable interest	Redemption	Fixed / variable interest	Redemption	Fixed / variable interest	Redemption
VOLUNTARY INFORMATION ABOUT DERIVATIVES										
DERIVATIVE FINANCIAL ASSETS (NET SETTLED)										
Interest / currency derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	– 0	–	–	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Energy prices derivatives	–	– 6	–	– 5	–	– 4	–	–	–	–
INFLOW OF FUNDS FROM GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS										
Interest / currency derivatives connected with cash flow hedges	– 73	– 24	– 72	– 1,013	– 64	– 755	– 19	– 143	–	–
Interest derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	– 841	–	–	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	– 407	–	– 29	–	– 2	–	–	–	–
Energy prices derivatives	–	–	–	–	–	–	–	–	–	–
FINANCIAL WARRANTIES	–	126	–	–	–	–	–	–	–	–

This includes all instruments which were held at December 31, 2010 and for which payments had already been agreed. Foreign currency amounts have been translated using the spot rate applicable as of the reference date. The variable interest payments attributable to the financial instruments have been calculated on the basis of the interest rates applicable on December 31, 2010 (previous year on December 31, 2009). Financial liabilities which can be repaid at any time are allocated to the earliest possible time segment.

The financial liabilities are opposed by cash and cash equivalents of € 1,475 million, consisting of positive account balances (50 %) and current fixed-term deposits (50 %).

OTHER DISCLOSURES

(35) Contingent receivables and liabilities, and guarantee obligations

Contingent receivables were stated as € 76 million as of December 31, 2010 (as of December 31, 2009: € 62 million), and mainly comprise a claim for a refund of investment grants which had been paid; however, as of the balance sheet date, the extent and due date of the claim was not sufficiently certain.

The contingent liabilities are broken down as follows:

[€ million]	**Dec 31, 2010**	Dec 31, 2009
Contingent liabilities from		
Issuance and transfer of bills	1	2
Provision of collateral for third-party liabilities	0	1
Provision of warranties	2	2
Other contingent liabilities	93	113
TOTAL	**96**	**118**

Other contingent liabilities also comprise risks arising from litigation which had not been stated as provisions because the expected probability of occurrence is less than 50 %.

The contingencies attributable to warranties amounted to € 188 million as of December 31, 2010 (as of December 31, 2009: € 128 million). The increase is mainly attributable to the acquisition of Arriva. In addition, fixed assets with carrying amounts of € 196 million (previous year: € 131 million) were used besides others as security for loans of EUROFIMA extended to DB AG; this relates to rolling stock used at the operating companies in the segments DB Bahn Long-Distance, DB Bahn Regional and DB Schenker Rail as well as buses in the DB Arriva segment.

The investigation proceedings initiated against the freight forwarding sector by the European Commission, the US Department of Justice (DOJ) and further national cartel authorities on the grounds of the suspicion of anti-competitive collusion in the field of land, ocean and air freight have been partially completed. On September 30, 2010, the DOJ concluded plea agreements with Schenker AG and BAX Global Inc. for terminating the cartel proceedings pending in the USA. Schenker AG has accordingly been fined USD 3.53 million, and BAX Global Inc. has been fined USD 19.75 million. In return, the DOJ has agreed not to initiate legal proceedings against Schenker AG and BAX Global Inc. The plea agreements still have to be confirmed by the courts. In the proceedings before the EU Commission, a decision still has to be taken following the hearing in July 2010. Overall, the cartel authority investigations are not expected to be concluded before the end of 2011. A class action for damages in the USA was settled for the companies of DB Group in return for the payment of USD 8.75 million and in return for the promise of various cooperation services – subject to the court approval which is still outstanding.

DB Group acts as guarantor mainly for equity participations and common project units, and is subject to joint and several liability for all common project units in which it is involved.

(36) Other financial obligations

Capital expenditures in relation to which the company has entered into contractual obligations as of the balance sheet date, but for which no consideration has yet been received, are broken down as follows:

[€ million]	**31.12.2010**	31.12.2009
Committed capital expenditures		
Property, plant and equipment	7,181	6,280
Intangible assets	3	2
Outstanding capital contributions	376	317
TOTAL	**7,560**	**6,599**

The increase in the order commitment for property, plant and equipment is mainly attributable to the procurement of new rolling stock as well as an increase in capital expenditures volume. In the case of some supply arrangements, there are independent admissions of guilt with regard to fulfilling the order commitment; these are opposed by claims of the same amount, backed by bank guarantees and insurance policies with maximum ratings.

Of the figure shown for outstanding contribution, € 376 million (previous year: € 317 million) relates to outstanding contributions at EUROFIMA which have not been called in. Of this figure, EUROFIMA has called off € 82 million. In the Administrative Board meeting of December 17, 2010, the Management Board of EUROFIMA announced that it would submit a proposal to the general meeting in March 2011 for the resolution regarding the calling off of additional capital to be reversed if the risk positions of EUROFIMA have not deteriorated significantly by that time.

Various companies in DB Group have leased assets, e.g. property, buildings, technical equipment, plant and machinery as well as operational and business equipment within the framework of operating lease agreements.

The terms of the future minimum payments arising from operating lease agreements are set out in the following table:

[€ million]	2010	2009
Less than 1 year	1,139	966
1–2 years	790	677
2–3 years	659	544
3–4 years	513	452
4–5 years	430	367
More than 5 years	1,997	1,955
TOTAL	**5,528**	**4,961**

The increase is mainly attributable to the acquisition of Arriva. The minimum lease payments do not include expenses incurred in connection with using the track infrastructure.

(37) Infrastructure and transport contracts

The following notes and information refer to the requirements of SIC-29 (Disclosure – Service Concession Arrangements).

INFRASTRUCTURE CONTRACTS

In accordance with section 6 of the General Railways Act (Allgemeines Eisenbahngesetz; AEG), the rail infrastructure companies which belong to DB Group and which operate track, control systems or platforms have to have appropriate approval. This is applicable particularly for DB Netz AG, DB Station & Service AG and DB Energie GmbH.

The approvals of the Federal Railway Authority (Eisenbahn-Bundesamt; EBA) for DB Netz AG and DB Station & Service AG are limited until the end of December 31, 2048.

The rights of the rail infrastructure companies to operate the rail infrastructure is connected to various obligations. They are required in particular to manage their operations safely, construct the rail infrastructure in a safe manner and ensure that it is maintained in a safe condition (section 4 (1) AEG). With regard to compliance with this regulation, the rail infrastructure companies of DB Group are regulated by the EBA.

In addition, the rail infrastructure companies also have to observe statutory duties among others with regard to noise abatement in the case of any new and expansion projects. DB Group voluntarily participates in the “Rail noise abatement program” for existing lines.

The rail infrastructure companies provide non-discriminatory access to the rail infrastructure in accordance with sections 14 et seq. AEG, and charge the train operating companies (TOC) for this access. They must comply with the requirements of the AEG and the Rail Infrastructure Utilization Ordinance (Eisenbahninfrastrukturverordnung; EIBV). Compliance with these regulations is regulated by the Federal Network Agency (Bundesnetzagentur; BNetzA).

DB Netz AG, DB Station & Service AG as well as DB Energie GmbH generated total revenues of € 7,803 million in the year under review (previous year: € 7,446 million); of this figure, € 1,910 million (previous year: € 1,628 million) was generated with non-Group customers.

The assets of the rail infrastructure are the legal and economic property of the companies.

TRANSPORT CONTRACTS

Service licenses and similar approvals which guarantee the general public access to important economic and public facilities have been granted to companies in DB Group. This is applicable particularly for DB Regio AG as well as its subsidiaries which conduct regional rail passenger operations.

DB Regio AG and its subsidiaries provide transport services on the basis of ordered-service contracts. These so-called transport contracts for local passenger transport services are signed with the organization which orders the transport services (e.g. Federal states, special-purpose association, local transport company); these contracts determine the way in which the transport service is provided and continued, and also governs the relevant compensation (concession fees) paid for the transport services.

The funds necessary for this purpose are made available to the Federal states by the Federal Government in accordance with the regulations of the Regionalization Act (Regionalisierungsgesetz; RegG). The total ordering organization payment received by the subsidiaries of the DB Bahn Regional segment and DB Arriva segment, including comparable payments of international ordering organizations, amounted to € 4,370 million in the year under review (previous year: € 4,489 million) (see note (1)).

In the year under review, the fact that most transport contracts include a concession fee increase by 1.5 % p.a., as well as revenues attributable to final settlements of previous years could not compensate for the effects of performance losses and cuts of the ordering organizations in the year under review.

The transport contracts usually run for periods of between eight and 12 years. A major transport contract will expire at the end of 2011. 75 % of the transport contracts run until at least 2016, 50 % run until at least 2018 and 33 % run until at least 2021. The transport contracts can only be terminated by the ordering organization during the term of the contract for a compelling reason. After the transport contracts have expired, it is expected that the transport services will be put out to competitive tender.

The companies enjoy legal and beneficial ownership of virtually all of the assets necessary for providing the services, and in particular the rolling stock. No special obligations exist after the end of the contract term.

(38) Related-party disclosures

The following parties are deemed to be related parties of DB Group in accordance with IAS 24 (Related-Party Disclosures):

- the Federal Government in its capacity as the owner of all shares in DB AG,
- the companies or enterprises subject to the control of the Federal Republic of Germany (referred to in the following as "Federal companies"),
- affiliated, non-consolidated and associated companies as well as joint ventures of DB Group, as well as
- the members of the Management Board and the Supervisory Board of DB AG and their close relatives.

Transactions with related parties are conducted on an arm's length basis.

The figures attributable to related companies and persons are stated under the corresponding items of the "Notes to the Balance Sheet" with the designation "thereof." Individual figures are set out in the Notes (19), (28) and (29).

Details and explanations of transactions between DB Group and the Federal Republic of Germany are included in the Notes (3), (5), (9), (13), (32), (36) and (37).

Significant economic relations which need to be reported separately between DB Group and related companies and persons are explained in the following:

RELATIONSHIPS WITH THE FEDERAL REPUBLIC OF GERMANY

[€ million]	Federal Government	
	2010	2009
SERVICES RECEIVED BY DB GROUP		
Purchase of goods and services	1,716	1,724
Purchase of properties, buildings, track infrastructure and other assets	0	1
Lease and rental payments made	0	1
Licenses received	0	0
Taking out loans	0	10
Other services received	0	4
Investment grants received	4,316	3,922
Other income grants received	248	190
	6,280	**5,852**
SERVICES RENDERED BY DB GROUP		
Sale of goods and services	281	285
Sale of properties, buildings, track infrastructure and other assets	0	0
Lease and rental payments received	9	9
Other services rendered	118	108
Repayment of loans	478	436
Repayment of investment grants	67	118
Repayment of other income grants	2	0
	955	**956**
OTHER DISCLOSURES		
Unsecured receivables	88	89
Unsecured liabilities	3,307	3,673
Current total of guarantees received	3,200	3,067
Current total of guarantees granted	0	0

Purchases of products and services mainly comprise the fees paid to the Federal Government within the framework of the pro forma billing of the allocated civil servants as well as cost refunds for staff secondments in the service provision field.

In 2010, the economic recovery meant that the use of short-time working was only necessary to a limited extent, primarily in the field of rail freight services. DB AG received a figure of € 11 million from the Bundesagentur für Arbeit for short-time working benefit and the related social insurance contributions.

In 2010, the Agentur für Arbeit approved applications of DB AG for payments of around € 18 million under the Semi-Retirement Act (Altersteilzeitgesetz; AltTZG) section 3 AltTZG in conjunction with sections 4, 16 AltTZG. The claim to such payments is justified when a person is appointed to the position which has become free as a result of the semi-retirement arrangement.

With effect from January 1, 2009, DB AG and the Federal Government signed a performance and financing agreement (Leistungs- und Finanzierungsvereinbarung; LuFV) with a volume of € 2.5 billion p.a. until 2013; this agreement has fundamentally reformed the financing regime for the existing network. The purpose of this agreement is to ensure that the use of Federal funds is managed in a quality-oriented manner. The aim is to improve the plannability, efficiency and transparency of funding for maintaining the infrastructure. The Federal Government undertakes to pay € 2.5 billion per annum for carrying out replacement capital expenditures in the existing network; the contribution of DB AG is € 500 million per annum. DB Group guarantees the maintenance and sales of the infrastructure. It is measured in terms of meeting the quality objectives and also providing supporting evidence for minimum replacement capital expenditures and minimum maintenance expenses (€ 1.0 billion to € 1.25 billion p.a.). In the year under review stipulations of the LuFV regarding quality parameters were defined precisely or extended with effect from January 1, 2010. More precise details were also provided with regard to supporting evidence for capital expenditures and maintenance.

Further investment grants are provided for transport program measures in accordance with the Municipal Transport Financing Act (Gemeindeverkehrsfinanzierungsgesetz; GVFG) and via the Transport Infrastructure Financing Company (Verkehrsinfrastrukturfinanzierungsgesellschaft; VIFG) in accordance with the Transport Infrastructure Financing Act (Verkehrsinfrastrukturfinanzierungsgesetz; VIFGG).

DB AG has been approved funds from the European Union for infrastructure projects in the fields of trans-European networks (TEN) and for the regional development of transport infrastructure (EFRE).

Under the Federal economic stimulus programs I and II, the Federal Government provides around € 1.4 billion for rail infrastructure capital expenditures. The additionally provided funds from both economic stimulus programs will be used for specific measures for improving quality of the rail infrastructure. In 2010, of the Federal funds of around € 1.4 billion, around € 0.5 billion was used for signing new contracts or for the adjustment of existing agreements.

The grants recognized in the income statement relate mainly to payments provided by the Federal Government for covering excessive burdens borne by DB Group as a result of operating and maintaining equal-height crossings with roads of all construction authorities.

Sales of products and services also comprise services for carrying severely disabled persons, persons who are working on alternative military service and Bundeswehr traffic.

DB AG has repaid € 478 million loans to the Federal Government in accordance with the BSchwAG; almost all of this payment was covered by the agreed annual standard redemption payments.

The liabilities due to the Federal Government comprise the extended loans, which are shown here with their present values, and other liabilities of € 371 million (previous year: € 397 million).

The guarantees received from the Federal Government primarily relate to the loans received from EUROFIMA as well as the outstanding contributions and liabilities arising from collective liability of DB AG at EUROFIMA. In the first half of 2010, DB AG raised a further loan of € 200 million from EUROFIMA. The guarantees which have been received include a maximum commitment of € 2,354 million of the Federal Government for loans of EUROFIMA. The loan volume amounted to € 1,153 million as of the balance sheet date.

The following agreements were concluded with the Federal Government in the year under review:

Seven new financing contracts were agreed with a Federal content of around € 682 million (of this figure: about € 96 million in 2010). The financing agreements have different terms (ranging from one year up to ten). Financing is provided completely in the form of investment grants which do not have to be repaid.

For the years 2004 to 2008, DB AG has waived its entitlement to reimbursement of the costs for employees and assigned civil servants that occur by the implementation of technical, operational and organizational measures, that would lead to a reduction of personnel, as a result of the fact that employment contracts which were transferred to DB AG in accordance with section 14 (2) of the Deutsche Bahn Foundation Act (Deutsche Bahn Gründungsgesetz; DBGrG) cannot be terminated (see section 21 (5) and (6) DBGrG). Starting in 2009, these claims will be settled by the Federal Government for the years 2009 to 2012 with an annual amount of around € 70 million in accordance with the regulations of Section 21 (5) DBGrG. For the entire period, DB AG will receive a refund of around € 279 million.

Within this context, DB AG will repay Federal loans of around € 660 million, which were granted on the basis of the joint declaration regarding the extent of rail infrastructure capital expenditures in the year 2001 to 2003 (trilateral agreement). In line with the agreements which have been reached, interest will be charged on the loan starting January 1, 2009, and, starting in the year 2009, the loan will be repaid to the Federal Government in four annual installments of around € 165 million each.

RELATIONS WITH FEDERAL COMPANIES

Most of the transactions carried out in accordance with IAS 24 in the period under review and in the previous year period related to operations, and overall were of minor significance for DB Group.

RELATIONS WITH AFFILIATED, NON-CONSOLIDATED COMPANIES, ASSOCIATES AND JOINT VENTURES

In the year under review, DB Group purchased products and services worth € 123 million (previous year: € 189 million), mainly for purchasing passenger and freight transport services. Most of this figure, namely € 120 million (previous year: € 122 million), was attributable to transactions conducted with associates.

Interest payments of € 36 million (previous year: € 71 million) were also incurred in the year under review. This figure relates almost exclusively to interest payments for the loans extended by EUROFIMA. Please refer to the details under Note (28).

In the year under review, DB Group generated revenues of € 582 million (previous year: € 795 million) from sales of products and services. The revenues were generated mainly in the DB Schenker Rail segment and relate to revenues generated by transport services which were provided.

Guarantees totaling € 22 million (previous year: € 13 million) have been extended; of this figure € 22 million (previous year: € 12 million) was attributable to joint ventures.

An equivalent volume of transactions with related companies was conducted in the previous year period.

RELATIONS WITH THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF DB AG

The following section sets out the transactions between DB Group and the members of the Management Board and the Supervisory Board, as well as the companies in which members of the Management Board or the Supervisory Board own a majority interest.

[€ thousand]	**2010**	2009
SERVICES RENDERED BY DB GROUP		
Sale of goods and services	16,386	14,065
Trade receivables as of Dec 31	782	406
SERVICES RECEIVED BY DB GROUP		
Purchase of goods and services	61,323	55,244
Trade liabilities as of Dec 31	7,229	6,416

The revenues of € 16,386 thousand (previous year: € 14,065 thousand) generated by DB Group (service provider) mainly comprise transport and freight forwarding services of DB Schenker Rail and DB Schenker Logistics segments; of this figure, € 1,666 thousand (previous year: € 4,025 thousand) was generated with the SMS GmbH Group, and € 14,714 thousand (previous year: € 10,040 thousand) was generated with the Georgsmarienhütte Holding GmbH Group.

The products and services purchased by DB Group (service recipient) comprise almost entirely supplies of Georgsmarienhütte Holding GmbH Group.

COMPENSATION OF THE MANAGEMENT BOARD

[€ thousand]	**2010**	2009
Total compensation of the Management Board [1]	14,362	19,551
Fixed [1]	6,218	5,051
Variable [1]	6,294	3,738
Severance payments including additional benefits	1,850	9,629
Payments from deferred compensation	0	1,133
Short-term [1]	10,960	17,670
Long-term [1), 2)]	3,402	2,537
Compensation of former members of the Management Board and their surviving dependants	2,316	2,211
Retirement benefit obligation in respect of former members of the Management Board and their surviving dependants [3), 4)]	58,241	39,322

1) Pro rata temporis: Dr. Richard Lutz (April 1 – December 31, 2010), Stefan Garber (January 1 – March 31, 2010), Diethelm Sack (January 1 – March 31, 2010).
2) The figure for long-term compensation consists of retirement provisions (€ 2,896 thousand) and long-term incentives (€ 506 thousand). The figure for long-term compensation for retirement provisions of the new Board member is estimated.
3) Details of defined benefit obligation.
4) Including Board members who retired in the 2010 financial year.

No loans and advances were extended to members of the Management Board in the year under review. Nor did the company take on any contingencies for the benefit of members of the Management Board.

COMPENSATION OF THE SUPERVISORY BOARD

[€ thousand]	**2010**	2009
Total compensation of the Supervisory Board	808	877
thereof short-term	808	877
thereof fixed	541	506
thereof variable	74	0
thereof attendance fees	33	55
thereof pecuniary advantage condition from travel benefits	41	25
thereof compensation for membership in Supervisory Boards of DB Group companies (including attendance fees)	119	291

No compensation was incurred for former members of the Supervisory Board and their surviving dependants. There are no pension obligations for former members of the Supervisory Board and their surviving dependants.

No loans and advances were extended to members of the Supervisory Board in the year under review. Nor did the company take on any contingencies for the benefit of members of the Supervisory Board.

With regard to an individual breakdown and further details of the compensation of the members of the Management Board and members of the Supervisory Board, please refer to the comments in the compensation report on pages 31 to 35 of this Annual Report.

(39) Events after the balance sheet date

At the end of January 2010, agreement in the wage-bargaining negotiations 2010 was reached with the Eisenbahn- und Verkehrsgewerkschaft (EVG) trade union. The results of the negotiations envisage a two-tier increase in incomes. Accordingly, an increase of 1.8 % will be payable from March 1, 2011 (taking account of the one-off payment made in December 2010), and a further 2 % will be payable after January 1, 2012. In addition one percent per annum will be paid preferably for individual retirement benefits. Further improvements were agreed for the shift bonuses and vacation allowances. The wage-bargaining agreement is due to run for a period of 29 months: from August 1, 2010 to December 31, 2012.

At the beginning of February 2011, the GDL trade union stated that the negotiations with DB AG and the local rail passenger transport companies Abellio GmbH, Arriva Deutschland GmbH, BeNEX GmbH, Keolis Deutschland GmbH & Co. KG, Veolia Verkehr GmbH as well as Hessische Landesbahn had failed, and announced a series of strikes.

At the beginning of February 2011, the Federal Supreme Court (Bundesgerichtshof; BGH) approved the review application of Abellio and stated that the contractual agreement between the Rhine-Ruhr transport association (Verkehrsverbund Rhein-Ruhr; VRR) and DB Regio NRW was ineffective. The judgement has resulted in the revival of the original agreement which was due to run until December 2018. DB Group will evaluate the judgement and assess alternative action. This fundamental decision of the BGH affects more than 30 direct route contracts which are about to be awarded, and is therefore of far-reaching significance for the German local transport market.

(40) Exemption of subsidiaries from the disclosure requirements of the German Commercial Code

The following subsidiaries intend to utilize the possibility of Section 264 (3) German Commercial Code (Handelsgesetzbuch; HGB) and not disclose their financial statements:

- A. Philippi GmbH, Querschied
- AMEROPA-REISEN GmbH, Bad Homburg v.d. Höhe
- Anterist & Schneider GmbH, Saarbrücken
- Anterist + Schneider Automotive Service GmbH, Saarwellingen
- Anterist + Schneider Möbel-Logistik GmbH, Saarbrücken
- Autokraft GmbH, Kiel
- Bayern Express & P. Kühn Berlin GmbH, Berlin
- BBH BahnBus Hochstift GmbH, Paderborn
- BRN Busverkehr Rhein-Neckar GmbH, Ludwigshafen am Rhein
- BRN Stadtbus GmbH, Ludwigshafen am Rhein
- BRS Busverkehr Ruhr-Sieg GmbH, Meschede
- BVO Busverkehr Ostwestfalen GmbH, Bielefeld
- BVR Busverkehr Rheinland GmbH, Düsseldorf
- DB Akademie GmbH, Potsdam
- DB Dialog Telefonservice GmbH, Berlin
- DB Dienstleistungen GmbH, Berlin
- DB European Railservice GmbH, Dortmund
- DB FuhrparkService GmbH, Frankfurt am Main
- DB Gastronomie GmbH, Frankfurt am Main
- DB Intermodal Services GmbH, Mainz
- DB International GmbH, Berlin
- DB JobService GmbH, Berlin
- DB Kommunikationstechnik GmbH, Berlin
- DB Media & Buch GmbH, Kassel
- DB Mobility Logistics AG, Berlin
- DB ProjektBau GmbH, Berlin
- DB Regio Bayern GmbH, Munich
- DB Regio Hanse Verkehr GmbH, Rostock
- DB Regio Hessen GmbH, Frankfurt am Main
- DB Regio Nahverkehr Drei GmbH, Frankfurt am Main
- DB Regio Nahverkehr Eins GmbH, Frankfurt am Main
- DB Regio Nord GmbH, Hanover
- DB Regio Nordost GmbH, Potsdam
- DB Regio Rhein-Ruhr GmbH, Essen
- DB Regio Südost GmbH, Leipzig
- DB Regio Südwest GmbH, Mainz
- DB Regio Thüringen GmbH, Erfurt
- DB Regio Westfalen GmbH, Dortmund
- DB Rent GmbH, Frankfurt am Main
- DB Schenker BTT GmbH, Mainz
- DB Schenker Nieten GmbH, Freilassing
- DB Schenker Rail Automotive GmbH, Kelsterbach
- DB Schenker Rail Corridor Operations GmbH, Mainz
- DB Schenker Rail GmbH, Mainz
- DB Services Immobilien GmbH, Berlin
- DB Sicherheit GmbH, Berlin
- DB Stadtverkehr Bayern GmbH, Coburg
- DB Stadtverkehr GmbH, Frankfurt am Main
- DB Systel GmbH, Frankfurt am Main
- DB Vertrieb GmbH, Frankfurt am Main
- DB Zeitarbeit GmbH, Berlin
- DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH, Bad Homburg
- ECO-Trucking GmbH, Coburg
- ELAG Emder Lagerhaus und Automotive GmbH, Emden
- ELSPED Speditions-Gesellschaft m.b.H., Hamburg
- EVAG Emder Verkehrs und Automotive Gesellschaft mbH, Emden
- EVB Handelshaus Bour GmbH, Landau in der Pfalz
- Friedrich Müller Omnibusunternehmen GmbH, Schwäbisch Hall
- Georg Schulmeyer GmbH, Mörfelden-Walldorf
- H. Albrecht Speditions Gesellschaft mit beschränkter Haftung, Frankfurt am Main
- Haller Busbetrieb GmbH, Walsrode
- Hanekamp Busreisen GmbH, Cloppenburg
- Heider Stadtverkehr GmbH, Heide
- Intertec GmbH, Landau in der Pfalz
- Intertec Retail Logistics GmbH, Landau in der Pfalz
- Inter-Union Technohandel GmbH, Landau in der Pfalz
- Karpeles Flight Services GmbH, Frankfurt am Main
- NVO Nahverkehr Ostwestfalen GmbH, Münster/Westphalia
- Omnibusverkehr Franken GmbH (OVF), Nuremberg
- ORN Omnibusverkehr Rhein-Nahe GmbH, Mainz
- RBO Regionalbus Ostbayern GmbH, Regensburg
- Regional Bus Stuttgart GmbH RBS, Stuttgart
- Regionalbus Braunschweig GmbH –RBB–, Brunswick
- Regionalverkehr Allgäu GmbH (RVA), Oberstdorf
- Regionalverkehr Kurhessen GmbH (RKH), Kassel
- Regionalverkehr Oberbayern Gesellschaft mit beschränkter Haftung, Munich
- RMV Rhein-Mosel Verkehrsgesellschaft mbH, Koblenz
- RVE Regionalverkehr Euregio Maas-Rhein GmbH, Aachen
- RVN Regionalverkehr Niederrhein GmbH, Wesel
- RVS Regionalbusverkehr Südwest GmbH, Karlsruhe
- Saar-Pfalz-Bus GmbH, Saarbrücken
- S-Bahn Mitteldeutschland GmbH, Leipzig
- SBG SüdbadenBus GmbH, Freiburg im Breisgau
- Schenker (BAX) Europe Holding GmbH, Essen

- SCHENKER AIR TRANSPORT GmbH, Kelsterbach
- Schenker Aktiengesellschaft, Essen
- SCHENKER BETEILIGUNGS GmbH, Dortmund
- Schenker Deutschland AG, Frankfurt am Main
- SCHENKER INTERNATIONAL AKTIENGESELLSCHAFT, Essen
- Schenker NIGHT PLUS GmbH, Wülfrath
- Stinnes Beteiligungs-Verwaltungs GmbH, Essen
- Stinnes Immobiliendienst Verwaltungsgesellschaft mbH, Mülheim an der Ruhr
- Stinnes Logistics GmbH, Essen
- Südwest Mobil GmbH, Mainz
- TLS Transa Logistik & Service GmbH, Offenbach am Main
- TRANSA Spedition GmbH, Offenbach am Main
- Trilag Geschäftsführungs GmbH, Trier
- Verkehrsgesellschaft mbH Untermain – VU –, Aschaffenburg
- Verkehrsgesellschaft Schleswig-Holstein mbH, Flensburg
- WB Westfalen Bus GmbH, Münster
- Weser-Ems Busverkehr GmbH (WEB), Bremen
- Zehlendorfer Eisenbahn- und Hafen Gesellschaft mit beschränkter Haftung, Berlin
- Zentral-Omnibusbahnhof Berlin GmbH, Berlin

(41) List of shareholdings

The list of shareholdings is set out on the following pages. It does not include the companies from the acquired business of Arriva in Germany, because we do not have reliable information as a result of cartel law requirements. Information regarding Arriva Deutschland GmbH, Viechtach, and its subsidiaries is available in the Federal Gazette at www.ebundesanzeiger.de.

LIST OF SHAREHOLDINGS OF DB AG (ACCORDING TO SECTION 313 (2) HGB)

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
DB BAHN LONG-DISTANCE		
FULLY CONSOLIDATED		
City Night Line CNL AG i.L., Zurich/Switzerland	71[1]	100.00
DB Bahn Italia S.r.l., Verona/Italy	7,568	100.00
DB European Railservice GmbH, Dortmund[7]	-309	100.00
DB Fernverkehr Aktiengesellschaft, Frankfurt am Main[7]	2,061,803	100.00
DB Reise & Touristik Suisse SA, Bern/Switzerland	547	100.00
DB AutoZug GmbH, Dortmund[7]	134,291	100.00
GERMAN RAIL UK LIMITED, London/Great Britain	-23	100.00
le train DB S.A.S, Paris/France	1,551	100.00
AT EQUITY		
Alleo GmbH, Saarbrücken[7]	127	50.00
RailLink B.V., Amsterdam/the Netherlands[7],[10]	-5,838	25.00
Railteam B.V., Amsterdam/the Netherlands[7],[8],[10]	82	25.00
Rheinalp GmbH, Freiburg im Breisgau[7],[8]	0	50.00
DB BAHN REGIONAL		
FULLY CONSOLIDATED		
Botniatag AB, Stockholm/Sweden	19,010	60.00
Chiltern Railway Company Limited, London/Great Britain	11,125	100.00
DB Bahn Polska Sp. z o.o., Warsaw/Poland	68	100.00
DB Regio Aktiengesellschaft, Frankfurt am Main[7]	1,797,308	100.00
DB Regio Bayern GmbH, Munich[7]	25	100.00
DB Regio Essex Thameside Limited, London/Great Britain	0	100.00
DB Regio Hanse Verkehr GmbH, Rostock[7]	25	100.00
DB Regio Hessen GmbH, Frankfurt am Main[7]	25	100.00
DB Regio Nahverkehr Drei GmbH, Frankfurt am Main[7]	25	100.00
DB Regio Nahverkehr Eins GmbH, Frankfurt am Main[7]	25	100.00
DB Regio Nord GmbH, Hanover[7]	25	100.00
DB Regio Nordost GmbH, Potsdam[7]	25	100.00
DB Regio NRW GmbH, Düsseldorf[7]	249,654	100.00
DB Regio Rheinland GmbH, Cologne[7]	16,989	100.00
DB Regio Rhein-Ruhr GmbH, Essen[7]	25	100.00
DB Regio Südost GmbH, Leipzig[7]	25	100.00
DB Regio Südwest GmbH, Mainz[7]	25	100.00
DB Regio Sverige AB, Stockholm/Sweden	16,467	100.00
DB Regio Thüringen GmbH, Erfurt[7]	25	100.00
DB Regio Tyne and Wear Limited, London/Great Britain	-3,383	100.00
DB Regio UK Limited, London/Great Britain	-9,271	100.00
DB Regio Westfalen GmbH, Dortmund[7]	25	100.00
DB RegioNetz Verkehrs GmbH, Frankfurt am Main[7]	67,651	100.00
DB ZugBus Regionalverkehr Alb-Bodensee GmbH (RAB), Ulm[7]	24,218	100.00
M40 Trains Limited, London/Great Britain	38,719	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
RegioTram Betriebsgesellschaft mbH, Kassel	128	50.96
S-Bahn Berlin GmbH, Berlin[7]	168,146	100.00
S-Bahn Hamburg GmbH, Hamburg[7]	61,924	100.00
S-Bahn Mitteldeutschland GmbH, Leipzig[7]	25	100.00
AT EQUITY		
Bodensee-Oberschwaben Verkehrsverbundgesellschaft mit beschränkter Haftung, Ravensburg[7],[9]	119	25.31
Kahlgrund-Verkehrs-Gesellschaft mit beschränkter Haftung, Schöllkrippen[7],[9]	10,277	28.00
London Overground Rail Operations Limited, London/Great Britain[7],[9]	3,717	50.00
NSH Nahverkehr Schleswig-Holstein GmbH, Kiel[7],[10]	4	46.90
Regionalverkehr Bayerisch Schwaben GmbH (RBS), Augsburg[7],[9]	111	50.00
Regio-Verkehrsverbund Freiburg GmbH (RVF), Freiburg[7],[10]	411	45.00
stadtbus Ravensburg Weingarten GmbH, Ravensburg[7],[9]	25	45.20
Unternehmensgesellschaft Verkehrsverbund Rhein-Neckar GmbH (URN GmbH), Mannheim[7],[9]	202	34.15
Verkehrsgemeinschaft Mittelthüringen GmbH (VMT), Erfurt[7],[9]	61	16.67
Verkehrsunternehmen Hegau-Bodensee Verbund GmbH (VHB), Constance[7],[9]	30	34.00
Verkehrsverbund Bremen/Niedersachsen GmbH (VBN), Bremen[7],[10]	181	29.65
Verkehrsverbund Großraum Nürnberg GmbH (VGN), Nuremberg[7],[9]	38	26.32
Verkehrsverbund Neckar-Alb-Donau GmbH (naldo), Hechingen[7],[9]	40	21.00
Verkehrsverbund Süd-Niedersachsen GmbH (VSN), Göttingen[7],[10]	88	33.08
Wrexham, Shropshire & Marylebone Holdings Limited, London/Great Britain[7],[9]	-10,741	50.00
WTV Waldshuter Tarifverbund GmbH, Waldshut-Tiengen[7],[9]	94	40.00
DB BAHN URBAN		
FULLY CONSOLIDATED		
A. Philippi GmbH, Quierschied[7]	384	100.00
Autokraft GmbH, Kiel[7]	8,554	100.00
Bayern Express & P. Kühn Berlin GmbH, Berlin[7]	3,913	100.00
BBH BahnBus Hochstift GmbH, Paderborn[7]	2,166	100.00
Berlin Linien Bus GmbH, Berlin	26	65.00
BRN Busverkehr Rhein-Neckar GmbH, Ludwigshafen am Rhein[7]	13,269	100.00
BRN Stadtbus GmbH, Ludwigshafen am Rhein[7]	205	100.00
BRS Busverkehr Ruhr-Sieg GmbH, Meschede[7]	4,519	100.00
Busverkehr Märkisch-Oderland GmbH, Strausberg	6,026	51.17
Busverkehr Oder-Spree GmbH, Fürstenwalde	4,003	51.17
BVO Busverkehr Ostwestfalen GmbH, Bielefeld[7]	10,924	100.00
BVR Busverkehr Rheinland GmbH, Düsseldorf[7]	4,257	100.00
DB Stadtverkehr Bayern GmbH, Coburg[7]	25	100.00
DB Stadtverkehr GmbH, Frankfurt am Main[7]	-1,262	100.00
Friedrich Müller Omnibusunternehmen GmbH, Schwäbisch Hall[7]	292	100.00
Georg Schulmeyer GmbH, Mörfelden-Walldorf[7]	444	100.00
Haller Busbetrieb GmbH, Walsrode[7]	25	100.00
Hanekamp Busreisen GmbH, Cloppenburg[7]	555	100.00
Heider Stadtverkehr GmbH, Heide[7]	52	100.00
KOB GmbH, Oberthulba	790	70.00
NVO Nahverkehr Ostwestfalen GmbH, Münster/Westphalia[7]	1,397	100.00
Omnibusverkehr Franken GmbH (OVF), Nuremberg[7]	13,703	100.00
ORN Omnibusverkehr Rhein-Nahe GmbH, Mainz[7]	5,201	100.00
Pan Bus A/S, Viborg/Denmark	8,628	90.00
RBO Regionalbus Ostbayern GmbH, Regensburg[7]	10,166	100.00
RDS bus s.r.o., Babylon/Czech Republic	87[1]	100.00
Regional Bus Stuttgart GmbH RBS, Stuttgart[7]	15,862	100.00
Regional- und Stadtverkehr Bayern GmbH (RSB), Nuremberg[7]	25	100.00
Regionalbus Braunschweig GmbH -RBB-, Brunswick[7]	7,140	100.00
Regionalverkehr Allgäu GmbH (RVA), Oberstdorf[7]	3,234	70.00
Regionalverkehr Dresden GmbH, Dresden	5,621	51.00
Regionalverkehr Kurhessen GmbH (RKH), Kassel[7]	15,515	100.00
Regionalverkehr Oberbayern Gesellschaft mit beschränkter Haftung, Munich[7]	13,255	100.00
rhb rheinhunsrückbus GmbH, Simmern	240	48.69
Rhein-Westerwald Nahverkehr GmbH, Montabaur	129	61.36
RMV Rhein-Mosel Verkehrsgesellschaft mbH, Koblenz[7]	9,551	74.90
RVE Regionalverkehr Euregio Maas-Rhein GmbH, Aachen[7]	1,340	100.00
RVN Regionalverkehr Niederrhein GmbH, Wesel[7]	509	100.00
RVS Regionalbusverkehr Südwest GmbH, Karlsruhe[7]	7,164	100.00
Saar-Pfalz-Bus GmbH, Saarbrücken[7]	9,435	100.00
SBG SüdbadenBus GmbH, Freiburg im Breisgau[7]	6,660	100.00
Südwest Mobil GmbH, Mainz[7]	51	100.00
Verkehrsgesellschaft mbH Untermain - VU -, Aschaffenburg[7]	2,572	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
Verkehrsgesellschaft Schleswig-Holstein mbH, Flensburg[7]	59	100.00
Verkehrsgesellschaft Schwalm-Eder mbH (VSE), Kassel	26	100.00
WB Westfalen Bus GmbH, Münster[7]	6,024	100.00
Weser-Ems Busverkehr GmbH (WEB), Bremen[7]	10,130	100.00
Zentral-Omnibusbahnhof Berlin GmbH, Berlin[7]	414	100.00
AT EQUITY		
"Steig ein" GmbH, Kempten[7),9]	37	23.33
die Linie GmbH Verkehrsbetrieb, Schenefeld[7),9]	1,043	25.00
ETP EURO TRAFFIC PARTNER GmbH, Chemnitz[7),9]	447	12.75
Filsland Mobilitätsverbund GmbH, Göppingen		30.00
FSN Fahrzeugservice Neunkirchen GmbH, Neunkirchen[7),9]	99	47.50
Hövelhofer Ortsbus GmbH (HOB), Rheda-Wiedenbrück[7),12]	11	50.00
Kitzinger Nahverkehrsgemeinschaft (KiNG), Kitzingen		50.00
Kreisbahn Aurich GmbH, Aurich[7),9]	1,192	33.33
Main-Spessart-Nahverkehrsgesellschaft mbH, Gemünden (Main)[7),10]	107	25.00
Nahverkehrsgesellschaft Kreis Gütersloh mbH (NVG) i. L., Gütersloh[7),12]	45	24.70
OWL Verkehr GmbH, Bielefeld[7),9]	51	34.35
RBP Regionalbusverkehr Passau Land GmbH, Bad Füssing[7),10]	77	33.33
Rhein-Nahe Nahverkehrsverbund GmbH, Ingelheim am Rhein[7),11]	127	38.33
Saarländische Nahverkehrs-Service GmbH, Saarbrücken[7),10]	50	30.00
TGO – Tarifverbund Ortenau GmbH, Offenburg[7),9]	225	48.50
UVW Unternehmensverbund Westpfalz GmbH, Kaiserslautern[9]	29	61.67
Verkehrsgemeinschaft Aalen GmbH (VGA), Aalen[7),10]	64	26.67
Verkehrsgemeinschaft Schwäbisch Gmünd GmbH (VSG), Schwäbisch Gmünd[7),11]	28	25.00
Verkehrsgesellschaft Landkreis Nienburg mbH (VLN), Nienburg/Weser[7),10]	26	47.00
VerkehrsGesellschaft Main-Tauber mbH (VGMT), Lauda-Königshofen[7),10]	48	42.19
Verkehrs-Servicegesellschaft Paderborn/Höxter mbH (VPH), Paderborn[7),12]	41	37.00
Verkehrsunternehmens-Verbund Mainfranken GmbH – VVM, Würzburg[7),9]	28	19.82
Verkehrsverbund Schwarzwald-Baar GmbH (VSB), Villingen-Schwenningen[7),9]	172	45.00
VGC Verkehrsgesellschaft Bäderkreis Calw mbH, Calw[7),9]	321	32.50
VHN Verkehrsholding Nord GmbH & Co. KG, Flensburg[7),9]	720	20.00
VHN Verwaltungsgesellschaft mbH, Flensburg[7),9]	266	20.00
VMS Verkehrs-Management und Service GmbH, Trier[7),9]	56	38.46
Völklinger Verkehrsgesellschaft mbH, Völklingen[7),9]	231	25.50
WNS Westpfälzische Nahverkehrs-Service GmbH, Kaiserslautern[7),9]	290	45.00
ZOB Zentral-Omnibus-Bahnhof GmbH, Bremen[7),9]	30	25.60
AT COST		
Regio Verkehrsverbund Lörrach GmbH (RVL), Lörrach[7),9),17]	233	54.00
Verkehrsverbund Rottweil GmbH (VVR), Rottweil[7),9),17]	87	70.20
vgf Verkehrs-Gemeinschaft Landkreis Freudenstadt GmbH, Waldachtal[7),9),17]	127	52.92
DB ARRIVA		
FULLY CONSOLIDATED		
A&T Motor Retailing Limited, Sunderland/Great Britain	1,514	100.00
ACTIJOVEN CONSULTING & TRAVELLING s.l., Madrid/Spain	263	100.00
AJ Transit Limited, Sunderland/Great Britain	0	100.00
Alliance Rail Holdings Ltd, York/Great Britain	- 92	75.10
Alliance Rail Management Ltd, York/Great Britain	0	75.10
Alnery 1345 Limited, Sunderland/Great Britain	- 0	100.00
Ambermile Ltd, Sunderland/Great Britain	98	100.00
APS (Leasing) Ltd, Sunderland/Great Britain	12,282	100.00
Arriva (2007) Limited, Sunderland/Great Britain	380,702	100.00
Arriva (Doxford) Limited, Sunderland/Great Britain	0	100.00
Arriva Abbey Line Limited, Sunderland/Great Britain	0	100.00
Arriva Achterhoek – Rivierenland BV, Heerenveen/the Netherlands	183	100.00
Arriva Beheer NV, Heerenveen/the Netherlands	8,051	100.00
Arriva Brabant BV, Heerenveen/the Netherlands	-1,011	100.00
Arriva Bus & Coach Holdings Limited, Sunderland/Great Britain	20,883	100.00
Arriva Bus and Coach Finance Ltd, Sunderland/Great Britain	1,871	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
Arriva Bus and Coach Ltd, Sunderland / Great Britain	7,781	100.00
Arriva Bus and Coach Rental (1) Ltd, Sunderland / Great Britain	3,465	100.00
Arriva Bus and Coach Rental (2) Ltd, Sunderland / Great Britain	3,166	100.00
Arriva Bus and Coach Rental (3) Ltd, Sunderland / Great Britain	1,831	100.00
Arriva Bus and Coach Rental (4) Ltd, Sunderland / Great Britain	-3,295	100.00
Arriva Busfleet NV, Heerenveen / the Netherlands	-3,619	100.00
Arriva Cheshire Limited, Sunderland / Great Britain	1,251	100.00
Arriva Colchester Limited, Sunderland / Great Britain	-64	100.00
Arriva Concessie BV, Heerenveen / the Netherlands	18	100.00
Arriva Coöperatie W.A., Heerenveen / the Netherlands	686,483	100.00
Arriva Croydon & North Surrey Limited, Sunderland / Great Britain	-16	100.00
Arriva Cymru Limited, Sunderland / Great Britain	5,534	100.00
Arriva DAV BV, Heerenveen / the Netherlands	-6,218	100.00
Arriva Derby Limited, Sunderland / Great Britain	6,295	100.00
Arriva Durham County Limited, Sunderland / Great Britain	1,424	100.00
Arriva East Herts & Essex Ltd, Sunderland / Great Britain	876	100.00
Arriva Finance Holding BV, Heerenveen / the Netherlands	76,546	100.00
Arriva Finance Lease Limited, Sunderland / Great Britain	7,557	100.00
Arriva Finance Limited, Sunderland / Great Britain	0	100.00
Arriva Findiv Limited, Sunderland / Great Britain	259,966	100.00
Arriva Fox County Limited, Sunderland / Great Britain	0	100.00
Arriva Guildford & West Surrey Limited, Sunderland / Great Britain	2,031	100.00
Arriva Holding Ceska Republika s.r.o., Prague / Czech Republic	358,617	100.00
Arriva Hongarije Holding BV, Heerenveen / the Netherlands	33,468	100.00
Arriva HWGO BV, Heerenveen / the Netherlands	-2,477	100.00
Arriva Insurance A/S, Kastrup / Denmark	29,985	100.00
Arriva Insurance Company (Gibraltar) Limited, Gibraltar / Gibraltar	5,570[2]	100.00
Arriva International (2) Limited, Sunderland / Great Britain	3	100.00
Arriva International (7) Limited, Sunderland / Great Britain	151,615	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
Arriva International (Northern Europe) Limited, Sunderland / Great Britain	362,304[1]	100.00
Arriva International (Southern Europe) Limited, Sunderland / Great Britain	362,302[1]	100.00
Arriva International Finance Limited, Sunderland / Great Britain	367,108[1]	100.00
Arriva International Limited, Sunderland / Great Britain	291,800	100.00
Arriva International Trains (Leasing) Limited, Sunderland / Great Britain	14,550[1]	100.00
ARRIVA INVESTIMENTOS SGPS, SA, Almada / Portugal	194,820	99.99
Arriva Italia S.R.L., Bergamo / Italy	-2	100.00
Arriva Italia s.r.l., Milan / Italy	77,172	99.99
Arriva Kent & Sussex Limited, Sunderland / Great Britain	5,457	100.00
Arriva Kent Thameside Limited, Sunderland / Great Britain	10,593	100.00
Arriva Leasing (UK) Limited, Sunderland / Great Britain	0	100.00
ARRIVA LISBOA TRANSPORTES SA, Almada / Portugal	7	99.99
Arriva Liverpool Limited, Sunderland / Great Britain	736	100.00
Arriva London Limited, Sunderland / Great Britain	0	100.00
ARRIVA LONDON NORTH EAST LTD, Sunderland / Great Britain	5,749	100.00
ARRIVA LONDON NORTH LTD, Sunderland / Great Britain	35,532	100.00
ARRIVA LONDON SOUTH LTD, Sunderland / Great Britain	17,698	100.00
Arriva Magyarorszag Vagyonkezelo Kft, Budapest / Hungary	7,800.454	100.00
Arriva Malta Finance & Investments Limited, Sunderland / Great Britain	609,164[1]	99.99
Arriva Malta Holdings Limited, Sunderland / Great Britain	582,458[1]	100.00
Arriva Malta Limited, Sunderland / Great Britain	6[1]	66.67
Arriva Manchester Limited, Sunderland / Great Britain	-790	100.00
Arriva Medway Towns Limited, Sunderland / Great Britain	3,338	100.00
Arriva Merseyside Limited, Sunderland / Great Britain	16,125	100.00
Arriva Midland Red North Limited, Sunderland / Great Britain	109	100.00
Arriva Midlands Limited, Sunderland / Great Britain	5,041	100.00
Arriva Midlands North Limited, Sunderland / Great Britain	9,672	100.00
Arriva Motor Holdings Limited, Sunderland / Great Britain	140,858	100.00
Arriva Motor Retailing Limited, Sunderland / Great Britain	67,365	100.00

Subsidiary [Name and domicile]	Equity in TLC[6)]	Ownership in %
Arriva Multimodaal BV, Heerenveen/the Netherlands	18	100.00
Arriva Noroeste s.l., Ferrol/Spain	20,518	100.00
Arriva North East Limited, Sunderland/Great Britain	6,330	100.00
Arriva North West Limited, Sunderland/Great Britain	1,104	100.00
Arriva Northumbria Limited, Sunderland/Great Britain	4,378	100.00
Arriva Openbaar Vervoer NV, Heerenveen/the Netherlands	62,200	100.00
Arriva Passenger Services (International) Limited, Sunderland/Great Britain	-167	100.00
Arriva Passenger Services Limited, Sunderland/Great Britain	174,647	100.00
Arriva Passenger Services Pension Trustees Limited, Sunderland/Great Britain	0	100.00
Arriva Personenvervoer Nederland BV, Heerenveen/the Netherlands	152,695	100.00
Arriva Plc, Sunderland/Great Britain	605,000	100.00
Arriva Polen Holding BV, Heerenveen/the Netherlands	4,656	100.00
Arriva Polska Sp. z o.o., Warsaw/Poland	6,516	100.00
ARRIVA PORTUGAL – TRANSPORTES LDA, Guimarães/Portugal	8,884	99.99
Arriva RP Sp. z o.o., Warsaw/Poland	141	100.00
Arriva Scotland West Limited, Inchinnan/Great Britain	2,739	100.00
Arriva Skandinavien A/S, Kastrup/Denmark	428,934	100.00
Arriva Slowakije Holding BV, Heerenveen/the Netherlands	19	100.00
Arriva Southend Limited, Sunderland/Great Britain	5,208	100.00
Arriva Southern Counties Limited, Sunderland/Great Britain	1,165	100.00
Arriva Sverige AB, Helsingborg/Sweden	26,344	100.00
Arriva Tag AB, Malmö/Sweden	53,952	100.00
Arriva Techniek BV, Heerenveen/the Netherlands	-1,363	100.00
Arriva Tees & District Limited, Sunderland/Great Britain	446	100.00
Arriva Teeside Limited, Sunderland/Great Britain	129	100.00
Arriva the Shires Limited, Sunderland/Great Britain	6,232	100.00
Arriva Tog A/S, Kastrup/Denmark	114,149	100.00
Arriva Touring BV, Heerenveen/the Netherlands	1,443	100.00
Arriva Tours Ltd, Sunderland/Great Britain	5	100.00
Arriva Trains (Poland) Limited, Sunderland/Great Britain	657[1)]	100.00
Arriva Trains Anglia Limited, Sunderland/Great Britain	0	100.00
Arriva Trains East Coast Limited, Sunderland/Great Britain	0	100.00
Arriva Trains Merseyside Limited, Sunderland/Great Britain	21,029	100.00
Arriva Trains Northern Limited, Sunderland/Great Britain	47,501	100.00
Arriva Trains Scotrail Limited, Sunderland/Great Britain	0	100.00
Arriva Trains Thameside Limited, Sunderland/Great Britain	0	100.00
Arriva Trains Wales Limited, Sunderland/Great Britain	24,837	100.00
ARRIVA TRANSPORTES DA MARGEM SUL, SA, Almada/Portugal	81,183	99.99
Arriva Trustee Company Limited, Sunderland/Great Britain	0	100.00
Arriva UK Trains Limited, Sunderland/Great Britain	27,951	100.00
Arriva vlaky s.r.o., Prague/Czech Republic	-538	100.00
Arriva Wadden BV, Heerenveen/the Netherlands	1,119	100.00
Arriva Waterland Rivierenland BV, Heerenveen/the Netherlands	-14,833	100.00
Arriva Watford Ltd, Sunderland/Great Britain	5	100.00
Arriva West Sussex Limited, Sunderland/Great Britain	4,332	100.00
Arriva Yorkshire Ltd, Sunderland/Great Britain	3,573	100.00
Arriva Yorkshire North Ltd, Sunderland/Great Britain	246	100.00
Arriva Yorkshire South Ltd, Sunderland/Great Britain	1,264	100.00
Arriva Yorkshire West Ltd, Sunderland/Great Britain	1,458	100.00
Arriva Zuid Europa Holding BV, Heerenveen/the Netherlands	570,343	100.00
Arrowline (Travel) Limited, Sunderland/Great Britain	-1	100.00
ASC 2001 A/S, Kastrup/Denmark	182,668	100.00
At Seat Catering Limited, Cardiff/Great Britain	-10	100.00
AUTOBUSES GREISI S.L., Madrid/Spain	246	100.00
AUTOCARES FRAY ESCOBA SLU, Madrid/Spain	1,584	100.00
Autocares Mallorca, s.l., Alcudia/Spain	4,832	100.00
Autocares Pujol s.l., Alcudia/Spain	-130	100.00
Autoservizi F.V.G. S.P.A. – SAF, Udine/Italy	63,948	60.00
B.B. Motors (Bristol) Limited, Sunderland/Great Britain	0	100.00
Bergamo Trasporti Est S.c.a.r.l., Bergamo/Italy	10	93.66
Bergamo Trasporti Ovest S.c.a.r.l., Bergamo/Italy	10	65.76
BOSAK BUS spol. s r.o., Dobris/Czech Republic	48,092	100.00
British Bus (1993) Limited, Sunderland/Great Britain	1	100.00

Subsidiary [Name and domicile]	Equity in TLC 6)	Ownership in %
British Bus (Properties) Limited, Sunderland/Great Britain	74,564	100.00
British Bus Group Limited, Sunderland/Great Britain	43,138	100.00
British Bus Limited, Sunderland/Great Britain	-6,840	100.00
Broadwood Finance Company Limited, Sunderland/Great Britain	-42,845	100.00
Bus Nord Balear s.l., Alcudia/Spain	-2,800	100.00
Buscompagniet 2004 ApS, Kastrup/Denmark	9,377	100.00
BUSCOMPAGNIET ApS, Kastrup/Denmark	74,259	100.00
BUSDAN 20 ApS, Kastrup/Denmark	6,861	100.00
BUSDAN 21 ApS, Kastrup/Denmark	153,981	100.00
BUSDAN 24 ApS, Kastrup/Denmark	7,402	100.00
BUSDAN 25 ApS, Kastrup/Denmark	6,185	100.00
BUSDAN 26 ApS, Kastrup/Denmark	477	100.00
BUSDAN 27 ApS, Kastrup/Denmark	-305	100.00
BUSDAN 28 ApS, Kastrup/Denmark	1,279	100.00
BUSDAN 29 ApS, Kastrup/Denmark	-4,539	100.00
BUSDAN 291 ApS, Kastrup/Denmark	1,423	100.00
BUSDAN 30 ApS, Kastrup/Denmark	-4,592	100.00
BUS-SERVICE SLOVAKIA, spol. s r.o., Komarno/Slovakia	969	100.00
BWS Cymru Cyfyngedig, Sunderland/Great Britain	5	100.00
Caserapid Limited, Sunderland/Great Britain	241	100.00
CDK Ejendomme 2005 A/S, Kastrup/Denmark	938	100.00
CDK Fleet Management A/S, Kastrup/Denmark	-260	100.00
CDK Service A/S, Kastrup/Denmark	-26,620	100.00
Chase Coaches Limited, Sunderland/Great Britain	-215	100.00
Classic Buses (Stanley) Limited, Sunderland/Great Britain	0	100.00
Classic Coaches (Continental) Limited, Sunderland/Great Britain	201	100.00
Classic Trim Ltd, Sunderland/Great Britain	0	100.00
Clydeside Buses Limited, Sunderland/Great Britain	0	100.00
COMBUS EJENDOMME ApS, Kastrup/Denmark	27,030	100.00
Cooperativa Bergamasca Trasporti a r.l., Bergamo/Italy	30	59.52
County Bus Holdings Ltd, Sunderland/Great Britain	98	100.00
Cowie Aviation Limited, Sunderland/Great Britain	0	100.00
Cowie Contract Hire Limited, Sunderland/Great Britain	0	100.00
Cowie Lease Limited, Sunderland/Great Britain	0	100.00

Subsidiary [Name and domicile]	Equity in TLC 6)	Ownership in %
Crossville Bus Limited, Sunderland/Great Britain	1	100.00
CTD Leasing 2001 A/S, Kastrup/Denmark	33	100.00
Curtis Coaches Limited, Sunderland/Great Britain	0	100.00
Derby City Transport Limited, Sunderland/Great Britain	12	100.00
Derby Omnibus Limited, Sunderland/Great Britain	1,420	100.00
East Coast Buses Limited, Sunderland/Great Britain	0	100.00
Eastern Tractors (1981) Limited, Sunderland/Great Britain	0	100.00
Eastern Tractors (Holdings) Limited, Sunderland/Great Britain	0	100.00
EMPRESA DE BLAS Y CIA S.L., Madrid/Spain	56,930	100.00
Entidad Unica Ltd, Ferrol/Spain	26	90.91
ESFERA BUS SLU, Madrid/Spain	1,206	100.00
ESFERA UNIVERSAL SLU, Madrid/Spain	13,672	100.00
Estacion de autobuses de Ferrol S.A., Ferrol/Spain	192	80.14
EUROBUS-INVEST Regionalis Kozlkedesfejlesztesi Zrt, Budapest/Hungary	1,572,114	100.00
EUROBUS-INVEST SLOVAKIA, s.r.o., Komarno/Slovakia	-2,465	100.00
Eurocare Travel Ltd, Sunderland/Great Britain	253	100.00
Excel Gatwick Limited, Sunderland/Great Britain	0	100.00
Excel Passenger Logistics Limited, Sunderland/Great Britain	0	100.00
Fareway Passenger Services Limited, Sunderland/Great Britain	1	100.00
Fickling Investments Limited, Sunderland/Great Britain	0	100.00
Flight Delay Services Limited, Sunderland/Great Britain	0	100.00
Foxhound Limited, Sunderland/Great Britain	-1,402	100.00
Great North Eastern Railway Company Ltd, York/Great Britain	0	75.10
Great North Western Railway Company Ltd, York/Great Britain	0	75.10
Green Travel Limited, Sunderland/Great Britain	3	100.00
Greenline Travel Ltd, Sunderland/Great Britain	8	100.00
Grey Green Ltd, Sunderland/Great Britain	8	100.00
Guildford & West Surrey Buses Limited, Sunderland/Great Britain	3	100.00
Hanger Trucks Limited, Sunderland/Great Britain	-1,194	100.00
Hoppanstopper Ltd, Sunderland/Great Britain	3	100.00
Horsham Buses Limited, Sunderland/Great Britain	62	100.00

Subsidiary [Name and domicile]	Equity in TLC[6)]	Ownership in %
Hylton Castle Motors Limited, Sunderland/Great Britain	84	100.00
INFRA-S, spol. s .r.o., Komarno/Slovakia	1,120	100.00
INTER-BUS INVEST Befektetesi Zrt, Budapest/Hungary	1,137.913	100.00
JTL 2004 ApS, Kastrup/Denmark	9,216	100.00
JTL 2009 ApS, Kastrup/Denmark	5,294	100.00
Jylland Transport Service ApS, Kastrup/Denmark	867	100.00
K Line Travel Ltd, Sunderland/Great Britain	195	100.00
Kennan Investments Limited, Sunderland/Great Britain	0	100.00
Lecco Trasporti S.c.a.r.l., Lecco/Italy	10	56.94
Linkline Coaches Limited, Sunderland/Great Britain	1	100.00
Liverline Travel Services Limited, Sunderland/Great Britain	1	100.00
LJ Transit (Southern) Limited, Sunderland/Great Britain	0	100.00
London & Country Bus (North West) Ltd, Sunderland/Great Britain	0	100.00
London & Country Ltd, Sunderland/Great Britain	282	100.00
London and Northwestern Railway Company Limited, Sunderland/Great Britain	-3,373	99.97
London Pride (Bus Sales) Ltd, Sunderland/Great Britain	65	100.00
London Pride Bus and Coach Sales Ltd, Sunderland/Great Britain	41	100.00
London Pride Engineering Ltd, Sunderland/Great Britain	0	100.00
London Pride Group Ltd, Sunderland/Great Britain	452	100.00
London Pride Sightseeing Ltd, Sunderland/Great Britain	1,579	100.00
Londonlinks Buses Limited, Sunderland/Great Britain	-6	100.00
LSK Leasing A/S, Kastrup/Denmark	2,565	100.00
Maidstone & District Advertising Limited, Sunderland/Great Britain	-13	100.00
Maidstone & District Motor Services Ltd, Sunderland/Great Britain	1,046	100.00
Maldencrest Limited, Sunderland/Great Britain	1	100.00
Meadowhall Limited, Sunderland/Great Britain	52	100.00
Merseyrail Electrics Limited, Sunderland/Great Britain	0	100.00
Merseyrider Limited, Sunderland/Great Britain	66	100.00
Merseyside Transport Limited, Sunderland/Great Britain	0	100.00
Milton Keynes Coaches Ltd, Sunderland/Great Britain	0	100.00
MK Metro Ltd, Sunderland/Great Britain	7,062	100.00

Subsidiary [Name and domicile]	Equity in TLC[6)]	Ownership in %
Moor-dale Coaches Limited , Sunderland/Great Britain	553	100.00
Motor Coach (Holdings) Limited, Sunderland/Great Britain	553	100.00
MTL (Heysham) Limited, Sunderland/Great Britain	0	100.00
MTL Asset Management Limited, Sunderland/Great Britain	0	100.00
MTL Northern Limited, Sunderland/Great Britain	0	100.00
MTL Services Limited, Sunderland/Great Britain	29,946	100.00
MTL Transport Limited, Sunderland/Great Britain	8	100.00
MTL Transport Services Limited, Sunderland/Great Britain	-589	100.00
MTL Trust Holdings Limited, Sunderland/Great Britain	-1	100.00
NETOSEC SLU, Madrid/Spain	293	100.00
Network Colchester Limited, Sunderland/Great Britain	335	100.00
New Enterprise Coaches (Tonbridge) Limited, Sunderland/Great Britain	-274	100.00
North British Bus Limited, Sunderland/Great Britain	2,369	100.00
North East Bus Limited, Sunderland/Great Britain	16,234	100.00
North East Bus Properties Limited, Sunderland/Great Britain	118	100.00
North Western Road Car Company Limited, Sunderland/Great Britain	26	100.00
Northern Spirit Limited, Sunderland/Great Britain	0	100.00
Northern Spirit Rail Limited, Sunderland/Great Britain	0	100.00
Northern Spirit Services Limited, Sunderland/Great Britain	25	100.00
Northern Spirit Trains Limited, Sunderland/Great Britain	0	100.00
Northern Spirit Transport Limited, Sunderland/Great Britain	0	100.00
Northern Spirit Travel Limited, Sunderland/Great Britain	0	100.00
Northumbria Motor Services Limited, Sunderland/Great Britain	126	100.00
NV Arriva Groningen, Heerenveen/the Netherlands	4,311	100.00
NV Personeel de Noord-Westhoek, Heerenveen/the Netherlands	421	100.00
OFJ Connections Limited, Sunderland/Great Britain	0	100.00
OFJ Ground Services Limited, Sunderland/Great Britain	1	100.00
OSNADO spol. s.r.o., Svoboda nad Upou/Czech Republic	54,952	100.00
Peter Sherratt Limited, Sunderland/Great Britain	0	100.00

Subsidiary [Name and domicile]	**Equity in TLC** [6)]	**Ownership in %**
Pickerings Transport Services Limited, Sunderland / Great Britain	1,024	100.00
Premier Buses Ltd, Sunderland / Great Britain	2,102	100.00
Proudmutual Fleet Management Ltd., Sunderland / Great Britain	221	100.00
Regional Railways North East Limited, Sunderland / Great Britain	0	100.00
RIVIERA TRASPORTI LINEA S.P.A., Imperia / Italy	325	79.99
Runway Motors (Bristol) Limited, Sunderland / Great Britain	0	100.00
S.A.B. AUTOSERVIZI S.R.L., Bergamo / Italy	27,356	99.99
S.A.L. Servizi automobilistici Lecchesi S.R.L., Lecco / Italy	5,736	99.99
S.I.A. Societa Italiana Autoservizi S.P.A., Brescia / Italy	36,860	99.99
SAB Piemonte S.r.l. a socio unico, Grugliasco (TO) / Italy	6,780	99.99
SAD-BUSZ Szemelyszallitasi es Szolgaltato Kft, Szekesfehervar / Hungary	6,754	72.25
SADEM – SOCIETA' PER AZIONI, Turint / Italy	19,572	99.99
SAIA TRASPORTI S.P.A., Brescia / Italy	19,862	99.99
SBM ApS, Kastrup / Denmark	– 52,742	100.00
Selby and District Bus Company Limited, Sunderland / Great Britain	8	100.00
SERVICIOS INTEGRALES BUS & TRUCK S.A., Madrid / Spain	180	100.00
Slovenska autobusova doprava Michalovce, a.s., Michalovce / Slovakia	8,551	60.14
Slovenska autobusova doprava Nove Zamky, a.s., Nove Zamky / Slovakia	6,777	60.36
South Lancs Transport Limited, Sunderland / Great Britain	120	100.00
Stevensons Bus Services Limited, Sunderland / Great Britain	0	100.00
Stevensons of Uttoxeter Limited, Sunderland / Great Britain	374	100.00
STRM ApS, Kastrup / Denmark	74	100.00
T.Cowie Property Developments (Sheffield) Limited, Sunderland / Great Britain	– 130	100.00
Tees and District Transport Company Limited, Sunderland / Great Britain	0	100.00
Teeside Motor Services Limited, Sunderland / Great Britain	3	100.00
Teesside Bus Services Ltd, Sunderland / Great Britain	0	100.00
Tellings Golden Miller Group Limited, Sunderland / Great Britain	7,714	100.00
Tellings Golden Miller Limited, Sunderland / Great Britain	– 1,280	100.00
TGM Group Limited, Sunderland / Great Britain	– 6,530	100.00
The Beeline Buzz Company Limited, Sunderland / Great Britain	3,743	100.00
The Keep Motor Group (Epsom) Limited, Sunderland / Great Britain	0	100.00
The Keep Motor Group (High Wycombe) Limited, Sunderland / Great Britain	0	100.00
The Keep Motor Group (Wolverhampton) Limited, Sunderland / Great Britain	0	100.00
The Keep Motor Group (Worcester) Limited, Sunderland / Great Britain	0	100.00
The Keep Trust Limited, Sunderland / Great Britain	0	100.00
The Original London Sightseeing Tour Ltd, Sunderland / Great Britain	5,309	100.00
The Original Passenger Picture Show Limited, Sunderland / Great Britain	880	100.00
The Proudmutual Transport Group Limited, Sunderland / Great Britain	102	100.00
Transcare Solutions Limited, Sunderland / Great Britain	– 65	100.00
TRANSCENTRUM bus s.r.o., Kosmonosy / Czech Republic	65,667	100.00
Transportes Sul do Tejo S.A., Almada / Portugal	9,493	99.99
TRANSURBANOS DE GUIMARAES TP, LDA, Guimarães / Portugal	1,137	99.99
Trasporti Brescia Nord S.c.a.r.l., Brescia / Italy	100	91.99
Trasporti Brescia Sud S.c.a.r.l., Brescia / Italy	100	92.99
Trolebuses Coruna Carballo S.A., Ferrol / Spain	2,570	98.38
TUF-TRANSPORTES URBANOS DE FAMALICAO, LDA, Vila Nova de Famalicao / Portugal	– 423	66.66
U Drive Rental Limited, Sunderland / Great Britain	0	100.00
Uddannelsescenteret for kollektiv trafik A/S, Kastrup / Denmark	20,545	100.00
United Automobile Services Limited, Sunderland / Great Britain	13,085	100.00
Upperchance Limited, Sunderland / Great Britain	0	100.00
Utbildningscenteret för kollektivtrafikken AB, Malmö / Sweden	10,609	100.00
Viajes Ideal S.L., Ferrol / Spain	3	100.00
Viking Tours and Travel Limited, Sunderland / Great Britain	245	100.00
VSK Bus 2007 A/S, Kastrup / Denmark	386,961	100.00
WBL gmbH, Berlin	9,684	100.00
West Riding Automobile Company Limited, Sunderland / Great Britain	0	100.00
XC Trains Limited, Sunderland / Great Britain	77,445	100.00
Yorkshire Bus Group Ltd, Sunderland / Great Britain	38,541	100.00
Yorkshire Bus Holdings Ltd, Sunderland / Great Britain	34,408	100.00

Subsidiary [Name and domicile]	**Equity in TLC**[6)]	**Ownership in %**
Yorkshire Woolen District Transport Co Limited, Sunderland/Great Britain	68	100.00
AT EQUITY		
Aquabus BV, Heerenveen/the Netherlands[7), 8)]	4,050	50.00
Barraqueiro SGPS SA, Lisbon/Portugal	215,299	21.50
Bergamo Trasporti Sud Scarl, Bergamo/Italy[7)]	10	25.57
Bus Center Srl, Rodengo Saiano (BS)/Italy[14)]	-2	45.00
Bus Point Srl, Lallio (BG)/Italy[7)]	114	30.00
Centrebus Holdings Limited, Leicester/Great Britain[14)]	155	40.00
Estacion Autobuses de Pobra, Ferrol/Spain	9	33.33
Explotacion Gasoleos de la Coruna, s.l., Ferrol/Spain	98	40.00
Garda Trasporti Scarl, Desenzano del Garda (BS)/Italy[7)]	20	23.00
Great Park Bus Company Limited, Sunderland/Great Britain[14)]	0	50.00
Intercambiador de Transportes Principe PIO S.A., Madrid/Spain	9,066	30.00
KM S.P.A., Cremona/Italy[14)]	4,043	49.00
Omnibus partecipazioni S.R.L., Milan/Italy[7)]	7,810	50.00
Prometro S.A., Porto/Portugal[7), 8)]	3,804	20.00
PTI (South East) Limited, Sunderland/Great Britain[14)]	238	20.00
Rodinform – Informatica Aplicada aos Transportes, SA, Lisbon/Portugal[14)]	182	20.00
S.I.T. VALLEE SOC. CONS. AR.L., Charvensod (AO)/Italy[7), 8)]	150	20.00
TPL FVG Scarl s.r.l., Gorizia/Italy[7), 8)]	81	15.00
Trieste Trasporti S.P.A., Trieste/Italy[7)]	43,678	39.94
Union Ferrolana de Transportes S.A., Ferrol/Spain[9)]	2	50.00
Veroercombinatie Noord B.V., Heerenveen/the Netherlands[8)]	37	33.00
VIAJEROS DEL EO SL, Ferrol/Spain[9)]	9	50.00
VT-Transman Szemelyszallito es Szolgaltato Kft, Szekesfehervar/Hungary[8)]	1,105,045	49.91
DB SCHENKER RAIL		
FULLY CONSOLIDATED		
"TRAWIPOL" Sp. z o.o., Gliwice/Poland	22,010	100.00
Activa Rail S.A., Madrid/Spain	19	77.32
ATG Autotransportlogistic Sp. z o. o., Malaszewicze/Poland	255	100.00
Autologistic Poland Sp. z o. o., Tychy/Poland	2,417	51.00
Auxiliar Logística de Vehiculos S.L., Saragossa/Spain	13	65.28
Axiom Rail (Cambridge) Limited, Doncaster/Great Britain	457	100.00
Axiom Rail (Stoke) Limited, Doncaster/Great Britain	-6,973	100.00
Axiom Rail Components Limited, Doncaster/Great Britain	-2,769	100.00
Axiom Rail SAS, Paris/France	-233	100.00
Boreal & Austral Railfreight Ltd, Doncaster/Great Britain	67,500	100.00

Subsidiary [Name and domicile]	**Equity in TLC**[6)]	**Ownership in %**
Compañía Aragonesa de Portacoches S.A., Saragossa/Spain	13,546	65.28
Container Szállítmányátrakó Állomás Kft., Györ/Hungary	104[1)]	100.00
container-Terminal Púchov s. r. o., Púchov/Slovakia	297	100.00
Contiwaggon SA, Freiburg/Switzerland	15,710	77.32
DB Intermodal Services GmbH, Mainz[7)]	4,131	100.00
DB Polska Acquisition Sp. z.o.o, Warsaw/Poland	796,015	100.00
DB PORT SZCZECIN Sp. z o.o., Szczecin/Poland	14,647	93.40
DB Schenker BTT GmbH, Mainz[7)]	2,061	100.00
DB Schenker Nieten GmbH, Freilassing[7)]	3,989	100.00
DB Schenker Rail (UK) Limited, Doncaster/Great Britain	159,966	100.00
DB Schenker Rail Automotive GmbH, Kelsterbach[7)]	11,748	100.00
DB Schenker Rail Bulgaria EOOD, Sofia/Bulgaria	1,153	100.00
DB Schenker Rail Coaltran Sp. z o.o., Warsaw/Poland	18,899	100.00
DB Schenker Rail Corridor Operations GmbH, Mainz	47	98.00
DB Schenker Rail Danmark Services A/S, Taastrup/Denmark	4,589	100.00
DB Schenker Rail Deutschland Aktiengesellschaft, Mainz[7)]	464,773	98.00
DB Schenker Rail GmbH, Mainz[7)]	650,934	98.00
DB Schenker Rail Italia S.r.l., Alessandria/Italy	13,210	98.00
DB Schenker Rail Italia Services S.r.l., Milan/Italy	470	98.00
DB Schenker Rail Lok-Wag S.A. i. L., Jaworzno/Poland	363	100.00
DB Schenker Rail Nederland N.V., Utrecht/the Netherlands	-32,642	98.00
DB Schenker Rail Polska S.A., Jaworzno/Poland	461,688	100.00
DB Schenker Rail Rybnik S.A., Rybnik/Poland	206,375	100.00
DB Schenker Rail Scandinavia A/S, Taastrup/Denmark	306,048	49.98
DB Schenker Rail Schweiz GmbH, Opfikon/Switzerland	992	98.00
DB Schenker Rail Slawkow S.A. i. L., Slawkow/Poland	1,874	100.00
DB Schenker Rail Spedkol Sp. z o.o., Kedzierzyn-Kozle/Poland	27,872	100.00
DB Schenker Rail Tabor S.A., Rybnik/Poland	38,407	100.00
DB Schenker Rail Zabrze S.A., Zabrze/Poland	177,472	100.00
Deutsche TRANSFESA GmbH Internationale Eisenbahn-Spezial-Transporte, Kehl/Rhein	856	77.32
Doker-Port Sp. z o.o., Szczecin/Poland	-302	58.38
DUSS Italia Terminal s.r.l., Verona/Italy	124	80.00
East & West Railway Ltd, Doncaster/Great Britain	0	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
Energoport Sp. z o.o., Rybnik/Poland	40,376	100.00
Engineering Support Group Ltd, Doncaster/Great Britain	3,158	100.00
English Welsh & Scottish Railway Holdings Ltd, Doncaster/Great Britain	267,224	100.00
English Welsh & Scottish Railway International Ltd, Doncaster/Great Britain	- 9,961	100.00
Euro Cargo Rail S.A., Madrid/Spain	- 1,508	100.00
Euro Cargo Rail SAS, Paris/France	43,905	100.00
EW&S Trustees Ltd, Doncaster/Great Britain	0	100.00
EWS Information Services Ltd, Doncaster/Great Britain	521	100.00
Guga B.V., Amsterdam/the Netherlands	5,999	77.32
Infra Silesia S.A., Rybnik/Poland	7,379	100.00
LGP Lagerhausgesellschaft Pfullendorf mbH, Pfullendorf	279	49.08
Loadhaul Ltd, Doncaster/Great Britain	16,131	100.00
Locomotive 6667 Ltd, Doncaster/Great Britain	0	100.00
Logistic Center Hungaria Kft., Györ/Hungary	285,527	100.00
Logistic Services Danubius S.R.L., Temeswar/Romania	37,780	98.00
Logística Sanmival S.L., Burgos/Spain	342	57.99
Mainline Freight Ltd, Doncaster/Great Britain	21,266	100.00
Marcroft Holdings Ltd, Doncaster/Great Britain	- 3,097	100.00
MDL Distribución y Logistica S.A., Madrid/Spain	2,586	77.32
MDL Servicios de Marketing y Logística S.A., Barcelona/Spain	336	77.32
Mitteldeutsche Eisenbahn GmbH, Schkopau[7]	1,953	78.40
Nadwislanski Zaklad Transportu Kolejowego Sp. z o.o., Miedzna/Poland	44,252	100.00
New Locomotive Finance Ltd, Doncaster/Great Britain	0	100.00
NordCargo S.r.l, Milan/Italy	6,934	58.80
OOO Railion Russija Services, Moscow/Russia	52,346	98.00
PRZEDSIEBIORSTWO INWESTYCYJNO-TECHNICZNE "INTECHKOP" Sp. z o.o., Katowice/Poland	285	71.75
PRZEDSIEBIORSTWO USLUG TRANSPORTOWYCH "TRANS PAK" Sp. z o.o., Konin/Poland	5,792	100.00
Rail Cargo East Sp.z.o.o., Warsaw/Poland	91	99.60
Rail Express Systems Ltd, Doncaster/Great Britain	29,681	100.00
Rail Service Center Rotterdam B.V., Rotterdam/the Netherlands	8,425	98.00
Rail Terminal Services Limited, Doncaster/Great Britain	- 2,104	100.00
Railway Approvals Ltd, Doncaster/Great Britain	1,366	100.00
Railway Investments Ltd, Doncaster/Great Britain	68,907	100.00
RBH Logistics GmbH, Gladbeck[7]	37,917	98.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
RES December Ltd, Doncaster/Great Britain	16,048	100.00
T.M.T. (Transporte Marítimo Terrestre), Cantabria/Spain	253	46.39
TGP Terminalgesellschaft Pfullendorf mbH, Pfullendorf	239	75.50
Transervi France S.A.S., Cerbère/France	368	77.32
Transervi S.A., Madrid/Spain	1,529	77.32
Transfesa Benelux S.P.R.L., Brussels/Belgium	238	77.32
Transfesa Distribución y Logistica S.L., Madrid/Spain	14,193	77.32
Transfesa France SAS, Gennevilliers/France	2,018	77.32
Transfesa Italia S.r.l., Milan/Italy	185	77.32
Transfesa Portugal Lda., Lisbon/Portugal	847	77.32
Transfesa UK Ltd., Rainham (Essex)/Great Britain	329	77.32
Transportes Ferroviarios Especiales S.A., Madrid/Spain	187,767	77.32
Transportes Jouchoux España S.L., Valencia/Spain	222	77.32
Zehlendorfer Eisenbahn- und Hafen Gesellschaft mit beschränkter Haftung, Berlin[7]	474	98.00
AT EQUITY		
ATN Auto Terminal Neuss GmbH & Co. KG, Neuss[7], [9]	3,567	50.00
Auto Logistic Spain S.A., Madrid/Spain[7], [11]	455	50.00
Autoterminal Slask Logistic Sp.z.o.o., Dabrowa Gornicza/Poland	14,701	50.00
Autotrax Limited, Lufton/Great Britain		24.00
BLS Cargo AG, Bern/Switzerland[7], [9]	93,817	44.10
Cererail A.E.I.E., Madrid/Spain		25.77
Container Terminal Dortmund GmbH, Dortmund[7], [9]	2,295	30.00
Corridor Operations NMBS/SNCB DB Schenker Rail N.V., Brussels/Belgium		48.02
CTS Container-Terminal GmbH Rhein-See-Land-Service, Cologne[7], [9]	3,395	22.50
DAP Barging B.V., Rotterdam/the Netherlands[7], [9]	2,233	53.90
DCH Düsseldorfer Container-Hafen GmbH, Düsseldorf[7], [9]	559	51.00
Doerpener Umschlaggesellschaft für den kombinierten Verkehr mbH (DUK), Dörpen[7], [9]	3,395	35.00
Elevator-Gesellschaft mit beschränkter Haftung, Hanover	245	50.00
EuroShuttle A/S i.L., Copenhagen/Denmark[7], [13]	17,302	26.54
Hansa Rail GmbH i.L., Frankfurt am Main[10]	260	49.00
Hispanauto – Empresas Agrupadas A.E.I.E. ©, Madrid/Spain	0	58.04
INTERCONTAINER – INTERFRIGO SA, Brussels/Belgium[7], [9]	4,893[1]	35.66
Kombiverkehr Deutsche Gesellschaft für kombinierten Güterverkehr mbH & Co. Kommanditgesellschaft, Frankfurt am Main[7], [9]	14,999	50.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
Lokomotion Gesellschaft für Schienentraktion mbH, Munich[7], [9]	5,638	29.40
METRANS a. s., Prague / Czech Republic	97,409[1]	34.33
OFP La Rochelle Maritime Rail Services SAS, La Rochelle / France		24.90
Omfesa Logistica S.A., Madrid / Spain	3,050	38.66
OPTIMODAL NEDERLAND B.V., Rotterdam / the Netherlands[7], [10]	300	23.85
PKV Planungsgesellschaft kombinierter Verkehr Duisburg mbH, Duisburg[7], [9]	897	50.00
POLZUG Intermodal GmbH, Hamburg[8]	6,787	33.33
Pool Ibérico Ferroviario A.E.I.E., Madrid / Spain	0	9.02
PORT HANDLOWY SWINOUJSCIE Sp. z o.o., Swinoujscie / Poland[7]	15,706	42.80
Rail Euro Concept SAS i.L., Levallois-Perret / France[7], [10]	193	49.00
Railmax B.V., Nijmegen / the Netherlands	87	38.66
Railmax C.V., Nijmegen / the Netherlands[9]	192	38.27
SLASKIE CENTRUM LOGISTYKI S.A., Gliwice / Poland		21.86
Sociedad de Estudios y Explotacion Material Auxiliar de Transportes, S.A. ("SEMAT"), Madrid / Spain[7]	12,268	48.56
Stifa S.A., Alverca de Ribatejo / Portugal	- 85	38.66
Terminal Singen TSG GmbH, Singen[7], [9]	589	50.00
TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt am Main	-707	50.00
TFG Verwaltungs GmbH, Frankfurt am Main[7]	127	50.00
Trans-Eurasia Logistics GmbH, Berlin[7], [9]	306	30.00
Vistula Rail Operator Sp. z o.o., Swiecie / Poland[7]	1,497	50.00
Xrail S.A., Brussels / Belgium		31.76
ZAO Eurasia Rail Logistics i.L., Mosow / Russia[7], [10]	1,675	34.20
DB SCHENKER LOGISTICS		
FULLY CONSOLIDATED		
Air Terminal Handling S.A., Tremblay en France / France	1,066	94.50
AkeriTerminal Bilspedition Aktiebolag, Tranas / Sweden	1,523	58.33
ALB Automative Logistica LTDA, Juiz de Fora – MG / Brasil	3,377	51.00
Anterist & Schneider GmbH, Saarbrücken[7]	7,021	100.00
Anterist + Schneider Automotive Service GmbH, Saarwellingen[7]	2,662	100.00
Anterist + Schneider Logistik GmbH, Zwenkau	295	100.00
Anterist + Schneider Möbel-Logistik GmbH, Saarbrücken[7]	88	100.00
Anterist + Schneider Zeebrugge B.V., Zeebrugge / Belgium	355	100.00
AS Schenker, Tallinn / Estonia	336,851	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
ASIMEX Anterist + Schneider Import – Export S.a.r.L., Stiring-Wendel / France	713	100.00
ATLANTIQUE EXPRESS SAS, Montaigu Cedex / France	357	99.91
BAX Global (Aust.) Pty Ltd., Alexandria / Australia	190	100.00
BAX Global (Israel) Ltd., Ramat Gan / Israel	- 4,023	100.00
BAX Global (Malaysia) Sdn. Bhd., Petaling Jaya / Malaysia	- 3,231	100.00
BAX Global (Pty.) Ltd., Johannesburg / South Africa	10	100.00
BAX Global (Thailand) Limited, Bangkok / Thailand	391,106	49.00
BAX Global (UK) Limited, London / Great Britain	7,979	100.00
BAX Global B.V., Haarlemmermeer / the Netherlands	9,081	100.00
BAX Global Cartage Pty Ltd., Alexandria / Australia	0	100.00
BAX Global EPE Transportation Freight Forwarding & Logistics Solutions, Athens / Greece	52	100.00
BAX Global Holding, S.L.U., Barcelona / Spain	20,155	100.00
BAX Global Holdings Pty Ltd., Alexandria / Australia	0	100.00
BAX Global Inc., Irvine / USA	135,674	100.00
BAX Global Kft., Csor / Hungary	- 40,005	100.00
BAX Global Limited, London / Great Britain	2,738	100.00
BAX Global Limited, Hong Kong / Hong Kong	23,044	100.00
BAX Global Logistics (Shanghai) Co. Ltd., Shanghai / China	159,528	100.00
BAX Global Logistics Sdn.Bhd., Petaling Jaya / Malaysia	90,916	100.00
BAX Global Networks B.V., Ridderkerk / the Netherlands	50,702	100.00
BAX Holdings Inc., Makati City / the Philippines	0	100.00
BEMI JOYAU SCI, Montaigu Cedex / France	123	99.94
Bilspedition Transport & Logistics AB, Göteborg / Sweden	4,500	100.00
Bischof Betriebsführungsgesellschaft mbH, Vienna / Austria	38	100.00
Bosch y Bassols Distribuciones y Almacenases S.L., Barcelona / Spain	101	100.00
Bosch y Bassols S.A., Mataro / Spain	867	100.00
BTL AB, Göteborg / Sweden	3,678,822	100.00
BTL International AB, Göteborg / Sweden	160,376	100.00
BTL Nord GmbH, Lübeck	19,843	100.00
BTL Reinsurance S.A., Luxembourg / Luxembourg	61,832[3]	100.00
Cold Stores AB, Göteborg / Sweden	408,959	100.00
Deutsche Bahn Iberica Holding, S.L., Barcelona / Spain	188,703	100.00
DP Schenker, Kiev / Ukraine	- 9,247	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
Dritte Kommanditgesellschaft Stinnes Immobiliendienst GmbH & Co. KG, Mülheim an der Ruhr	10,857	100.00
ECO-Trucking GmbH, Coburg[7]	50	100.00
ELAG Emder Lagerhaus und Automotive GmbH, Emden[7]	1,363	100.00
ELSPED Speditions-Gesellschaft m.b.H., Hamburg[7]	3,663	100.00
Engelberg Transportes Internacionales C.A. (Entra), Caracas/Venezuela	5,560	100.00
EVAG Emder Verkehrs und Automotive Gesellschaft mbH, Emden[7]	1,262	100.00
EVB Handelshaus Bour GmbH, Landau in der Pfalz[7]	25	100.00
Facility Plus B.V., Tilburg/the Netherlands	855	100.00
Fastighets Aktiebolaget Orbyn, Göteborg/Sweden	11,167	100.00
Fastighetsaktiebolaget Kylen 1, Göteborg/Sweden	3,870	100.00
Fertrans AG, Buchs/Switzerland	6,635	100.00
FERTRANS d.o.o. za medunarodni prijevoz, Zagreb/Croatia	-2,059	100.00
General de Manipulacion y Almacenases S.A. (Gemalsa), Barcelona/Spain	186	100.00
General de Transportes Zona Central, S.A., Alcala de Menares (Madrid)/Spain	-3,806	100.00
H. Albrecht Speditions Gesellschaft mit beschränkter Haftung, Frankfurt am Main[7]	460	100.00
HANGARTNER S.r.l., Verona/Italy	4,953	100.00
HANGARTNER Terminal AG, Aarau/Switzerland	-201	100.00
HANGARTNER Terminal S.r.l., Verona/Italy	1,391	100.00
HB Zolldeklarationsservice GmbH, Vienna/Austria	158	100.00
Herber Hausner Süd-Ost Speditions-gesellschaft m.b.H., Vienna/Austria	1,789	100.00
Herber Hausner Szállitmányozási Kft., Budapest/Hungary	88,956	100.00
I.C.S. “Schenker” S.R.L, Chisinau/Moldova	-492	100.00
Intertec Asia Limited, Sheung Wan/Hong Kong	233	100.00
Intertec GmbH, Landau in der Pfalz[7]	26	100.00
INTERTEC Polska Sp.zo.o., Nardarzyn/Poland	769	100.00
Intertec Retail Logistics GmbH, Landau in der Pfalz[7]	26	100.00
Inter-Union Technohandel Gesellschaft m.b.H., Vienna/Austria	19	100.00
Inter-Union Technohandel GmbH, Landau in der Pfalz[7]	26	100.00
Intreprinderea Mixta Moldo-Romana “Balcantir” S.R.L., Chisinau/Moldova	3,302	97.21
Joyau S.A., Montaigu Cedex/France	12,791	99.94
Karpeles Flight Services GmbH, Frankfurt am Main[7]	1,698	100.00
KB Ädelgasen 1-Jönköping, Jönköping/Sweden	114,388	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
KB Älghunden Jönköping, Jönköping/Sweden	20,248	100.00
KB Älghunden 1-Jönköping, Jönköping/Sweden	28,334	100.00
KB Anholt 3, Stockholm/Sweden	9,203	100.00
KB Arbetsbasen 4-Stockholm, Stockholm/Sweden	42,384	100.00
KB Ättehögen Östra 1-Helsingborg, Helsingborg/Sweden	59,832	100.00
KB Backa 107:3-Göteborg, Göteborg/Sweden	128,113	100.00
KB Backa 107:4-Göteborg, Göteborg/Sweden	33,707	100.00
KB Backa 107:5-Göteborg, Göteborg/Sweden	27,585	100.00
KB Baggböle 2:35-Umeå, Umeå/Sweden	21,486	100.00
KB Benkammen 12-Malmö, Malmö/Sweden	118,467	100.00
KB Bleckslagaren 9-Örebro, Örebro/Sweden	20,459	100.00
KB Bleket 1-Karlstad, Karlstad/Sweden	40,099	100.00
KB Distributören 3 och 4-Örebro, Örebro/Sweden	79,493	100.00
KB Forsmark 2-Stockholm, Stockholm/Sweden	63,979	100.00
KB Forsmark 3-Stockholm, Stockholm/Sweden	159,424	100.00
KB Forsmark 5 Stockholm, Göteborg/Sweden	-305	100.00
KB Frysen 1 Visby, Visby/Sweden	16,392	100.00
KB Fryshuset 3-Visby, Visby/Sweden	813	100.00
KB Gurkan 2-Eslöv, Eslöv/Sweden	31,336	100.00
KB Hajen 19 Göteborg, Göteborg/Sweden	39,850	100.00
KB Husby 4:2-Sigtuna, Sigtuna/Sweden	4	100.00
KB Husby 6:7-Sigtuna, Sigtuna/Sweden	1	100.00
KB Jordbromalm 4:4-Haninge, Haninge/Sweden	48,085	100.00
KB Kolet 4-Malmö, Malmö/Sweden	24,502	100.00
KB Köpmannen 10-Västerås, Västerås/Sweden	34,536	100.00
KB Kungsängen 28:1-Uppsala, Uppsala/Sweden	13,559	100.00
KB Langtradaren 2-Borlänge, Borlänge/Sweden	33,986	100.00
KB Lertaget 1, Skara, Skara/Sweden	46,376	100.00
KB Malmö Hamnen 22 Malmö, Malmö/Sweden	65,891	100.00
KB Maskinen 3-Linköping, Linköping/Sweden	57,880	100.00
KB Neonljuset 3-Eskilstuna, Eskilstuna/Sweden	4,978	100.00
KB Önnestad 108:4-Kristianstad, Kristianstad/Sweden	40,788	100.00
KB Överön 1:66-Örnsköldsvik, Örnsköldsvik/Sweden	10,816	100.00
KB Pantern 1-Växjö, Växjö/Sweden	36,825	100.00
KB Reläet 8-Norrköping, Norrköping/Sweden	29,471	100.00
KB Sandstuhagen 3-Stockholm, Stockholm/Sweden	26,578	100.00
KB Sockret 4-Malmö, Malmö/Sweden	3,075	100.00

Subsidiary [Name and domicile]	Equity in TLC[6)]	Ownership in %
KB Sörby 24:3 -Gävle, Gävle/Sweden	33,723	100.00
KB Storheden 1:8 -Luleå, Luleå/Sweden	28,259	100.00
KB Tigern 10 -Kalmar, Kalmar/Sweden	11,057	100.00
KB Tingstadsvassen 31:3 -Göteborg, Göteborg/Sweden	44,802	100.00
KB Transporten 1 -Hultsfred, Hultsfred/Sweden	18,603	100.00
KB Transportören 1 -Värnamo, Värnamo/Sweden	82,321	100.00
KB Viken 3 -Karlshamn, Karlshamn/Sweden	11,584	100.00
KB Vindtrycket 1 -Borås, Borås/Sweden	62,524	100.00
KB Vivstamon 1:13 -Timrå, Timrå/Sweden	52,601	100.00
Kiinteistö Oy Ferryroad, Helsinki/Finland	- 235	100.00
Kiinteistö Oy Helsingin Metsäläntie 2 - 4, Helsinki/Finland	4,783	100.00
Kiinteistö Oy Kaakon Terminaali, Lappeenranta/Finland	128	100.00
Kiinteistö Oy Porin Kiitolinja, Björneborg/Finland	152	100.00
Kiinteistö Oy Reininkatu 9, Vasa/Finland	89	100.00
Kiinteistö Oy Seinäjoen Kiitolinja-asema, Seinäjoki/Finland	86	100.00
Kiinteistö Oy Tampereen Rahtiasema, Helsinki/Finland	374	100.00
Kiinteistö Oy Tir-Trans, Joentaustankatu/Finland	421	100.00
Kiinteistö Oy Turun Nosturinkatu 6, Abo/Finland	1,181	100.00
Kiinteistö Oy Varastohotelli, Tikkurilantie, Vantaa/Finland	1,468	100.00
Kiinteistömaaliikenne Oy, Helsinki/Finland	1,912	54.70
Kommanditgesellschaft Stinnes Immobiliendienst GmbH & Co., Emden	51	100.00
Langtradaren i Jämtland AB, Göteborg/Sweden	5,861	100.00
Logidocks S.L., Barcelona/Spain	1,002	100.00
Nordisk Bilspedition AB, Göteborg/Sweden	14,436	100.00
Oy Schenker East AB, Helsinki/Finland	54,231	100.00
Rengaslinja Oy, Helsinki/Finland	235	100.00
Romtrans Benelux N.V., Antwerp/Belgium	103	66.67
Romtrans GmbH Internationale Speditionsgesellschaft i.L., Munich	- 17	100.00
Romtrans Holiday Ltd., Eforie Sud, Constanța/Romania	- 42	100.00
Romtrans Impex Ltd., Bucharest/Romania	59	100.00
Scansped S.A., Mitry-Mory Cedex/France	1,267	100.00
Scanspol Sp. z o. o. Warsaw/Poland	2,642	99.60
Scantrans SAS, Rouen/France	437	100.00
SCHENKER & Co. AG, Vienna/Austria	165,466	100.00
Schenker (Asia Pacific) Pte. Ltd., Singapore/Singapore	201,872	100.00

Subsidiary [Name and domicile]	Equity in TLC[6)]	Ownership in %
Schenker (BAX) Europe Holding GmbH, Essen[7)]	289,355	100.00
Schenker (BAX) Holding Asia Limited, Hong Kong/Hong Kong	1,805,184	100.00
Schenker (BAX) Holding Corp., Delaware/USA	144,788	100.00
Schenker (H.K.) Ltd., Hong Kong/Hong Kong	208,495	100.00
Schenker (Ireland) Ltd., Shannon/Ireland	14,335	100.00
Schenker (L.L.C), Dubai/United Arab Emirates	19,940	60.00
Schenker (NZ) Ltd., Auckland/New Zealand	790	100.00
Schenker (Thai) Holdings Ltd., Bangkok/Thailand	49,520	49.00
Schenker (Thai) Ltd., Bangkok/Thailand	1,006,190	49.00
Schenker A.E., Athens/Greece	2,108	100.00
Schenker A/S, Hvidovre/Denmark	123,225	100.00
Schenker AB, Göteborg/Sweden	439,355	100.00
SCHENKER AIR TRANSPORT GmbH, Kelsterbach[7)]	230	100.00
Schenker Akeri AB, Göteborg/Sweden	8,766	100.00
Schenker Aktiengesellschaft, Essen[7)]	898,718	100.00
Schenker Argentina S.A., Buenos Aires/Argentina	- 6,159	100.00
Schenker AS, Oslo/Norway	592,114	100.00
Schenker Australia Pty. Ltd., Alexandria/Australia	226,520	100.00
Schenker B.V., Tilburg/the Netherlands	16,956	100.00
SCHENKER BETEILIGUNGS GmbH, Dortmund[7)]	26	100.00
SCHENKER BETEILIGUNGS GmbH & Co. OHG, Mülheim an der Ruhr	0	100.00
Schenker BITCC Customs Broker (Beijing) Co. Ltd., Beijing/China	1,146	70.00
Schenker BITCC Logistics (Beijing) Co., Ltd., Beijing/China	63,090	70.00
Schenker Cargo Oy, Turku/Finland	18,844	100.00
Schenker Chile S.A., Santiago/Chile	5,276,689	100.00
Schenker China Ltd., Pudong, Shanghai/China	1,243,299	100.00
Schenker Consulting AB, Göteborg/Sweden	12,793	100.00
Schenker Customs Agency B.V., Rotterdam/the Netherlands	- 63	100.00
Schenker d.d, Ljubljana/Slovenia	16,287	100.00
SCHENKER d.o.o., Sarajevo/Bosnia and Herzegovina	1,125	100.00
Schenker d.o.o., Zagreb/Croatia	16,120	100.00
Schenker d.o.o., Belgrade/Serbia	62,504	100.00
Schenker Dedicated Services AB, Göteborg/Sweden	19,235	100.00
Schenker Deutschland AG, Frankfurt am Main[7)]	56	100.00
Schenker do Brasil Transportes Internacionais Ltda., São Paulo/Brazil	26,134	100.00
SCHENKER DOOEL, Skopje/Macedonia	33,753	100.00
Schenker Egypt Ltd., Cairo/Egypt	417	60.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
SCHENKER EOOD, Sofia/Bulgaria	8,747	100.00
Schenker Espana, S.A., Coslada/Madrid (Spain)	12,222	100.00
Schenker Filen 8 Aktiebolag, Göteborg/Sweden	3,924	100.00
Schenker High Tech Logistics B.V., Rotterdam/the Netherlands	15,358	100.00
Schenker Holdings (NZ) Limited, Auckland/New Zealand	2,798	100.00
SCHENKER INDIA PRIVATE LIMITED, New Delhi/India	1,763,668	100.00
Schenker International (HK) Ltd., Hong Kong/Hong Kong	1,831,015	100.00
Schenker International (Macau) Ltd., Macao/Macao	35,324[4]	100.00
Schenker International AB, Göteborg/Sweden	1,238,769	100.00
SCHENKER INTERNATIONAL AKTIENGESELLSCHAFT, Essen[7]	56	100.00
Schenker International B.V., Rotterdam/the Netherlands	13,420	100.00
Schenker International S.A. de C.V., Mexico/Mexico	361,727	100.00
Schenker Ireland Holding Limited, Dublin/Ireland	19,701	100.00
Schenker Italiana S.p.A., Peschiera/Italy	52,541	100.00
Schenker Korea Ltd., Seoul/South Korea	31,819,424	100.00
Schenker Limited, London/Great Britain	30,674	100.00
Schenker Logistics (Chongqing) Co. Ltd, Chongqing/China	5,282	100.00
Schenker Logistics (Guangzhou) Company Ltd., Guangzhou/China	64,954	100.00
Schenker Logistics (Malaysia) Sdn Bhd., Kuala Lumpur/Malaysia	100,896	100.00
Schenker Logistics (Shanghai) Co., Ltd., Shanghai/China	20,833	100.00
Schenker Logistics (Shenzhen) Co. Ltd., Shenzhen/China	13,316	100.00
Schenker Logistics (Suzhou) Company Ltd., Suzhou/China	106,759	100.00
Schenker Logistics (Xiamen) Co. Ltd., Xiamen/China	46,542	100.00
Schenker Logistics AB, Göteborg/Sweden	29,376	100.00
Schenker Logistics Inc., Calamba City/the Philippines	23,125	100.00
Schenker Logistics LTD, Lod/Israel		100.00
Schenker Logistics, Inc., Greensboro, NC/USA	15,033	100.00
Schenker Ltd., Nairobi/Kenya	93,266	100.00
SCHENKER LUXEMBURG GMBH, Leudelange/Luxembourg	316	100.00
Schenker Malaysia Sdn. Bhd., Kuala Lumpur/Malaysia	14,122	100.00
Schenker Maroc S.a.r.l., Casablanca/Morocco	11,743	100.00
Schenker Mauritanie SAS, Nouakchott/Mauritania	-130,116	100.00
Schenker Mauritius (Malaysian Holdings) Ltd., Port Louis/Mauritius	35,931[5]	100.00
Schenker Mauritius (Thai Holdings) Ltd., Port Louis/Mauritius	35,118[5]	100.00
Schenker Metafores A.G. i. L., Athens/Greece	786	100.00
Schenker Middle East FZE, Dubai/United Arab Emirates	5,725	100.00
SCHENKER N.V., Antwerp/Belgium	24,089	100.00
Schenker Nederland Holding B.V., Rotterdam/the Netherlands	-3,341	100.00
Schenker Nemzetközi Szallitmanyozasi es Logisztikai Kft., Budapest/Hungary	2,815,599	100.00
Schenker NIGHT PLUS GmbH, Wülfrath[7]	25	100.00
Schenker North AB, Göteborg/Sweden	994,805	100.00
Schenker o.g. Beheer B.V., Tilburg/the Netherlands	4,163	100.00
Schenker of Canada Ltd., Toronto/Canada	119,192	100.00
Schenker OY, Helsinki/Finland	22,721	100.00
Schenker Peru S.R.L., Lima/Peru	6,135	100.00
Schenker Petrolog Utama, PT, Jakarta/Indonesia	13,272[5]	71.00
Schenker Philippines, Inc., Makati City/the Philippines	466,467	100.00
Schenker Privpak AB, Boras/Sweden	3,095	100.00
Schenker Privpak AS, Oslo/Norway	-13,697	100.00
Schenker Property Sweden AB, Göteborg/Sweden	117,471	100.00
Schenker Re Limited, Dublin/Ireland	45,571	100.00
Schenker Romtrans S.A., Bucharest/Romania	365,360	100.00
Schenker Russia LLC, Moscow/Russia	874	100.00
Schenker S.A., Guatemala City/Guatemala	-7,691	100.00
SCHENKER s.r.o., Bratislava/Slovakia	1,751	100.00
Schenker SA, Gennevilliers/France	104,536	100.00
Schenker Saudi Arabia LLC, Riad/Saudi Arabia	3,318	100.00
Schenker Schweiz AG, Zurich/Switzerland	86,164	100.00
Schenker Shared Services (Nanjing) Co. Ltd., Nanjing/China	6,085	100.00
Schenker Singapore (PTE) Ltd., International Forwarders, Singapore/Singapore	164,825	100.00
Schenker South Africa (Pty) Ltd., Isando/South Africa	121,574	100.00
Schenker Sp.zo.o., Warsaw/Poland	216,428	99.60
SCHENKER spol. s r.o., Prague/Czech Republic	178,580	100.00
Schenker Transitarios, S.A., Loures/Portugal	2,280	100.00
Schenker Transport Aktiebolag, Göteborg/Sweden	70,879	100.00
Schenker Transport Groep B.V., Tilburg/the Netherlands	332	100.00
Schenker Vastgoed B.V., Enschede/the Netherlands	1,761	100.00
Schenker Vietnam Co., Ltd., Ho Chi Minh City (Saigon)/Vietnam	3,681[5]	51.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
Schenker Warehousing & Customs Brokerage (Xiamen) Co. Ltd., Xiamen/China	2,832	100.00
Schenker, Inc., New York/USA	65,125	100.00
Schenker-Arkas Nakliyat Ve Tic. A.S., Zincirlikuyu/Turkey	27,567	55.00
Schenker-Gemadept Logistics Vietnam Company Limited, Binh Duong Province/Vietnam	731[5]	51.00
SCHENKER-JOYAU SAS, Montaigu Cedex/France	18,333	99.94
Schenkerocean Ltd, Wanchai/Hong Kong	17,179	100.00
Schenker-Seino Co. Ltd., Tokyo/Japan	4,366,589	60.00
SIA Schenker, Riga/Latvia	2,109	100.00
SIA Sky Partners, Riga/Latvia	5	100.00
Sky Partners OÜ, Tallinn/Estonia	13,715	100.00
SPAIN TIR Centro Transportes Internacionales S.A., Coslada (Madrid)/Spain	5,990	100.00
Spain Tir Norte, Transportes Internacionales, S.A., Zaisa/Spain	2,147	100.00
SPAIN-TIR Transportes Internacionales S.A., Barcelona/Spain	129,660	100.00
Star Global (Shanghai) Ltd., Shanghai/China	458	100.00
Star Global International (HK) Ltd., Hong Kong/Hong Kong	-874	100.00
Star Global Services Limited, Hong Kong/Hong Kong	4,552	100.00
Stinnes (UK) Limited, Feltham, Middlesex/Great Britain	21,750	100.00
Stinnes Danmark A/S, Hvidovre/Denmark	119,578	100.00
Stinnes Immobiliendienst GmbH & Co. KG, Mülheim an der Ruhr	1,609	100.00
Stinnes Immobiliendienst Verwaltungs-gesellschaft mbH, Mülheim an der Ruhr[7]	-89	100.00
SW Zoll-Beratung GmbH, Dortmund	2,568	100.00
TEGRO AG, Schwerzenbach/Switzerland	13,287	90.00
TLS Transa Logistik & Service GmbH, Offenbach am Main[7]	268	100.00
Traficos Comerciales E Inmobiliarios SL, Barcelona/Spain	86,019	100.00
Trafikaktiebolaget NP Kagström, Göteborg/Sweden	2,277	100.00
Tramex, S.A., Poligono Malpica/Spain	-242	100.00
TRANSA Spedition GmbH, Offenbach am Main[7]	13,205	100.00
Transorient SA, Bucharest/Romania	4,242	54.00
Transport Gesellschaft mbH, Hamburg	538	96.70
Transworld Asig – Broker de Asigurare Ltd., Bucharest/Romania	256	100.00
Trilag Geschäftsführungs GmbH, Trier[7]	27	100.00
UAB "Schenker", Vilnius/Lithuania	4,068	100.00
Viktor E. Kern Gesellschaft m.b.H., Vienna/Austria	1,240	100.00
ZAO Schenker, Moscow/Russia	101,960	100.00
ZAO Schenker Russija, Moscow/Russia	226,394	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
Zweite Kommanditgesellschaft Stinnes Immobiliendienst GmbH & Co., Mülheim an der Ruhr	113,889	100.00
AT EQUITY		
ATS Air Transport Service AG, Zurich/Switzerland[8]	7,906	26.00
Autoport Emden GmbH, Emden	77	33.30
Bäckebols Akeri AB, Hisings Backa/Sweden[8]	53,050	35.00
BTU – Bilspedition Transportörer Utvecklings AB, Solna/Sweden[9]	6,237	50.00
DASH Global Logistics SAS, Saint Julien/France	41	50.00
Express Air Systems GmbH (EASY), Kriftel[8]	2,758	50.00
Gardermoen Perishables Center AS, Gardermoen/Norway[8]	4,360	33.30
Germans Corbalan & Alvarez, S.L., Manresa (Barcelona)/Spain[8]	257	20.00
Halmstadsakarnas Fastighets AB, Halmstad/Sweden[8]	16,971	31.44
Immo Fumeron S.A.R.L., Arnage/France[8]	377	27.98
LogCap-IR Grundverwertungsgesellschaft mbH, Vienna/Austria	4,603	49.00
Moldromukrtrans SRL, Chisinau/Moldova	16,859	33.33
Speditionsbau und Verwertungsgesellschaft m.b.H., Salzburg/Austria[9]	50	25.00
Titan Containers Romania SRL, Constanța/Romania	207	20.00
Trans Jelabel S.L., Aldeamayorde S Martin/Spain[8]	453	20.00
Transatlantic Shipping and Trading SRL, Bucharest/Romania	930	50.00
Värnamo Akeri AB, Värnamo/Sweden[8]	14,364	50.00
Volla Eiendom AS, Oslo/Norway[8]	10,503	50.00
DB SERVICES		
FULLY CONSOLIDATED		
DB Dienstleistungen GmbH, Berlin[7]	618,562	100.00
DB Fahrzeuginstandhaltung GmbH, Frankfurt am Main[7]	177,168	100.00
DB FuhrparkService GmbH, Frankfurt am Main[7]	3,650	100.00
DB Kommunikationstechnik GmbH, Berlin[7]	4,028	100.00
DB Rent GmbH, Frankfurt am Main[7]	18	100.00
DB Services Nord GmbH, Hamburg[7]	1,240	100.00
DB Services Nordost GmbH, Berlin[7]	317	100.00
DB Services Süd GmbH, Munich[7]	1,550	100.00
DB Services Südost GmbH, Leipzig[7]	363	100.00
DB Services Südwest GmbH, Frankfurt am Main[7]	1,871	100.00
DB Services West GmbH, Cologne[7]	1,111	100.00
DB Sicherheit GmbH, Berlin[7]	1,247	100.00
DB Systel GmbH, Frankfurt am Main[7]	161,032	100.00
DB Waggonbau Niesky GmbH, Niesky	11,813	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
AT EQUITY		
Leipziger Servicebetriebe (LSB) GmbH, Leipzig[7,9]	285	49.00
DB NETZE TRACK		
FULLY CONSOLIDATED		
DB Bahnbau Gruppe GmbH, Berlin[7]	28,224	100.00
DB Fahrwegdienste GmbH, Berlin[7]	2,870	100.00
DB Netz Aktiengesellschaft, Frankfurt am Main[7]	7,318,307	100.00
DB RegioNetz Infrastruktur GmbH, Frankfurt am Main[7]	1,494	100.00
Deutsche Umschlaggesellschaft Schiene – Straße (DUSS) mbH, Bodenheim am Rhein[7]	2,948	87.50
AT EQUITY		
EEIG Corridor Rotterdam-Genoa EWIV, Frankfurt am Main[7,10]	0	33.33
Güterverkehrszentrum Entwicklungs-gesellschaft Dresden mbH, Dresden[7,9]	1,523	24.53
MegaHub Lehrte Betreibergesellschaft mbH, Hanover[7,11]	1,198	29.17
S-Bahn Tunnel Leipzig GmbH i. L., Leipzig[7,16]	81	30.00
TKN Terminal Köln-Nord GmbH, Cologne[7,9]	24	42.88
TriCon Container-Terminal Nürnberg GmbH, Nuremberg[7,9]	137	21.88
DB NETZE STATIONS		
FULLY CONSOLIDATED		
DB BahnPark GmbH, Berlin	2,830	51.00
DB Station & Service Aktiengesellschaft, Berlin[7]	1,496,682	100.00
AT COST		
Immobilien-Vermietungsgesellschaft Schumacher & Co Objekt Bahnhöfe Deutschland KG, Düsseldorf[7,9,17]	-21,872	100.00
TUDO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bahnhöfe KG Düsseldorf, Düsseldorf[7,9,17]	-2,541	100.00
DB NETZE ENERGY		
FULLY CONSOLIDATED		
DB Energie GmbH, Frankfurt am Main[7]	665,247	100.00
OTHER SUBSIDIARIES		
FULLY CONSOLIDATED		
AMEROPA-REISEN GmbH, Bad Homburg v.d. Höhe[7]	2,748	100.00
CLG Lagerhaus GmbH i. L., Mannheim	-1,201	100.00
DB (UK) Logistics Holdings Limited, Doncaster/Great Britain[7]	1,880,045	100.00
DB Akademie GmbH, Potsdam	6,034	100.00
DB Belgie Holding BVBA, Antwerp/Belgium	19	100.00
DB Consult GmbH, Berlin	716	100.00
DB Danmark Holding ApS, Taastrup/Denmark	210,043	100.00
DB Dialog Telefonservice GmbH, Berlin[7]	885	100.00
DB France Holding SAS, Gennevilliers Cedex/France	529,214	100.00
DB Gastronomie GmbH, Frankfurt am Main[7]	792	100.00
DB Hungaria Holding Kft., Budapest/Hungary	11,039,475	100.00
DB International GmbH, Berlin[7]	31,812	100.00
DB International USA, Inc., Delaware/USA	284	100.00
DB JobService GmbH, Berlin[7]	875	100.00
DB Media & Buch GmbH, Kassel[7]	26	100.00
DB Mobility Logistics AG, Berlin[7]	2,697,632	100.00
DB Nederland Holding B.V., Utrecht/the Netherlands	18	100.00
DB Polska Holding Sp.z.o.o, Warsaw/Poland	1,716,744	100.00
DB ProjektBau GmbH, Berlin[7]	26,471	100.00
DB Services Immobilien GmbH, Berlin[7]	-410	100.00
DB UK Holding Limited, Doncaster/Great Britain	1,884,991	100.00
DB US Corporation, Tarrytown/USA	256,383	100.00
DB US Holding Corporation, Tarrytown/USA	290,399	100.00
DB Vertrieb GmbH, Frankfurt am Main[7]	5,974	100.00
DB Zeitarbeit GmbH, Berlin[7]	-295	100.00
Deutsche Bahn Aktiengesellschaft, Berlin	15,328,720	100.00
Deutsche Bahn Finance B. V., Amsterdam/the Netherlands	57,355	100.00
Deutsche Bahn France Voyages & Tourisme SARL, Paris/France	221	100.00
Deutsche Bahn Romania Holding S.R.L., Bucharest/Romania	0	100.00
Deutsche Industrieholz GmbH, Essen	733	29.15
Die Bahn DB Demiryollari Limited Sirketi, Istanbul Bagcilar/Turkey	25	99.95
DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH, Bad Homburg[7]	3,217	65.00
DVA REINSURANCE LIMITED, Dublin/Ireland	5,368	65.00
Frank & Schulte GmbH, Essen	26	100.00
GI-Consult Geo Information Consult GmbH, Berlin	2,509	50.00
GI-CONSULT GEO INFORMATION CONSULT Polska Sp.zo.o., Warsaw/Poland	35[1]	50.00
Grundstückspool Potsdam Center GbR mbH, Berlin		70.00
HD ocel s.r.o., Prague/Czech Republic	-9,047	100.00
HEROS Rail Rent GmbH, Fürth[15]	3,621	2.00
Mataki Kemi AB, Malmö/Sweden	19,113	100.00
Precision National Plating Services, Inc., Delaware/USA	-11,204	100.00
Stinnes Beteiligungs-Verwaltungs GmbH, Essen[7]	175,181	100.00
Stinnes Grundstücke GmbH & Co. Sanitär Heizung Fliesen Immobilien KG, Mülheim an der Ruhr	22,268	100.00

Subsidiary [Name and domicile]	Equity in TLC[6]	Ownership in %
Stinnes Handel GmbH & Co. Beteiligungs OHG, Essen	- 89	100.00
Stinnes Holz GmbH, Essen	420	53.00
Stinnes International AG, Zug / Switzerland	602	100.00
Stinnes Logistics GmbH, Essen[7]	2,754	100.00
Stinnes Montan Gesellschaft mit beschränkter Haftung i.L., Essen	182	100.00
Stinnes ocel s.r.o., Prague / Czech Republic	2,074	100.00
UBB Polska Sp.z o.o., Swinemünde / Poland	79	100.00
UBB Usedomer Bäderbahn GmbH, Heringsdorf[7]	2,442	100.00
Unterstützungskasse der Firma H.M. Gehrckens Gesellschaft mit beschränkter Haftung, Hamburg	263	100.00
Vienna Consult Verkehrsberatungsgesellschaft mbH, Vienna / Austria	75	100.00
Zweite Kommanditgesellschaft Stinnes Immobiliendienst GmbH & Co., Berlin	56	100.00
AT EQUITY		
ALSTOM Lokomotiven Service GmbH, Stendal[7]	19,484	49.00
BahnflächenEntwicklungsGesellschaft NRW mbH, Essen[7),8]	218	49.90
Beijing HuaJing DeBo International Engineering Consulting Co., Ltd, Beijing / China		25.00
BwFuhrparkService GmbH, Troisdorf[7),9]	98,000	24.90
CD-DUSS Terminal, a.s., Lovosice / Czech Republic[7),10]	6,753	49.00
EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial, Basel / Switzerland[7),8]	1,439,847	22.60
Innovationszentrum für Mobilität und gesellschaftlichen Wandel (InnoZ) GmbH, Berlin[7),9]	54	50.40
Qatar Railways Development Company, Doha / Katar		49.00
Rail Technology Company Limited, Jeddah / Saudi Arabia		24.90
SSG Saar-Service GmbH, Saarbrücken[7),9]	1,416	25.50
AT COST		
TREMA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bahnhöfe West KG, Berlin[7),9),17]	4,128	94.00
TRENTO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bahnhöfe Ost KG, Düsseldorf[7),9),17]	- 87	100.00

1) Euro
2) GBP
3) SEK
4) HKD
5) USD
6) IFRS data
7) Local GAAP data
8) Preliminary data
9) Data: 2009 financial year
10) Data: 2008 financial year
11) Data: 2007 financial year
12) Data: 2006 financial year
13) Data: 2005 financial year
14) Data: Interim balance sheet as of Aug 31, 2010
15) Inclusion in the consolidated financial statements according to SIC-12 (Consolidation – Special Purpose Entities)
16) Data: Final liquidation balance sheet 2004
17) Inclusion has been omitted, as DB AG cannot exercise control with respect to these subsidiaries.

Figures in thousand local currency (TLC); ownership calculated in indirect ownership

(42) Management Board and Supervisory Board

The names and mandates of the members of the Supervisory Board and the Management Board of DB AG are as follows:

MANAGEMENT BOARD

Dr. Rüdiger Grube
Chief Executive Officer and Chairman of the Management Board, Chief Executive Officer and Chairman of the Management Board of DB Mobility Logistics AG,
Gechingen
a) DB Netz AG [1] (Chairman)
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn
b) Arriva Plc, Sunderland/Great Britain [1] (Board of Directors)
Deutsche Bank AG (Advisory Board operating region Stuttgart)

Gerd Becht
Compliance, Privacy and Legal Affairs,
Member of the Management Board of DB Mobility Logistics AG,
Bad Homburg
a) DB Schenker Rail Deutschland AG [1]
DB International GmbH [1]
DB Sicherheit GmbH [1]
DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft
b) DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn (Advisory Board)

Stefan Garber
Infrastructure,
Bad Homburg
– up to March 31, 2010 –
a) DB Station & Service AG [1] (Chairman)
DB Energie GmbH [1] (Chairman)
DB ProjektBau GmbH [1] (Chairman)
Sparda-Bank Baden-Württemberg eG
b) IDUNA Lebensversicherung a.G. Signal Iduna Gruppe (Advisory Board)

Dr. Volker Kefer
Rail Technology and Services,
Infrastructure (since March 24, 2010),
Member of the Management Board of DB Mobility Logistics AG,
Erlangen
a) DB Energie GmbH [1] (Chairman)
DB International GmbH [1] (Chairman)
DB ProjektBau GmbH [1] (Chairman)
DB Station & Service AG [1] (Chairman)
b) DB Dienstleistungen GmbH [1] (Advisory Board, Chairman)
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn (Advisory Board)

Dr. Richard Lutz
Chief Financial Officer,
Member of the Management Board of DB Mobility Logistics AG,
Hoppegarten (Mark)
– since April 1, 2010 –
a) DB Netz AG [1]
b) Arriva Plc, Sunderland/Great Britain [1] (Board of Directors)

Diethelm Sack
Chief Financial Officer,
Member of the Management Board of DB Mobility Logistics AG,
Frankfurt am Main
– March 31, 2010 –
a) DB Services Immobilien GmbH [1] (Chairman)
b) DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH [1] (Chairman)

Ulrich Weber
Personnel,
Member of the Management Board of DB Mobility Logistics AG,
Krefeld
a) DB Regio AG [1]
DB Schenker Rail Deutschland AG [1]
Schenker AG [1]
DB Gastronomie GmbH [1] (Chairman)
DB JobService GmbH [1] (Chairman)
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn
HDI-Gerling Industrie Versicherung AG
HDI-Gerling Sach Serviceholding AG
b) DB Dienstleistungen GmbH [1] (Advisory Board)
DB Zeitarbeit GmbH [1] (Advisory Board, Chairman)

[1] Mandate within the Group
a) Membership in other supervisory boards required by law
b) Membership in comparable domestic and foreign corporate control committees of business enterprises

Information relating to December 31, 2010 or the time of leaving the services of the company in 2010. If appointed after December 31, 2010, the time of appointment is used.

SUPERVISORY BOARD

Dr. Günther Saßmannshausen
Honorary Chairman of the Supervisory Board,
Hanover
– deceased November 21, 2010 –

Prof. Dr. Dr. Utz-Hellmuth Felcht
Chairman of the Supervisory Board,
Partner One Equity Partners Europe GmbH,
Munich
– since March 24, 2010 –
a) DB Mobility Logistics AG (Chairman)
b) CRH plc, Dublin/Ireland
Jungbunzlauer Holding AG,
Basel/Switzerland (Administrative Board)
Süd-Chemie Aktiengesellschaft (Chairman)

Dr. Werner Müller
Chairman of the Supervisory Board,
Mülheim an der Ruhr
– up to March 24, 2010 –
a) DB Mobility Logistics AG (Chairman)
b) Stadler Rail AG, Bussnang/Switzerland
(Administrative Board)

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Deputy Chairman of the Supervisory Board,
Chairman of the Eisenbahn- und Verkehrsgewerkschaft trade union,
Runkel
a) DB Mobility Logistics AG
DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a.G.
Betriebliche Sozialeinrichtung
der Deutschen Bahn (Chairman)
DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung
der Deutschen Bahn (Chairman)
DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft (Chairman)

Dr. Hans Bernhard Beus
State Secretary in the Federal Ministry
of Finance,
Berlin
– since March 9, 2010 –
a) DB Mobility Logistics AG
b) KfW IPEX-Bank GmbH

Georg Brunnhuber
Member of the German Bundestag (retired),
Oberkochen
– up to March 24, 2010 –

Niels Lund Chrestensen
General Manager of N.L. Chrestensen
Samenzucht und Produktion GmbH,
Erfurt
– up to March 24, 2010 –
a) Funkwerk AG
b) Landesbank Hessen-Thüringen
(Advisory Board Public Sector Companies/
Institutions, Municipalities and Savings
Banks)
Thüringer Aufbaubank
(Administrative Board)

Christoph Dänzer-Vanotti
Lawyer,
Essen
a) E.ON Energie AG
E.ON Energy from Waste AG

Patrick Döring
Member of the German Bundestag,
Hanover
– since March 24, 2010 –
a) VIFG Verkehrsinfrastrukturfinanzierungsgesellschaft mbH
b) DFS Deutsche Flugsicherung GmbH
(Advisory Board)
WEGE RE s.a, Luxembourg/Luxembourg
(Administrative Board)

Dr.-Ing. Dr. E.h. Jürgen Großmann
Chairman of the Management Board of RWE AG,
Hamburg
a) BATIG Gesellschaft für Beteiligungen mbH
British American Tobacco (Germany) GmbH
British American Tobacco (Industrie) GmbH
SURTECO SE (Chairman)
VOLKSWAGEN AG
b) Hanover Acceptances Limited,
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Chairman of the Works Council of
S-Bahn Hamburg GmbH,
Hamburg
– up to March 24, 2010 –
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DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a.G.
Betriebliche Sozialeinrichtung der
Deutschen Bahn
DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung
der Deutschen Bahn

Dr. Bernhard Heitzer
State Secretary in the Federal Ministry of
Economics and Technological Affairs,
Alfter
a) DB Mobility Logistics AG

Jörg Hensel*
Chairman of the Central Works Council of
DB Schenker Rail Deutschland AG,
Chairman of the Branch Works Council of
DB Mobility Logistics AG,
Hamm
a) DB Schenker Rail Deutschland AG
b) DEVK Pensionsfonds-AG (Advisory Board)

Klaus-Dieter Hommel*
Deputy Chairman of the Eisenbahn- und
Verkehrsgewerkschaft trade union,
Frankfurt am Main
a) DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung
der Deutschen Bahn
DEVK Pensionsfonds-AG
DEVK Rechtsschutz-Versicherungs-AG
DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a.G.
Betriebliche Sozialeinrichtung der
Deutschen Bahn

Wolfgang Joosten*
Chairman of the Central Works Council,
DB Fernverkehr AG,
Lünen
– since March 24, 2010 –
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b) DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a.G.
Betriebliche Sozialeinrichtung
der Deutschen Bahn (Advisory Board)

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Chairman of the Group Works Council of
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Chairman of the Central Works Council of
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a) DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a.G.
Betriebliche Sozialeinrichtung
der Deutschen Bahn
DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung
der Deutschen Bahn (Chairman)
DEVK Pensionsfonds-AG (Chairman)
DEVK Vermögensvorsorge- und
Beteiligungs-AG (Chairman)

Helmut Kleindienst*
Chairman of the Branch Works Council of
the Services Business Unit of DB Group,
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a) DB Dienstleistungen GmbH
(Advisory Board)

Dr. Jürgen Krumnow
Former member of the Management Board
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Königstein/Taunus
a) DB Mobility Logistics AG
Lenze AG
b) Peek & Cloppenburg KG (Advisory Board)

Prof. Dr. Knut Löschke
Management consultant,
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– since March 24, 2010 –
a) Stratos Aktiengesellschaft
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Vitus Miller*
Chairman of the Central Works Council
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b) DB GesundheitsService GmbH
(Advisory Board)

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b) DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung
der Deutschen Bahn (Advisory Board)

Dr. Walther Otremba
State Secretary in the Federal Ministry of Defense,
St. Augustin
– up to March 8, 2010 –
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Ute Plambeck*
Management Representative
Deutsche Bahn AG for the Federal States of Hamburg/Schleswig-Holstein,
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a) Autokraft GmbH
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DB Schenker Rail Deutschland AG NL Süd-Ost,
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– since March 24, 2010 –
a) DB Schenker Rail Deutschland AG

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Hamburg
a) DB Station&Service AG
DB Bahnbau Gruppe GmbH
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DB ProjektBau GmbH
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DEVK Allgemeine Versicherungs-AG
DEVK Pensionsfonds-AG
b) DB Jobservice GmbH
DGB Rechtsschutz GmbH

Prof. Klaus-Dieter Scheurle
State Secretary, Federal Ministry of Transport, Building and Urban Affairs,
Bonn
a) DB Mobility Logistics AG
Fraport AG
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Dr.-Ing. E.h. Dipl.-Ing. Heinrich Weiss
Chairman of Management Board of SMS GmbH,
Hilchenbach-Dahlbruch
a) DB Mobility Logistics AG
SMS Siemag AG [1] (Chairman)
Voith AG
b) Bombardier Inc., Montreal/Canada

* Employees' representative on the Supervisory Board
[1] Mandate within the Group
a) Membership in other supervisory boards required by law
b) Membership in comparable domestic and foreign corporate control committees of business enterprises

Information relating to December 31, 2010 or the time of leaving the services of the company in 2010. If appointed after December 31, 2010, the time of appointment is used.

SUPERVISORY BOARD COMMITTEES

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Prof. Dr. Dr. Utz-Hellmuth Felcht
(Chairman since March 24, 2010)
Dr. Werner Müller
(Chairman up to March 24, 2010)
Günter Kirchheim
Alexander Kirchner
Sts Prof. Klaus-Dieter Scheurle

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Dr. Jürgen Krumnow (Chairman)
Helmut Kleindienst
Regina Rusch-Ziemba
Sts Prof. Klaus-Dieter Scheurle

PERSONNEL COMMITTEE
Prof. Dr. Dr. Utz-Hellmuth Felcht
(Chairman since March 24, 2010)
Dr. Werner Müller
(Chairman up to March 24, 2010)
Günter Kirchheim
Alexander Kirchner
Sts Prof. Klaus-Dieter Scheurle

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Prof. Dr. Dr. Utz-Hellmuth Felcht
(Chairman since March 24, 2010)
Dr. Werner Müller
(Chairman up to March 24, 2010)
Günter Kirchheim
Alexander Kirchner
Sts Prof. Klaus-Dieter Scheurle

Frankfurt am Main, February 22, 2011
Deutsche Bahn Aktiengesellschaft

The Management Board

06 ADDITIONAL INFORMATION

DB Advisory Board

In 2002 the Management Board established the DB Advisory Board to provide independent counsel for public debates and to position the corporation.

The DB Advisory Board consists of renowned personalities from the worlds of business, science and public life, with whom DB Group intensively discusses central corporate positions and issues. The DB Advisory Board's mission is to challenge and question DB Group's positions and then to discuss their findings with the Management Board. Moreover, the Board also assists in substantiating statements and supporting dialogue between DB Group and the general public.

The DB Advisory Board meets at least twice yearly to review current issues related to the corporate development of DB Group. Furthermore, the DB Advisory Board has also established committees for the purpose of deeply reviewing core issues with the appropriate specialist departments within DB Group.

Prof. Dr. Dr. h. c. Gerd Aberle
Justus-Liebig University, Gießen

Manfred Bissinger
Hoffmann und Campe Verlag GmbH

Prof. Dr. Thomas Ehrmann
Westfälische Wilhelms University, Münster

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Chairman of the Council for Sustainable Development, Federal Minister (Ret.)

Hans Jochen Henke
Lawyer, State Secretary (Ret.)

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Ruprecht-Karls University, Heidelberg

Dr. Walther Leisler Kiep
Minister (Ret.)

Prof. Dr. Dr. Christian Kirchner
Humboldt University, Berlin

Dr. Dieter Klumpp
Managing Director Alstom GmbH, Member of the Board of the German Railway Industry Association

Klaudia Martini
Nörr Stiefenhofer Lutz, Law Firm, Minister of State (Ret.)

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Westfälische Wilhelms University, Münster

Prof. Dr. Anton Meyer
Ludwigs-Maximilians University, Munich

Dr. Hugo Müller-Vogg
Publicist

Prof. Dr. Dr. Franz Josef Radermacher
University of Ulm

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University of Technology, Berlin. Aerospace Consultant, Munich

Prof. Dr. Werner Rothengatter
University of Karlsruhe

Prof. Dr. Joachim Schwalbach
Humboldt University, Berlin

Prof. Dr. Frank Straube
University of Technology, Berlin

Prof. Dr. Thomas Straubhaar
Hamburg World Economic Institute

Dr. Günter Struve
First German Television Network

Horst Stuchly
President Federal Railways Agency (Ret.)

Dr. Jürgen Weber
Chairman of the Supervisory Board of Deutsche Lufthansa AG

Ulrich Weiß
Member of the Board of the German Association of Mid-Sized (Mittelstand) Construction Companies

Prof. Dr.-Ing. Ekkehard Wendler
Institute of Technology of North Rhine-Westphalia, Aachen

Dr. Wendelin Wiedeking
Entrepreneur

Glossary

FINANCIAL GLOSSARY

Capital employed
Comprises properties (including intangible assets) plus net working capital.

Commercial paper program
Contractual framework or sample documentation for the issuance of short-term securities.

Credit facilities
Credit lines arranged with banks that can be drawn upon as necessary.

Debt issuance program
Contractual framework or sample documentation for the issuance of bonds. Ensures high flexibility in issuing activity.

Derivative financial instruments (derivatives)
Finance contracts, the value of which depends on the performance of the underlying assets (reference amounts include, for example, interest rates or commodity prices). Important examples include options, futures, forwards and swaps.

EBIT (earnings before interest and taxes)
Operating income before interest and taxes.

EBITDA (earnings before interest, taxes, depreciation and amortization)
Operating income before interest, taxes, depreciation and amortization.

Equity method/at-equity accounting
Procedure used to account for subsidiaries where assets and liabilities are not fully consolidated in the consolidated financial statements. The carrying amount of the investment is adjusted to reflect the development of the pro rata share of equity.

Equity ratio
Key financial performance indicator based on the balance sheet structure: expresses equity as a percentage of total assets.

Fair value
Price calculated in efficient markets taking into account all factors influencing prices, and negotiated between knowledgeable, willing parties in an arm's length transaction.

Gearing
Key financial performance indicator that expresses the ratio of net financial debt to equity as a percentage.

Gross capital expenditures
Total capital expenditure for property, plant and equipment and intangible assets – irrespective of the type of financing.

Hedging
Hedging transactions conducted within the scope of risk management, particularly to minimize interest and currency risks.

IFRS (International Financial Reporting Standards)
Internationally recognized accounting standards. Since 2002, the term IFRS has applied to the entire accounting concept issued by the International Accounting Standards Board. Standards issued prior to this continue to be referred to as International Accounting Standards (IAS).

Interest-free loans
Repayable, yet interest-free loans extended by the German Federal Government. Result from the financial participation of the Federal Republic of Germany in capital expenditure for the extension and replacement of track infrastructure.

Investment grants
Third-party financial investments in specified investment projects without future repayment requirements.

Net capital expenditures
Gross capital expenditures less third-party investment grants, for example for infrastructure capital expenditures.

Operate leases
Off-balance-sheet financial instruments: leased or rented assets.

Plan assets
Assets netted with gross pension obligations.

Rating
An assessment of creditworthiness issued by rating agents for a company; affects a company's refinancing options and costs.

Redemption coverage
Key financial performance indicator that describes the ratio between the ongoing financing power and the financial obligations of the company (adjusted net financial debt).

ROCE (return on capital employed)
Key ratio used in value-based management. Expresses ratio of adjusted EBIT to capital employed as a percentage.

Scope of consolidation
Group of subsidiaries that are included in a group's consolidated financial statements.

Swap
A financial transaction in which two counterparties exchange financing conditions and in which each party benefits from the other's cost advantages.

DB-SPECIFIC TERMS

⟼ Combined rail/road transport
The integrated transport of containers or entire trucks on the roads and rails.

⟼ Existing network
The existing rail network – and thus the backbone of the rail infrastructure.

⟼ Freight carriers
Companies that are used for the transport of goods.

⟼ Hub
Principal handling base. Collection point for the handling and the centralization of good flows in different directions.

⟼ Intermodal competition
Competition with other modes of transport, e.g. between rail and air transport.

⟼ Interoperability (multisystem capability)
The ability of track vehicles to adapt to different technical standards (e.g. track widths or power systems) and to operate on different rail networks with as little delay as possible.

⟼ Intramodal competition
Competition within a mode of transport, e.g. within the railway sector.

⟼ Length of line operated
The length of the rail network – irrespective of the number of parallel tracks. Unit of measure: kilometers (km).

⟼ Ordering organizations
Generally the German Federal states, which are responsible for providing local rail passenger transport and order the respective services from transport companies.

⟼ Passenger kilometers (pkm)
Unit of measure for volume sold in passenger transport: product of number of passengers and mean travel distance.

⟼ Regionalization Act
Regulates the payments of the German Federal Government to the German Federal states and thus facilitates ordering of local transport services on the roads and rails.

⟼ Requirement plan
New line construction and expansion contained in the Federal Transport Infrastructure Plan (Bundesverkehrswegeplan).

⟼ Station pricing system
Transparent and nondiscriminatory pricing system for the utilization of passenger stations. The specific station prices depend primarily on the performance and furnishings of the respective stations.

⟼ TEU (Twenty-Foot Container Equivalent Unit)
Standardized twenty-foot-long container unit (1 foot = 30 cm).

⟼ Ton kilometers (tkm)
Unit of measure for volume sold in freight transport: product of freight carried (in tons) and mean transport distance (km).

⟼ Train-path
Route traveled by a train, defined in the timetable.

⟼ Train-path kilometers (train-path km)
See volume produced.

⟼ Train-path pricing system (TPS)
Regulates in a transparent and non-discriminatory manner the prices for the utilization of the rail network by internal and external customers. Takes into account the individual characteristics of the infrastructure utilized.

⟼ Transport contract
A contract between an ordering organization and a railway regarding the rendering of regional passenger transport services.

⟼ Volume produced
Distance traveled by train operating companies on the rail network. Unit of measure: train-path kilometers (train-path km).

⟼ Volume sold
Central key performance indicator used to measure performance rendered in passenger and freight transport. Unit of measure: passenger kilometers (pkm) and/or ton kilometers (tkm).

List of abbreviations

A
AEG – General Railways Act
AgvMoVe – Mobility and Transport Services Association
AktG – German Stock Corporation Act

B
bbl – Barrel
BBodSchG – Federal Soil Protection Act
BEV – Federal Railroad Fund
BGH – Federal Court of Justice
BilMoG – Accounting Law Modernization Act
BMF – Federal Ministry of Finance
BMVBS – Federal Ministry of Transport, Building and Urban Affairs
BMWi – Federal Ministry of Economics and Technology
BNetzA – Federal Network Agency
BR – Series
BSchwAG – Federal Track Expansion Act
Buskm – Bus kilometers
BVerfG – Federal Constitutional Court
BVWP – Federal Transport Network Plan

C
CAD – Canadian dollar
CGU – Cash generating unit
COSO – Committee of Sponsoring Organizations of the Treadway Commission
CO_2 – Carbon dioxide

D
DB – Deutsche Bahn
DBGrG – Deutsche Bahn Foundation Act
DepV – Land Fill Site Ordinance
D&O – Directors & Officers
DRS – German Accounting Standards

E
EBA – Federal Railway Authority
ECB – European Central Bank
EKrG – Railway Crossings Act
ENeuOG – German Rail Restructuring Act
EPS – Earnings per share
ETCS – European Train Control System
EVG – Railway and Transport Workers Union

F
FIS – Corporate information system
FTE – Full-time employee

G
GBP – British pound (sterling)
GDL – German Engine Driver's union
GDP – Gross domestic product
GVFG – Municipal Transport Financing Act

H
HFM – Hyperion Financial Management
HGB – German Commercial Code

I
IAS – International Accounting Standards
IASB – International Accounting Standards Board
IFRIC – International Financial Interpretations Committee
IFRS – International Financial Reporting Standards
IT – Information technology

J
JPY – Japanese yen

K
KV – Combined transport

L
LuFV – Service and Financing Agreement

M
M&A – Mergers & Acquisitions
MaRisk – Appropriate Risk Control and Management Systems
MitbestG – German Codetermination Act
MIV – Motorized individual transport
MJ – Megajoule

N
Nkm – Commercial vehicle kilometers

O
OLG – Higher Regional Court
ÖPNV – Local public transport
ÖSPV – Public road transport

P
P – Passenger
PCGK – Public Corporate Governance Kodex
Pkm – Passenger kilometer
PLN – Polish zloty
Ptkm – Total sum of volume sold (pkm + tkm)

R
ROCE – Return on capital employed

S
SCM – Supply chain management
SIC – Interpretation of the Standing Interpretations Committee
SPE – Special purpose entity
S&P – Standard & Poor's

T
t – Ton
TEN – Trans-European networks
TEU – Twenty-foot container equivalent unit
TOC – Train Operating Company
tkm – Ton kilometer
Trkm – Train-path kilometers

U
UIC – International Union of Railways
USD – United States dollar

V
VDE – German unification transport project
VIFG – Transport infrastructure financing company
VIFGG – Transport Infrastructure Financing Act

W
WACC – Weighted average cost of capital
WHG – Water Management Act

Contacts

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This Annual Report, the Annual Report of DB Mobility Logistics Group and the Financial Statements of Deutsche Bahn AG and additional information are available on the Internet.

This Annual Report, the Annual Report of DB Mobility Logistics Group and the Financial Statements of Deutsche Bahn AG are published in German and English. In case of any discrepancy, the German version shall prevail.

The 2010 Annual Report was published March 31, 2011 and is available on the Internet at www.deutschebahn.com/ar-online.

CORPORATE COMMUNICATIONS

Corporate publications, the Report of the Competition Officer and the Sustainability Report can be requested from Corporate Communications:

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DB SERVICE NUMBER

Our service number +49-1805-996633 gives you direct access to all of our telephone services. The access includes information regarding general information, booking of train tickets, finding train times, our customer dialogue and our frequent traveler system (BahnCard). Calls will be charged as follows: calls from the German fixed-line network cost 14 ct/min. Charges from the German cell phone network cost 42 ct/min at most.

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CONCEPT, EDITING
Deutsche Bahn AG,
Investor Relations
DESIGN CONCEPT, TYPESETTING
Studio Delhi, Mainz
PROOFREADING
AdverTEXT, Düsseldorf
LITHOGRAPHY
Koch Lichtsatz und Scan, Wiesbaden
PRINTING
ColorDruck Leimen, Leimen

FSC www.fsc.org RECYCLED Paper made from recycled material FSC™ C021366

Printed on
Circlesilk Premium White
(100 % recycled paper)

PHOTOGRAPHY CONSULTING
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TRANSLATION
Gabriele Leighton, Hilden
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PHOTOGRAPHY
Allianz pro Schiene (p. 46), Bartlomiej Banaszak (p. 47), Pablo Castagnola (pp. 16/17, 43), Marc Darchinger (p. 23), DB AG (p. 47), DB Arriva (p. 5), Daniel Duwe (p. 46), Rainer Garbe (pp. 42, 43, 45), Kai-Uwe Gundlach (p. 8), Jürgen Henkelmann (pp. 12/13), Ralf Kranert (pp. 16, 17, 42, 43, 44), Hans-Joachim Krumm (p. 44), Thomas Langer (pp. 43, 46), Heiner Müller-Elsner (pp. U3, 8, 9, 14/15), Rüdiger Nehmzow (p. 6), Michael Neuhaus (pp. U4, 1, 45), Jean-Luc Poussin/SNCF (p. 47), Max Warebring (p. U3), SBB Cargo (p. 44), Stefan Warter/Heiner Müller-Elsner (p. 9)

10-year summary

[€ million]	2010	2009	2008	2007	2006	2005	2004	2003[1)]	2002[1)]	2001[1)]
STATEMENT OF INCOME										
Revenues	34,410	29,335	33,452	31,309	30,053	25,055	23,962	28,228	18,685	15,722
Overall performance	36,617	31,271	35,324	33,254	31,943	26,728	25,890	30,438	20,900	17,535
Other operating income	3,120	3,864	3,046	3,219	2,859	2,366	2,860	3,138	2,830	2,406
Cost of materials	-19,314	-15,627	-18,544	-17,166	-16,449	-12,650	-12,054	-15,776	-9,546	-7,108
Personnel expenses	-11,602	-11,115	-10,583	-9,913	-9,782	-9,211	-9,556	-10,337	-8,387	-7,487
Depreciation	-2,912	-2,825	-2,723	-2,795	-2,950	-2,801	-2,722	-2,694	-2,434	-2,162
Other operating expenses	-4,092	-3,360	-3,927	-3,704	-3,144	-3,080	-3,274	-4,316	-3,358	-3,282
Operating profit (EBIT)	1,817	2,208	2,593	2,895	2,477	1,352	1,144	–	–	–
Result from investments accounted for using the equity method	17	9	21	32	18	76	49	–	–	–
Other financial result	-23	-4	-47	-3	1	7	-55	–	–	–
Net interest income	-911	-826	-760	-908	-941	-945	-984	-637	-489	-313
Profit before taxes on income	900	1,387	1,807	2,016	1,555	490	154	-133	-438	-409
Net profit for the year	1,058	830	1,321	1,716	1,680	611	180	-245	-468	-406
OPERATING INCOME										
EBITDA adjusted	4,651	4,402	5,206	5,113	–	–	–	–	–	–
EBIT adjusted	1,866	1,685	2,483	2,370	2,143	1,350	1,011	465	37	109
VALUE MANAGEMENT										
Capital employed as of Dec 31	31,312	28,596	27,961	27,393	28,693	27,013	26,490	30,964	30,428	28,649
Return on capital employed (ROCE)	6.0 %	5.9 %	8.9 %	8.7 %	7.5 %	5.0 %	3.8 %	1.5 %	0.1 %	0.4 %
Redemption coverage	18.1 %	19.4 %	22.5 %	21.1 %	18.6 %	14.7 %	12.7 %	–	–	–
Gearing	118 %	115 %	131 %	151 %	213 %	256 %	276 %	–	–	–
CASH FLOW/CAPITAL EXPENDITURES										
Cash flow from operating activities	3,409	3,133	3,539	3,364	3,678	2,652	2,736	–	–	–
Gross capital expenditures	6,891	6,462	6,765	6,320	6,584	6,381	7,238	9,121	9,994	7,110
Net capital expenditures	2,072	1,813	2,599	2,060	2,836	2,362	3,251	4,013	5,355	3,307

[€ million]	2010	2009	2008	2007	2006	2005	2004	2003[1]	2002[1]	2001[1]
BALANCE SHEET AS OF DEC 31										
Non-current assets	44,530	41,308	42,353	42,046	43,360	42,907	43,200	–	–	–
thereof property, plant and equipment and intangible assets	42,027	39,509	39,976	39,855	41,081	40,430	40,861	40,093	38,869	35,055
thereof deferred tax assets	1,471	1,173	1,692	1,644	1,800	1,556	1,301	–	–	–
Current assets	7,473	5,995	5,840	6,483	5,080	4,194	4,416	–	–	–
thereof cash and cash equivalents	1,475	1,470	879	1,549	295	305	765	265	271	363
Equity	14,316	13,066	12,155	10,953	9,214	7,675	7,067	5,076	5,708	8,436
Equity ratio	27.5 %	27.6 %	25.2 %	22.6 %	19.0 %	16.3 %	14.8 %	10.7 %	12.4 %	20.1 %
Non-current liabilities	24,762	23,359	23,161	25,612	26,319	27,963	29,440	30,464	27,779	24,421
thereof financial debt	16,394	14,730	14,083	16,228	17,165	18,310	19,045	–	–	–
thereof retirement benefit obligations	1,938	1,736	1,649	1,594	1,514	1,414	1,341	–	–	–
Current liabilities	12,925	10,878	12,877	11,964	12,907	11,463	11,109	12,107	12,524	9,090
thereof financial debt	2,159	1,780	2,770	1,834	2,716	1,664	1,231	–	–	–
Net financial debt	16,939	15,011	15,943	16,513	19,586	19,669	19,511	–	–	–
Total assets	52,003	47,303	48,193	48,529	48,440	47,101	47,616	47,647	46,023	41,962
RAIL PERFORMANCE FIGURES										
PASSENGER TRANSPORT[2]										
Passengers (million)	1,950	1,908	1,920	1,835	1,854	1,785	1,695	1,681	1,657	1,702
Long-distance transport	126	123	123	119	120	119	115	117	128	136
Regional and urban transport	1,824	1,785	1,797	1,717	1,735	1,667	1,580	1,564	1,529	1,566
Volume sold (million pkm)	78,582	76,772	77,812	74,792	74,788	72,554	70,260	69,534	69,848	74,459
Long-distance transport	36,026	34,708	35,457	34,137	34,458	33,641	32,330	31,619	33,173	35,342
Regional and urban transport	42,556	42,064	42,355	40,654	40,331	38,913	37,930	37,915	36,675	39,117
FREIGHT TRANSPORT										
Freight carried (million t)	415.4	341.0	378.7	312.8	307.6	274.6	295.3	282.3	289.4	291.3
Volume sold (million tkm)	105,794	93,948	113,634	98,794	96,388	88,022	89,494	85,151	82,756	84,716
Total transport performance (million ptkm)	184,376	170,720	191,446	173,586	171,177	160,576	159,754	154,685	152,604	159,175
INFRASTRUCTURE										
Train kilometers on track infrastructure (million train-path km)	1,034	1,003	1,043	1,050	1,016	998	1,001	988	967	977
thereof non-Group customers	195	170	162	147	128	110	88	70	50	39
EMPLOYEES[3]										
Average	251,810	239,888	240,008	231,356	228,990	220,343	229,830	249,251	224,758	219,146
At year end	276,310	239,382	240,242	237,078	229,200	216,389	225,632	242,759	250,690	214,371

[1] Figures according to German GAAP.
[2] 2010 excluding DB Arriva.
[3] Full-time employees, part-time employees are converted in accordance with their share of regular annual working time.

Financial calendar

JULY 28, 2011

Interim Results Press Conference,
Publication of the Interim Report January – June 2011

MARCH 29, 2012

Annual Results Press Conference,
Publication of 2011 Annual Report

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