DB Mobility Networks Logistics

Deutsche Bahn

Interim Report January – June 2011

At a glance

Selected key figures	H1		Change	
	2011	2010	absolute	%
KEY FINANCIAL FIGURES [€ million]				
Revenues	18,876	16,102	+2,774	+17.2
Revenues comparable	17,280	16,102	+1,178	+7.3
Profit before taxes on income	665	369	+296	+80.2
Net profit	648	392	+256	+65.3
EBITDA adjusted	2,559	2,197	+362	+16.5
EBIT adjusted	1,133	846	+287	+33.9
Non-current assets as of June 30, 2011/Dec 31, 2010	43,961	44,530	-569	-1.3
Current assets as of June 30, 2011/Dec 31, 2010	8,092	7,473	+619	+8.3
Equity as of June 30, 2011/Dec 31, 2010	14,408	14,316	+92	+0.6
Net financial debt as of June 30, 2011/Dec 31, 2010	17,290	16,939	+351	+2.1
Total assets as of June 30, 2011/Dec 31, 2010	52,053	52,003	+50	+0.1
Capital employed as of June 30	31,672	28,738	+2,934	+10.2
ROCE in %	7.2	5.9	–	–
Gross capital expenditures	2,689	2,502	+187	+7.5
Net capital expenditures	1,049	865	+184	+21.3
Cash flow from operating activities	1,075	1,286	-211	-16.4
KEY PERFORMANCE FIGURES				
RAIL PASSENGER TRANSPORT [1]				
Passengers (million)	972.5	954.1	+18.4	+1.9
Volume sold (million pkm)	38,045	38,098	-53	-0.1
Volume produced (million train-path km)	331.1	334.0	-2.9	-0.9
RAIL FREIGHT TRANSPORT				
Freight carried (million t)	207.8	203.2	+4.6	+2.3
Volume sold (million tkm)	56,784	52,588	+4,196	+8.0
Capacity utilization (t per train)	516.3	499.6	+16.7	+3.3
RAIL INFRASTRUCTURE				
Train kilometers on track infrastructure (million train-path km)	521.4	508.5	+12.9	+2.5
thereof non-Group customers	108.3	94.4	+13.9	+14.7
Station stops (million)	71.7	71.2	+0.5	+0.7
thereof non-Group customers	12.0	10.9	+1.1	+10.1
BUS TRANSPORT [1]				
Passengers (million)	408.5	408.7	-0.2	–
Volume sold (million pkm)	4,720	4,776	-56	-1.2
Volume produced (million bus km)	323.1	323.2	-0.1	–
FREIGHT FORWARDING AND LOGISTICS [2]				
Shipments in European land transport (thousand)	47,515	39,372	+8,143	+20.7
Air freight volume (export) (thousand t)	583.2	586.8	-3.6	-0.6
Ocean freight volume (export) (thousand TEU)	837.3	800.1	+37.2	+4.6
OTHER FIGURES				
Employees as of June 30, 2011/Dec 31, 2010	282,612	276,310	+6,302	+2.3
Rating Moody's/Standard & Poor's/Fitch	Aa1/AA/AA	Aa1/AA/AA	–	–

[1] Excluding Arriva.

[2] Preliminary figures.

Chairman's letter

Dear ladies and gentlemen,

Today we can look back with satisfaction on a successful first half year. We were not only successful in our business activities. We also made major progress in our efforts to improve the level of quality and service we provide to our customers, and we made advances in the ecological sustainability of our operations.

Due to the recovery seen in the transport, freight forwarding and logistics markets we were able to increase our revenues by 17 percent to 18.9 billion euros – on a comparable basis by 7 percent to 17.3 billion euros – while our adjusted EBIT figure rose by 34 percent to 1.1 billion euros. Developments noted at the DB Schenker business units was particularly dynamic as they more than doubled their adjusted EBIT figure in total. Furthermore, we exceeded the pre-crisis level in rail passenger transport, with DB Bahn Regional, in particular, recording successful results for the first half year. We were able to win about 70 percent of the train kilometers awarded in the fiercely competitive regional transport market.

DR. RÜDIGER GRUBE
CEO and Chairman of the Management Board

This success did not just happen by itself. The four initiatives we launched in 2010 have driven our efforts to successively improve our core business, both fundamentally and sustainably. Within the framework of our Customer and Quality initiative and our Capex initiative we will invest 6 billion euros in our infrastructure in the year 2011. We will bundle about 700 construction sites in 60 corridors. This will involve the renewal of more than 1,600 switches, about 2,300 kilometers of track and 2.5 million tons of ballast. The goal of these extensive measures is to increase punctuality and decrease traveling time. We also made progress in modernizing stations in numerous cities.

Within the framework of our Engineering initiative we achieved a major milestone by realigning responsibilities in the area of new vehicles. In May the Federal Transport Minister presented the "Railway Vehicle Handbook – Guidelines for Manufacturing and Certification," which we prepared in collaboration with the Federal Ministry of Transport, the Federal Railways Agency, and the railway industry. This handbook establishes the new legal foundation for the extensive procurement of vehicles that will take place in the coming years.

The ICx will be the first vehicle that we will procure on the basis of the new handbook. In May we signed the necessary contracts with Siemens for the purchase of up to 300 of this new generation of long-distance trains – a milestone of our Capex initiative and the biggest purchase of vehicles in the history of Deutsche Bahn. In addition, we also invested in regional trains and freight trains. These capital expenditures not only benefit our customers; they also benefit the environment, as the next generation of vehicles uses up to 30 percent less energy. And in addition to lower CO_2 emissions, we will also reduce the level of noise. We signed an agreement with the Federal Ministry of Transport wherein we agreed to the key issues related to retrofitting all rail freight cars with low-noise brakes, which are also known as "whisper brakes." Thereby we will reduce noise by about 50 percent.

We also scored successes with our Market initiative: we not only won numerous tenders in regional transport, we also signed added important new major customers in the automotive sector for our transport and logistics business.

The good results recorded in the first half of the year are due to the untiring efforts of our employees as well as the continued trust of our customers. On behalf of the entire Management Board of Deutsche Bahn AG I would like to take this moment to express my deepest thanks to them.

Sincerely yours,

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

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Major events

ACCORD REACHED IN WAGE NEGOTIATIONS AND SECTOR-WIDE WAGE AGREEMENT

We reached agreements in the wage negotiations with both the Rail and Transport Workers Union (EVG) as well as the German Locomotive Drivers' Union (GDL). We were also able to negotiate a sector-wide wage agreement covering the regional rail passenger transport with EVG and the six large private railways. This agreement took effect on February 1, 2011 → *Page 34 f.*

FEDERAL SUPREME COURT DECISION CLARIFIES THE GERMAN REGIONAL TRANSPORT MARKET

The German Federal Supreme Court made a principle policy decision in early February 2011 in regards to the tendering procedures in the German regional transport market, in such as it has determined that the cartel procurement law mandates a duty to tender as a matter of principle → *Page 17 f.*

DB GROUP SUPPORTS FIFA WOMEN'S WORLD CUP

We supported the FIFA Women's World Cup Germany 2011™ as national sponsor and as the official provider of mobility and logistics services. Just as we did during the FIFA World Cup 2006, all relevant areas of DB Group were involved and made an important contribution to the success of this sports event. Among other things, we transported fans from all over the world comfortably and reliably to the match venues via trains and buses and also provided logistical services.

DIVESTMENT OF ARRIVA DEUTSCHLAND CONCLUDED

At the end of February 2011, we concluded the Arriva acquisition by divesting the Arriva Germany Group to a consortium led by Ferrovie dello Stato along with the investor Cube Infrastructure.

CONTRACT FOR COLOGNE DIESEL NETWORK WON

In the first half of 2011 we won 69 % of the train kilometers (train km) awarded in the regional rail passenger transport. The largest tender won was the Cologne diesel network with 7.2 million train km annually with service starting in December 2013 → *Page 18 f.*

INVESTMENTS IN NEW LOCOMOTIVES

In April 2011 we signed a framework order agreement for the delivery of up to 200 diesel locomotives for use in passenger and freight transport. The contract will remain valid until 2020.

GREEN LIGHT FOR THE NEW ICX

In May 2011 we awarded a billion euro contract to Siemens to build up to 300 new long-distance trains. We immediately ordered 130 trainsets from the framework order agreement covering up to 300 ICx trains that is valid until 2030 → *Page 17.*

Interim Group management report (unaudited)

OVERVIEW

- **Transport and logistics markets continue to recover**
- **Additional notable gains posted for revenues and profit**
- **Slightly improved outlook for 2011 financial year**

Recovery continues

Selected key figures [€ million]	H 1		Change	
	2011	2010	absolute	%
Passengers rail and bus [1]	1,381	1,363	+18	+1.3
Volume sold rail passenger transport (million pkm) [1]	38,045	38,098	- 53	- 0.1
Volume sold bus transport (million pkm) [1]	4,720	4,776	- 56	- 1.2
Volume sold rail freight transport (million tkm)	56,784	52,588	+ 4,196	+ 8.0
Train kilometers on track infrastructure (million train-path km)	521.4	508.5	+12.9	+2.5
Shipments in European land transport (thousand) [2]	47,515	39,372	+ 8,143	+20.7
Air freight volume (export) (thousand t) [2]	583.2	586.8	- 3.6	- 0.6
Ocean freight volume (export) (thousand TEU) [2]	837.3	800.1	+ 37.2	+ 4.6
Revenues	18,876	16,102	+2,774	+17.2
Revenues comparable	17,280	16,102	+1,178	+7.3
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EBIT adjusted	1,133	846	+287	+33.9
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ROCE (%)	7.2	5.9	–	–
Net financial debt as of Jun 30, 2011 / Dec 31, 2010	17,290	16,939	+351	+2.1
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Net capital expenditures	1,049	865	+184	+21.3

[1] Excluding Arriva.
[2] Preliminary figures.

During the first half of 2011 Deutsche Bahn Group (DB Group) was once again able to post significant increases in volume sold in certain segments and stayed on track for growth in an economic environment that remained dynamic. This applied in particular to → *rail freight transport as well as our worldwide transport and logistics activities* [1], which continued to benefit from favorable global economic development. Development noted for our air freight activities in the first half of 2011 remained stable following the rapid growth rates posted in the previous year as this area of business recovered very quickly from the economic and financial crisis.

Our business units in → *passenger transport* [2] – excluding activities of Arriva – showed a generally stable performance. Gains were noted in the regional rail passenger transport while volume sold in long-distance transport contracted slightly in the first half of 2011 due to burdens generated by intensive construction work within the network, uncertainty among our customers due to the possibility of strikes, and the omission of one-time effects noted in the first half of 2010.

A slight increase in demand for → *train-path* [3] was seen in the infrastructure due to strong gains noted for freight transport.

Increased volume posted for rail freight transport and in the DB Schenker Logistics business unit were also reflected in a substantial → *increase in revenues* [4].

Changes → *in the scope of consolidation* [5] also impacted on the income situation in the first half of 2011. Specifically, the inclusion of Arriva, a British passenger transport company, which was completely acquired at the end of August 2010, generated a significant contribution to revenues of about € 1.5 billion. Furthermore, following this acquisition, changes were made to the → *DB Group's organizational structure* [6] which took effect as of January 1, 2011.

[1] → ***Page 23 f.*** | [2] → ***Page 19 f.*** | [3] → ***Page 27*** | [4] → ***Page 11 ff.*** | [5] → ***Page 11*** | [6] → ***Page 17***

The overall ⟶ *development of profits* [1] was favorable in the period under review. As in the respective previous year's period, development of DB Group was barely influenced by ⟶ *special items* [2] during the period under review. The adjusted profit figures and the ⟶ *adjusted profit and loss statement* [3] do not include special items for the period under review and the same year-ago period.

Due to the favorable economic development noted by the business units, in particular, ⟶ *net profit* [4] improved substantially.

We were able to notably increase our ⟶ *value management key figure, ROCE,* [5] in the period under review due to the substantially higher adjusted EBIT figure.

Overall development noted in the individual business units was favorable in the first half of 2011. Detailed information about the performance of the individual business units may be found in the chapter ⟶ *Business units* [6].

As planned, we continued to move ahead with our ⟶ *Customer and Quality Initiative* [7] in the first half of 2011. Our Marketing, Engineering and Capex initiatives were also successful.

During the period under review ⟶ *capital expenditures* [8] rose and were driven by measures in the Capex initiative. Additional funds from the economic stimulus packages effected the rail infrastructure.

As of June 30, 2011, ⟶ *net financial debt* [9] was higher than the figure posted on December 31, 2010 due to the first-time payment of a € 500 million dividend to the Federal Government by DB Group.

During the period under review DB Group once again benefited from very good access to the ⟶ *capital market* [10] and was able to obtain loans to refinance maturing financial debt at good conditions.

Assessment of the economic situation by the Management Board

Based on development noted during the period under review, the Management Board of Deutsche Bahn AG (DB AG) continues to view DB Group's economic situation as positive.

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

Against the background of the favorable development noted in the first half of 2011, we anticipate that revenues will increase by about € 4 billion to substantially more than € 38 billion. The increase in revenues will be driven by organic growth and revenues generated by the acquisition of Arriva. This should also lead to a noticeable increase in profits (adjusted EBIT) to significantly more than € 2.0 billion. This means that our current expectations are better than those stated in the 2010 Annual Report.

We can confirm our forecast for ROCE, gross capital expenditures and net financial debt as disclosed in our 2010 Annual Report on page 135.

[1] ⟶ **Page 13 ff.** | [2] ⟶ **Page 14** | [3] ⟶ **Page 13 f.** | [4] ⟶ **Page 14** | [5] ⟶ **Page 16** | [6] ⟶ **Page 17 ff.**
[7] ⟶ **Page 35** | [8] ⟶ **Page 32** | [9] ⟶ **Page 31 f.** | [10] ⟶ **Page 30**

BUSINESS AND OVERALL CONDITIONS

- ⟼ **Economic environment remains favorable**
- ⟼ **Modest development noted in rail passenger transport**
- ⟼ **Rail freight and land transport post strong growth**

Changes in the Management Board and the Supervisory Board

No changes occurred in the membership structure of either the Management Board or the Supervisory Board during the period under review.

Business environment

MANAGEMENT BOARD ASSESSMENT OF THE BUSINESS ENVIRONMENT

The continued recovery of the global economy during the first half of 2011 drove growth in our core markets, which in turn made a favorable impact on the development of our business.

The period under review was also marked by rising prices for commodities, and the sovereign debt crisis, which worsened further at the end of the reporting period and in July 2011.

The vast majority of our activities in passenger transport is highly dependent on economic developments within our home market, Germany. During the first half of 2011 these results were supported by favorable developments in the labor market and rising incomes. Within this environment our rail passenger transport business developed slightly favorably compared to the first half of 2010.

The European passenger transport market plays an increasingly important role for us following our acquisition of Arriva. Demand in this market is also heavily dependent on state-financed ordering organizations. Due to tight public budget situations in certain EU countries, ordering organizations are being forced to cut costs and save, which in turn has a dampening effect on demand.

Strong economic development in all important regions, especially in Germany, led to a substantial improvement in our rail freight transport business.

Our worldwide transport and logistics activities also benefited from the continuing favorable economic conditions.

OVERALL CONDITIONS CONTINUE TO DEVELOP FAVORABLY

The global upswing continued during the period under review. Based on first estimates, the global economy rose by roughly 3% over the same year-ago period and thereby at a slightly slower rate.

The increase was again driven by growth in the developing and emerging markets, where the pace of total growth barely slowed. China's economic output barely slowed despite tighter monetary policy, shrinking availability of credit, and higher inflation. Economic development in the rest of the Asian region remained strong. In contrast, the pace of economic growth in most of the industrialized nations was less dynamic. The rate of economic growth in the USA weakened while expenditures for construction were again sluggish. Although consumer spending remained strong, it was burdened by rising energy prices and the unchanged high level of unemployment. In Japan total economic output fell due to the effects of an earthquake.

The European economy's pace of growth picked up during the period under review, especially in Western Europe. At the beginning of the year economic growth within the Eurozone expanded at the fastest pace since the onset of the economic and financial crisis in 2008, although development noted for individual countries was very mixed. Economic output rose particularly sharply in Germany and also expanded strongly in France, among other countries. While Italy and Spain were still able to generate weak growth, economic output declined in Greece and Portugal. Domestic demand in Eurozone countries with particularly high levels of sovereign indebtedness was considerably dampened due to measures taken to consolidate government finances. Economic development in the remaining countries within the European Union was uneven. While Sweden continued to experience a strong economic upswing, and most of the central and eastern European countries posted substantial gains in GDP, the economic recovery in Great Britain was sluggish as domestic demand was extremely weak due to the unchanged poor situation in the labor market, declining real household income and the government's austerity policies. GDP growth posted for Eastern European countries continued to grow at a faster pace than the average EU rate.

A strong continuation of the economic rebound in Germany was recorded at the beginning of the year. After adjustment for seasonal, price and calendar factors, German gross domestic product (GDP) rose by 1.5% over the previous quarter, which meant that the pre-crisis level seen at the start of 2008 had been surpassed. In a year-over-year comparison, German economic performance rose by 5.2% (calendar adjusted by 4.9%), which was the highest level recorded since German reunification. Growth was mainly driven by the domestic economy, which recorded higher rates of capital spending and consumption. Double-digit growth rates were noted for foreign trade as the excess of exports over imports contributed 1.6 percentage points towards the increase in German GDP.

Rail transport in Germany was favorably influenced by key factors driving passenger transport. The labor market benefited from the strong upswing experienced by the German economy as the average number of persons employed rose by almost 1.5 % over the comparable level of the previous year. Disposable income posted a substantial nominal increase. Due to higher inflation this figure rose on a real basis by nearly 1 %. Consumer spending rose and was driven by, among other reasons, a sharp increase in new car sales. Fuel prices once again climbed strongly due to the strong increase in the price of crude oil.

Relevant conditions for freight transport in Germany continued to develop positively in the first half of 2011. Demand for transport services was favorably supported by very strong economic effects, especially the dynamic development of foreign trade. Production figures in the manufacturing industry rose notably. Above all, the heavily export-dependent industries posted high – and in some cases double-digit – gains. Steel production rose as higher demand noted for customer industries increased even further, especially in the automotive and machine-making industries. Construction activities expanded substantially in comparison to the weaker levels seen in the same year-ago period.

EURO GAINS RELATIVELY TO THE US DOLLAR

Economic development varied on both sides of the Atlantic during the first half of 2011. While the real economy in Europe, with Germany as its economic locomotive, continued to recover from the effects of the economic and financial crisis, economic development in the USA remained slow due to continuing high unemployment levels. These different economic situations drove the respective central banks' monetary policies, which in turn played a key role in the development of the euro/US dollar (USD) exchange rates. While the European Central Bank (ECB) already raised its key interest rate in an attempt to curb inflation that exceeded its target level, the US central bank (the Fed) continued its policy of quantitative monetary easing. As a result, the euro advanced from USD 1.34 at the beginning of the year 2011 to almost USD 1.45 at the middle of 2011. The exchange rate at the beginning of 2010 was USD 1.44, which was driven down by rising uncertainty to USD 1.22 at the middle of 2010.

BOND MARKETS STILL MARKED BY SOVEREIGN DEBT CRISIS

The favorable development of the German economy led to an increased willingness of investors to take on more risk during the period under review. Due to increased expectations of higher inflation, as well as the ECB's increases in its key interest rate, the market yield for ten-year German Federal bonds (Bunds) rose from nearly 3 % at the beginning of 2011 to 3.5 % in April 2011. Due to the further worsening of the economic situation in Eurozone countries having high levels of government indebtedness, bond investors' willingness to invest in sovereign bonds declined once again during the period under review. As a result, prices for Bunds, which are viewed as safe investments, rose again by the end of June 2011. The yield on ten-year Bunds fell correspondingly to nearly 3 % following the implementation of rescue packages – which were established with the participation of the EU and the International Monetary Fund in the first half of 2010 to assist countries that were having difficulties meeting their financial obligation – that could not calm the markets. In conjunction with the sovereign debt crisis, bonds issued by supranational bodies, above all the European Union with its various stability funds, have gained importance.

The volume of new corporate bond issues in the Eurozone remained at a relatively low level of about € 80 billion during the first half of 2011. Many companies had sufficient liquidity and did not need to issue new bonds. Investors' increased appetite for risk was met with greater issues of paper issued by less creditworthy companies. These kinds of companies had previously been forced to offer substantially higher risk premiums for their issues during the first half of 2010.

Political environment

REGULATORY ENVIRONMENT FOR RAIL TRANSPORT IN GERMANY

During the period 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.

REGULATION OF PRICES FOR TRACTION CURRENT TRANSMISSION LINES

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. They therefore need to be approved by the BNetzA. DB Energie GmbH will have to establish procedures to meet the comprehensive reporting process required by energy industry law in order to meet the regulatory requirements. On April 1, 2011 DB Energie GmbH submitted its fee approval applications on time – and retroactive to October 2005 – to the authorities.

A decision concerning the fee approval is expected in the fall of 2011. This will inform if and to what extent prices for procuring traction current will change.

ENERGY PROVIDERS RECEIVE ACCESS TO STATION CURRENT NETWORKS

On October 27, 2010 BNetzA ordered DB Energie GmbH on grounds of misuse to allow third-party energy providers access to their station current networks (50 Hz networks) pursuant to the guidelines of the energy industry law starting in February 2011. DB Energie GmbH appealed the decision. The parties entered into a settlement on April 6, 2011 before the Higher Regional Court in Düsseldorf. Following the settlement DB Energie GmbH will open its station current networks to third-party providers as of December 31, 2011. The implementation of the legal requirements for current usage necessitates extensive system modification at DB Energie GmbH.

NEW STATION PRICING SYSTEM INTRODUCED IN 2011

On January 1, 2011 DB Station&Service AG introduced a new station pricing system. 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 and even adjustments of certain elements, in particular regarding the factor taking the length of trains into account, were required and must be submitted in 2011. The BNetzA and DB Station&Service AG are in discussions regarding this. Additionally, price system modifications cannot be ruled out.

COMPREHENSIVE REVIEW OF TRAIN-PATH PRICING SYSTEM

The BNetzA initiated a complete review of the train-path pricing system (TPS) with a request for information dated June 8, 2011. This had previously been announced in the Agency's project plan to review the TPS this year. The questionnaire was completed within the deadline. The procedure, still in its early stages, is of overarching importance because it examines the entire TPS structure.

DECISION REGARDING CAPACITY UTILIZATION FACTOR

The capacity utilization factor is an element of the TPS and serves as a tool to manage bottleneck situations. On February 4, 2011, BNetzA sent a request for information regarding this pricing element. The DB Netz AG in their timely response presented the high importance of capacity-oriented control systems in pricing systems. In early July 2011 the agency made a ⟶ *decision regarding the admissibility of the capacity utilization* [1].

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* [2] of the first European railway package. The lawmaking process is currently underway (first reading of the law) in the Council and the European Parliament. On June 16, 2011, the Council decided in favor of a general orientation of the recast. The European parliament is expected to decide by the fall of 2011. It is anticipated that the directive will be passed during the first half of 2012. 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 entrepreneurial independence of the train operating companies or the member states' budgetary powers takes place.

REGULATION FOR A EUROPEAN RAIL FREIGHT TRANSPORT NETWORK

On November 9, 2010 the EU regulation EU No. 913/2010 regarding the ⟶ *creation of a European rail network for more competitive freight transport* [2] took effect. In July 2011 the EU Commission will publish a handbook to guide the implementation of the regulation. These guidelines, however, do not represent a legally binding interpretation of the regulation. Their purpose is to provide involved infrastructure operators a better understanding of the practical implications of the regulation by giving them procedural descriptions and instructions for their actions. The handbook is meant to cover all aspects of the regulation, such as governance, capacity reservations, construction of catalog tracks and disposition. It is critical that infrastructure operators can retain their scope for entrepreneurial decision-making by developing appropriate solutions that account for the various regional, national and specific circumstances in their networks. Only sufficient flexibility can guarantee an optimal utilization of network capacities that ensures that the needs of freight transport as well as of regional and long-distance passenger transport are met.

[1] ⟶ ***Page 37*** [2] ⟶ ***2010 Annual Report Page 65***

EU COMMISSION TRANSPORT POLICY STRATEGY THROUGH TO 2020

On March 28, 2011, the EU Commission published a new White Paper “Roadmap to a Single European Transport Area – Towards a competitive and resource-efficient transport system” wherein they defined their goals and major points of emphasis through to the year 2020. The White Paper is intended to lead to concrete (legislative) measures.

One of the goals is to complete a single European railway area by eliminating technical, administrative and legal hindrances to market access. The role of the European Railway Agency (ERA) should continually be expanded in order to lower the market access barriers presented by security requirements and the lack of interoperability. Environmentally friendly alternatives to road traffic are to be strengthened by focusing on sustainable mobility and ambitious climate protection goals as well as better realizing the efficiency advantages of rail transport. We welcome the goal to shift about 30 % of road freight transport traveling more than 300 kilometers over to rail and waterways until the year 2030 – and it is hoped that more than 50 % can be attained by the year 2050. The goal for passenger transport is to shift the majority of trips of medium distances over to rail. As a result, high priority is given to the need-related expansion of the infrastructure and the targeted elimination of bottlenecks. The Commission is looking to raise funds from national, international, EU and private sources to finance these goals. Furthermore, obstacles to fair competition hindering rail transport, such as the tax exemption for jet fuel, should be eliminated and linkage between various modes of transport should be improved.

Developments in the relevant markets

The following market developments and data are based primarily on preliminary information as well as our own assessments and calculations, with the exception of the performance data of the units of DB Group.

PASSENGER TRANSPORT

GERMAN PASSENGER TRANSPORT MARKET

The strong economic upswing in Germany, combined with a favorable labor market development and income development, has also revived demand in the German passenger transport market. For the individual modes of transport, however, development was also strongly shaped by the omission of one-time items noted in the first half of 2010 (severe winter weather, ash clouds and pilots’ strike), with correspondingly favorable effects on motorized individual and air transport, as well as negative effects on rail transport. Additional burdens arose for rail transport in the first half of 2011 in the form of labor disputes and increased construction activity in the network. As a result, demand in the rail passenger transport market in Germany stagnated in the period under review.

Non-Group railways’ gains resulting from successes in tender procedures were notably dampened by the numerous strike days.

Despite the rising number of passengers the volume sold by our companies remained slightly lower than in the respective previous year’s period. At the same time, the development was very different for regional and long-distance transport. While regional transport saw improved performance after a weak start in the previous year, demand decreased for long-distance transport. While in the first half of 2010, limitations suffered by our intermodal competitors – due to severe winter weather and lost services due to a strike by pilots, as well as clouds of volcanic ash – caused transport to be shifted to rail, the improved economic framework conditions and gains from pricing and offer measures were not sufficient to compensate for the absence of these non-recurring effects. In addition, the suspension of mandatory military service also had a dampening effect.

In public road passenger transport, demand was lower than the same year-ago figure, as was also the case in previous years. While development of regularly scheduled services continues to be burdened by the declining numbers of schoolchildren, non-scheduled transport is expected to see a slower decline due to the improved income situation and the further increase in private consumption in comparison with the same year-ago figure.

Motorized individual transport rose moderately in the period under review, after strong growth at the start of the year. The more favorable influences from the economic recovery and the strong increase in newly registered cars offset the renewed increase in fuel prices, which once again rose by double digits (approximately 11 %). The price of diesel fuel increased at an above-average rate.

Volume sold in domestic German air transport – after the decline in the first half of 2010 due to the severe winter, the pilots’ strike and above all the volcanic-ash clouds – once again saw a strong increase in the period under review. Overall, the favorable base effects and the improved economic framework conditions were able to substantially overcompensate for the dampening effect of the air transport charge introduced in January 2011.

EUROPEAN PASSENGER TRANSPORT MARKET

After subdued development in the previous year, the economic recovery still only gradually made itself felt for the passenger transport markets in Europe during the first half of 2011. Despite regional differences, however, the overall trend was favorable. In terms of the job markets, 19 of the 27 EU member states reported a decline in the unemployment rate. In total, demand in the overall European rail passenger transport market in the period under review remained about the same level as in the previous year.

Against the background of continued liberalization, increasingly intense competition and rising cost pressure from the ordering organizations, the consolidation of the European passenger transport markets is also progressing. The liberalization of the rail passenger transport markets in Europe was detailed in the recently published ⟶ *Rail Liberalisation Index 2011* [1].

The European rail passenger transport market also continued to be shaped by the tight overall situation in public budgets, which is forcing the ordering organizations to realize comprehensive savings potentials. This particularly applies to several southern European countries where assistance for public passenger transport continues to be cut. Especially on the Iberian peninsula, the overall economic conditions remained difficult. Because of low demand, some high-speed connections are now being eliminated in Spain. Nonetheless, Renfe in Spain, as well as FS in Italy, SNCF in France, CD in the Czech Republic and PKP in Poland were able to report moderate increases in volume sold. Despite the weak economic recovery in Great Britain, the rail companies in the Association of Train Operating Companies (ATOC) were able to increase their volume sold. This is primarily due to the favorable base effects following the relatively weak development seen in the first half of 2010. In contrast, reduced volumes were sold by DSB in Denmark, for instance, as well as by state-run railways in Finland, Portugal, Romania and Slovenia.

FREIGHT TRANSPORT AND LOGISTICS

GERMAN FREIGHT TRANSPORT MARKET

The strongly favorable impulses for the German freight transport market, caused by the economic environment, were reinforced in the first quarter of 2011 – in particular, by the favorable base effects following the weak start of the previous year due to severe weather conditions. The comparably mild winter at the beginning of 2011 led to high growth rates, especially in the construction sector, and to correspondingly higher transport demand. The strong significance of the construction sector for road freight transport correspondingly led to an above-average increase in truck volume sold. Once again, freight railways also grew faster than the overall market. In contrast, the shutdown of the Rhine for waterway transport due to a tanker accident resulted in weak development in this sector.

The market remains characterized by intense inter- and intramodal competition, along with price developments that cannot keep up with the occasionally strong cost increases. In addition, capacity shortages are once again gaining significance due to high demand.

After the volume sold in rail freight transport in Germany in the first half of 2010 increased by almost 14 %, they again rose sharply in the first half of 2011. The growth was primarily driven by the coal, iron and steel sector (Montan) and the dynamic development of combined transport (CT). CT benefited from strong foreign trade and renewed domestic demand. However, increases in the chemical and automotive industries also provided powerful impulses for transport demand. Non-Group rail companies saw above-average growth after a slow start last year, and especially as a result of transports being shifted over to rail. Volume sold by our companies were also substantially higher than in the same year-ago period, at just under 6.5 %.

After the relatively moderate recovery last year, truck transport saw substantially favorable development in the first half of 2011. In addition to the important construction sector, strong impulses also came from the coal, iron and steel, automotive and machine construction sectors. According to the road-charge statistics from the Federal Office for Freight Transport, during the period under review vehicles registered in other countries once again recorded substantially stronger growth than their German competitors. This particularly applies to trucks from eastern Europe. Despite the increasing capacity shortages, competition remains strong. In conjunction with the large cost increases – especially for diesel prices, which increased even more strongly than in the first half of 2010 – transport companies remain subject to enormous cost pressure.

Following a dynamic recovery, volume sold for inland waterway transport collapsed at the beginning of 2011, largely because of the long blockage of the Rhine. After that, the situation improved due to the favorable economic conditions, but was offset by the effects of the very dry spring. Low water levels once again created noticeable restrictions. Accordingly, the performance development remained substantially lower than the strong growth noted for road and rail transport.

[1] ⟶ *Page 36*

EUROPEAN RAIL FREIGHT TRANSPORT

Based on preliminary information, the dynamic growth for European rail freight transport continued in the first half of 2011. Volume sold should once again see a strong increase, with ongoing regional differences.

After volume sold for freight rail transport in Poland rose by almost 20 % in the first half of 2010, a comparable increase was again recorded in the first half of 2011. This primarily resulted from the above-average development in inland waterway transport. While export transports substantially declined, import and transit transports increased notably. In addition to the strong economic effects, base effects are also expected to appear following the strong effects stemming from a flood last year. The state-owned PKP Cargo was expected to grow by about 20 % in the first half of 2011. Performance at DB Schenker Rail Polska improved moderately due to a focus on more profitable transports.

Volume sold in France – after a decrease of more than 20 % in 2009 and 6 % in 2010 – showed signs of recovery in the first half of 2011. The favorable overall economic trend was reinforced here by the absence of strikes. While volume sold noted for our Euro Cargo Rail continued to post strong growth, development noted for the state-owned Fret SNCF was clearly affected by the reduced single-wagon offer.

According to current information, development in Great Britain in the first half of 2011 was characterized by a strong recovery in the overall market. This development was largely driven by coal transport, which once again had the highest volume after the “domestic intermodal” sector surpassed the historically dominant coal transport at the end of 2009. Volume sold by DB Schenker Rail (UK) developed in tandem with the market trend.

EUROPEAN LAND TRANSPORT

The situation in European land transport continued to improve in the first half of 2011. While the growth rate slowed slightly against the background of fading catch-up effects following the economic crisis, it still remained high.

Capacity shortages arose in European land transport due to high demand. The resulting higher costs for shipping-space procurement and the renewed strong rise in diesel prices led to a notable increase in transport costs. As a result, most of the providers increased their prices. However, the continued higher competitive pressure continues to restrict opportunities to raise prices accordingly.

AIR FREIGHT

After the strong recovery last year, market growth slowed notably in the first half of 2011, with a rate of about 2.5 %. The regions developed very differently. In the Asia/Pacific region and in Africa, freight volumes to date have been even lower than the same year-ago figure. In addition to the fading out of catch-up effects following the economic crisis, this development is also a result of the unrest in several Arab countries, the earthquake in Japan and the strong increase in oil prices, which also caused a significant increase in transport costs. However, freight rates decreased as a result of the surplus of shipping space.

OCEAN FREIGHT

The ocean freight volume grew by about 4 to 5 % in the first half of 2011. As expected, the market thus developed more slowly than last year, while catch-up effects from the economic crisis led to record growth. Despite this favorable development in demand, the rate decrease continued in the area of ocean freight, since the shipping companies added more cargo capacity on many routes than required. Repeated attempts by the shipping companies to raise prices were unsuccessful.

CONTRACT LOGISTICS

The positive business climate continued in the area of contract logistics. This could be seen in the sustained market growth on every continent, with Asia still showing the highest growth rates. Demand noted in our four core industries – Automotive, Consumer Goods, Electronics and Industrials – continued to develop favorably in the first half of 2011. In particular, the Automotive and Electronics areas recorded double-digit percentage growth.

RAIL INFRASTRUCTURE IN GERMANY

Train-path demand continued to show positive development in the first half of 2011, and was also driven by strong growth in rail freight transport. The number of station stops also increased slightly.

BUSINESS PERFORMANCE

- **Strong increase by about 17% in revenues to € 18.9 billion (7% on a comparable basis)**
- **Adjusted EBIT has improved to € 1.1 billion**
- **Noticeable effects due to integration of Arriva**

Major changes compared with the first half of 2010

The development in expenses and income was also affected by changes made to the scope of consolidation during the period under review.

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

- Since September 1, 2010, the British Arriva has been fully consolidated with the exception of the activities of Arriva Deutschland which was sold in February 2011, and is carried under the newly established DB Arriva business unit.
- Since January 1, 2011, the DB Arriva business unit comprises the activities of Arriva outside Germany as well as the European activities in regional rail passenger and in bus transport which previously were part of the DB Bahn Regional or DB Bahn Urban business units.
- The figures for the first half of 2010 in the DB Arriva business unit therefore comprise only the activities which previously had been managed in the business units DB Bahn Regional (and in particular DB Regio UK) or DB Bahn Urban (and in particular Pan Bus). The figures for the first half of 2010 in the DB Bahn Regional business unit have been adjusted accordingly.
- Since January 1, 2011, solely the regional transport activities (Bus and Rail) of DB Group in Germany are carried in the DB Bahn Regional business unit. The previous DB Bahn Urban business unit was merged with the DB Bahn Regional business unit as of January 1, 2011. The figures for the first half of 2010 have been adjusted accordingly.
- There has been a statistical increase in the number of employees and wage and salary payments as a result of the → *arrangement for reducing standard working hours* [1] provided for in the → *collective bargaining agreements* [2]. This does not affect the DB Arriva and DB Schenker Logistics business units.

Developments of revenues

Revenues [€ million]	H1		Change	
	2011	2010	absolute	%
DB Group	18,876	16,102	+2,774	+17.2
– Effects from changes in the scope of consolidation	1,535	–	+1,535	–
– Effects from changes in exchange rates	61	–	+61	–
DB GROUP – COMPARABLE	**17,280**	**16,102**	**+1,178**	**+7.3**

Group revenues in the period under review again increased significantly compared with the first half of 2010. This is particularly attributable to the continued positive development in the global economy and the resultant increase in demand for transport and logistics services. Positive volume and price effects in the infrastructure area have also been noticeable in this respect.

The effects of changes in the scope of consolidation also had a considerable influence on the development of revenues in the first half of 2011. These effects are almost completely attributable to the inclusion of Arriva, with an impact of € 1,529 million on revenues. Adjusted by factors related to the changes in the scope of consolidation, revenue growth amounted to 7.7%.

In addition, we have also reported a minor amount of positive exchange rate effects (a total of € 61 million), which mainly related to the DB Schenker Logistics business unit. The stronger euro against the US dollar was more than offset by weaknesses compared with the Swedish krona and the Australian dollar.

Adjusted by the effects of exchange rate changes and changes in the scope of consolidation, revenue growth was 7.3%.

[1] → *Page 34* [2] → *Page 34 f.*

Total revenues by business unit [€ million]	H 1		Change	
	2011	2010	absolute	%
DB Bahn Long-Distance	1,825	1,828	- 3	- 0.2
DB Bahn Regional	4,365	4,288	+ 77	+ 1.8
DB Schenker Rail	2,481	2,268	+ 213	+ 9.4
DB Schenker Logistics	7,466	6,746	+ 720	+ 10.7
DB Services	648	557	+ 91	+ 16.3
DB Netze Track	2,269	2,198	+ 71	+ 3.2
DB Netze Stations	537	524	+ 13	+ 2.5
DB Netze Energy	1,448	1,230	+ 218	+ 17.7
Other	378	352	+ 26	+ 7.4
Consolidation	- 4,173	- 3,976	- 197	+ 5.0
DB GROUP (EXCLUDING DB ARRIVA)	**17,244**	**16,015**	**+ 1,229**	**+ 7.7**
DB Arriva	1,632	87	+ 1,545	–
DB GROUP	**18,876**	**16,102**	**+ 2,774**	**+ 17.2**
thereof concession fees (rail)	2,319	2,163	+ 156	+ 7.2
thereof concession fees (DB Bahn Regional)	2,173	2,147	+ 26	+ 1.2

The development in revenues was positive overall at the level of the business units.

In the DB Bahn Long-Distance business unit, revenues were roughly unchanged compared with the first half of 2010.

The DB Bahn Regional business unit benefited from a positive development in revenues in rail passenger transport, where growth was attributable to price and volume factors. Bus activities were slightly higher than the corresponding previous year figures.

In the DB Schenker Logistics and DB Schenker Rail business units, total revenues increased as a result of the continued positive development in the economy and the related positive development in volume sold.

In the area of infrastructure, the development in revenues was positive in all business units.

In the DB Netze Track business unit, total revenues increased due to higher train path demand and as a result of price measures.

In the DB Netze Stations business unit, station fees increased as a result of volume and price factors. Higher rental and marketing revenues were also generated.

In the DB Netze Energy business unit, there were positive effects due to stronger energy demand in conjunction with higher prices, higher revenues from energy services and portfolio optimization.

The increase in revenues in the DB Arriva business unit is due to the acquisition of Arriva.

Detailed information concerning the development of the individual business units can be found in the chapter → *Development of business units* [1].

The business units in passenger transport accounted for 41 % of external revenues (first half of 2010: 38 %). The DB Bahn Long-Distance business unit accounted for 9 % (first half of 2010: 11 %) and DB Bahn Regional accounted for 23 % (first half of 2010: 26 %). The new DB Arriva business unit is responsible for 9 % (first half of 2010: 1 %). On the other hand, the DB Schenker Logistics business unit accounted for 39 % (first half of 2010: 42 %), and the DB Schenker Rail business unit accounted for 12 % (first half of 2010: 13 %). The main revenue driver is still DB Schenker Logistics, followed by DB Bahn Regional.

[1] → ***Page 17 ff.***

External revenues by region [€ million]	H 1		Change	
	2011	2010	absolute	%
Germany	11,069	10,480	+ 589	+ 5.6
Europe (excluding Germany)	5,550	3,635	+1,915	+ 52.7
Asia/Pacific	1,120	969	+151	+15.6
North America	886	814	+72	+ 8.8
Rest of world	251	204	+ 47	+23.0
DB GROUP	**18,876**	**16,102**	**+2,774**	**+17.2**

The regional revenue distribution also reflects the effects of the continuing positive development in the global economy, resulting in revenue growth in all regions, and also reflects the initial inclusion of Arriva, which had an impact on the strong development of the rest of Europe. In Germany, growth in revenues (+ 5.6 %) was overall weaker than the growth in the other regions due to the less dynamic development in the passenger transport and in the infrastructure business.

Revenues generated outside Germany accordingly increased their share of Group revenues from 35 % in the first half of 2010 to 41 % in the period under review.

Development of profits

Excerpt from adjusted statement of income [€ million]	H 1 2011	thereof further adjustments [1]	H 1 2010	Change	
				absolute	%
Revenues	18,876	1,596	16,102	+2,774	+17.2
Inventory changes and internally produced and capitalized assets	1,143	3	1,019	+124	+12.2
Other operating income	1,185	59	942	+243	+25.8
TOTAL INCOME	**21,204**	**1,658**	**18,063**	**+3,141**	**+17.4**
Cost of materials	-10,260	- 547	- 8,816	-1,444	+16.4
Personnel expenses	- 6,393	-728	- 5,443	- 950	+17.5
Other operating expenses	-1,992	- 232	-1,607	- 385	+24.0
EBITDA ADJUSTED	**2,559**	**151**	**2,197**	**+362**	**+16.5**
Adjusted EBITDA margin (%)	13.6	-	13.6	-	-
Depreciation	-1,426	-114	-1,351	-75	+ 5.6
EBIT ADJUSTED	**1,133**	**37**	**846**	**+287**	**+33.9**
Adjusted EBIT margin (%)	6.0	-	5.3	-	-

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

The adjusted development in profit is described in the following, considering effects from changes in the scope of consolidation and changes in exchange rates.

In line with the positive development of revenues and an increase in other operating income, total income expanded appreciably in the first half of 2011. This increase was attributable to operating factors as well as factors from changes in the scope of consolidation and changes in exchange rates to roughly equal extents.

Cost of materials in the first half of 2011 was considerably higher than in the corresponding previous year period. This was due mainly to purchased services in the DB Schenker Logistics business unit which increased as a result of price and volume factors. Higher costs of energy due to price and volume factors as well as the inclusion of Arriva also had an impact in this respect. The percentage increase in cost of materials was higher than the growth in income, on a comparable basis.

Personnel expenses were higher than in the first half of 2010. This mainly reflected the integration of Arriva and also wage increases.

The other operating expenses increased as a result of various factors, including higher costs for renting rolling stock in the DB Bahn Long-Distance and DB Schenker Rail business units. On balance, the development in adjusted EBITDA was very positive in the first half of 2011 (+16.5 % to € 2,559 million).

On a comparable basis, depreciation was roughly unchanged compared with the first half of 2010.

Adjusted EBIT also improved appreciably in the first half of 2011 (+33.9% to €1,133 million). Accordingly, the adjusted EBIT margin increased to 6.0% in the first half of 2011.

Special items [€ million]	H1 2011
Expenses in connection with the closure of the joint power station Neckarwestheim I	-31
Amortization customer agreements	-37
Other	11
TOTAL	**-57**

As was the case in the period under review, the development of EBIT was also hardly affected by special items in the corresponding previous year period. In the first half of 2011, the special items were negative (a total of € 57 million), whereas they were positive in the previous year (€ +29 million). The special items in the first half of 2011 mainly related to expenses in connection with the → *closure of the joint power station Neckarwestheim I* [1] as well as the amortization of customer and franchise agreements which will be amortized by Arriva over the remaining term of the respective agreements as a result of being capitalized as intangible assets as part of the purchase price allocation (PPA) process.

Special items [€ million]	H1 2010
Release of provisions for technical risks	35
Other	-6
TOTAL	**29**

In the first half of 2010, special items mainly related to the partial reversal of provisions for technical risks (€ 35 million) resulting from the agreement regarding the replacement of the ICE T axles.

Excerpt from statement of income [€ million]	H1		Change	
	2011	2010	absolute	%
Revenues	18,876	16,102	+2,774	+17.2
Inventory changes and internally produced and capitalized assets	1,143	1,019	+124	+12.2
Other operating income	1,204	977	+227	+23.2
TOTAL INCOME	**21,223**	**18,098**	**+3,125**	**+17.3**
Cost of materials	-10,291	-8,816	-1,475	+16.7
Personnel expenses	-6,393	-5,443	-950	+17.5
Depreciation	-1,463	-1,351	-112	+8.3
Other operating expenses	-2,000	-1,613	-387	+24.0
EBIT	**1,076**	**875**	**+201**	**+23.0**
Financial result	-411	-506	+95	-18.8
PROFIT BEFORE TAXES ON INCOME	**665**	**369**	**+296**	**+80.2**
Taxes on income	-17	23	-40	-174
NET PROFIT	**648**	**392**	**+256**	**+65.3**

Because the special items were only of minor significance in total, the development in the unadjusted profit measures in the period under review was affected by the same drivers which affected the adjusted profit measures. This means that the main effects are attributable to the strong operating development and the integration of Arriva.

As a result of the positive development in operating results and an improvement of € 95 million in financial result, there has also been a considerable improvement in profit before taxes on income (€ +296 million). Compared with the corresponding previous year period, the taxes on income position has deteriorated by € 40 million.

Net profit increased accordingly by € 256 million to € 648 million (first half of 2010: € 392 million).

The result attributable to minority interests amounted to € 6 million (first half of 2010: € 6 million). The development which has been described has thus resulted overall in an equally strong increase in the net profit attributable to the shareholders of DB AG (€ 642 million; first half of 2010: € 386 million). This has also resulted in an increase in earnings per share to € 1.49 in the period under review (first half of 2010: € 0.90).

[1] → *Page 26*

OPERATING INCOME BY BUSINESS UNITS

EBITDA adjusted by business units [€ million]	H 1		Change	
	2011	2010	absolute	%
DB Bahn Long-Distance	227	261	-34	-13.0
DB Bahn Regional	753	724	+29	+4.0
DB Schenker Rail	199	127	+72	+56.7
DB Schenker Logistics	255	197	+58	+29.4
DB Services	155	149	+6	+4.0
DB Netze Track	732	708	+24	+3.4
DB Netze Stations	186	184	+2	+1.1
DB Netze Energy	65	82	-17	-20.7
Other/consolidation	-164	-238	+74	-31.1
DB GROUP (EXCLUDING DB ARRIVA)	**2,408**	**2,194**	**+214**	**+9.8**
DB Arriva	151	3	+148	–
DB GROUP	**2,559**	**2,197**	**+362**	**+16.5**

EBIT adjusted by business units [€ million]	H 1		Change	
	2011	2010	absolute	%
DB Bahn Long-Distance	46	80	-34	-42.5
DB Bahn Regional	477	449	+28	+6.2
DB Schenker Rail	58	-19	+77	–
DB Schenker Logistics	170	110	+60	+54.5
DB Services	80	74	+6	+8.1
DB Netze Track	262	237	+25	+10.5
DB Netze Stations	124	123	+1	+0.8
DB Netze Energy	24	40	-16	-40.0
Other/consolidation	-179	-245	+66	-26.9
DB GROUP (EXCLUDING DB ARRIVA)	**1,062**	**849**	**+213**	**+25.1**
DB Arriva	71	-3	+74	–
DB GROUP	**1,133**	**846**	**+287**	**+33.9**

At the level of the business units, the development of the adjusted profit measures was mainly positive compared with the corresponding previous year period. Growth in EBITDA adjusted and EBIT adjusted was reported for all business units, with the exception of the DB Bahn Long-Distance and DB Netze Energy business units.

The DB Bahn Long-Distance business unit reported increases in personnel expenses due to volume and wage agreement factors in conjunction with constant revenues. Overall, therefore, the adjusted profit measures declined.

In the DB Bahn Regional business unit, the growth in total costs was slightly lower than the growth in income (in particular as a result of the positive development in ticket revenues), so that the adjusted profit measures increased in the period under review.

As a result of the strong growth in revenues due to the further positive development in the economy in conjunction with below-average growth in costs, the adjusted profit measures of the DB Schenker Rail and DB Schenker Logistics business units increased strongly.

In the DB Services business unit, the adjusted profit measures increased as a result of the higher income.

Despite considerable growth in revenues, the adjusted profit measures in the DB Netze Track business unit increased only slightly. This was due to the significant increase in maintenance costs as well as increases in personnel expenses due to volume and collective bargaining factors.

The DB Netze Stations business unit reported virtually unchanged adjusted profit measures in the period under review, because the slight increase in revenues was offset by opposite cost increases.

In the DB Netze Energy business unit, the adjusted profit measures declined as a result of various factors, including additional energy costs.

The item Other/consolidation showed adjusted profit measures that were higher than the corresponding previous year figure. This is due to effects of eliminating intercompany profits and adjusting interest rates for other personnel provisions in connection with IAS 19.

The increases in the adjusted profit measures in the DB Arriva business units are attributable to the acquisition of Arriva in the second half of 2010.

Additional information regarding the development in operations of the individual business units can be found in the chapter ⟶ *Development of business units* [1].

Value management

ROCE [€ million or %]	H 1		Change	
	2011	2010	absolute	%
EBIT adjusted	1,133	846	+ 287	+ 33.9
÷ Capital employed as of Jun 30	31,672	28,738	+ 2,934	+ 10.2
ROCE[1] (%)	**7.2**	**5.9**	–	–

[1] In order to calculate an ROCE on a full-year basis, the figures for EBIT adjusted are extrapolated to the full year on the basis of a linear projection.

The ROCE increased by 1.3 percentage points in the first half of 2011. This reflects the considerable increase in ⟶ *adjusted EBIT* [2].

The increase in capital employed is mainly due to the integration of Arriva since September 1, 2010.

[1] ⟶ *Page 17 ff.* | [2] ⟶ *Page 13 f.*

DEVELOPMENT OF BUSINESS UNITS

⟼ **Expansion of the long-distance vehicle fleet**
⟼ **Business in transport and logistics benefiting from strong economic recovery**
⟼ **Infrastructure business units with much stronger non-Group demand**

Passenger transport

MAJOR EVENTS

CHANGES IN THE BUSINESS UNITS STRUCTURE

After the acquisition of Arriva, we made an adjustment to the management structure in Passenger Transport. The new DB Arriva business unit has been set up in the Board division Passenger Transport. Since January 1, 2011, this business unit has been responsible for all regional transport activities outside Germany. For this purpose, all tasks with an international content, excluding cross-border services, are allocated to the DB Arriva business unit.

Since January 1, 2011, only regional transport activities in Germany have been operated by the DB Bahn Regional business unit. The previous business unit DB Bahn Urban has been merged with the DB Bahn Regional business unit.

SHORTER INSPECTION INTERVALS FOR ICE 1 AND ICE 2 TRAINS

We again experienced further restrictions in the availability of the ICE fleet in the period under review. This is due to the fact that DB Fernverkehr AG, with the letter dated February 16, 2011, complied with the request of the EBA to also ⟶ *reduce the ultrasound inspection intervals for the multiple units ICE 1 and 2 by way of a voluntary agreement* [1].

Following liaison with official authorities and industry, a project has been initiated with the aim of developing a viable model for providing technical and scientific backing for determining ultrasound inspection intervals for wheel set axles.

REPLACEMENT OF THE AXLES OF ICE 3 AND ICE T

In October 2009, we reached a mutually acceptable agreement with Siemens and Bombardier with regard to the replacement of the ICE 3 driven wheel sets. At the end of February 2010, an agreement was also reached with Alstom on account of a joint solution for replacing all wheel sets of the ICE T. The industry has now virtually completed the processes of developing and testing the new driven wheel sets of the ICE 3. However, the approval procedure with the EBA is still ongoing. The process of developing and testing the new driven wheel sets and trailing wheel sets of the ICE T by industry still has to be performed. Again, the wheel sets will subsequently still have to be approved by the EBA.

After the approval has been obtained, the implementation process with the corresponding schedule for replacement will be carried out jointly between ourselves and the industry. In total, the replacement process affects around 1,200 driven wheel sets of the ICE 3 and around 2,100 driven wheel sets and trailing wheel sets of the ICE T. The process of equipping all ICE 3 and ICE T trains with the new axles is expected to be completed in 2014 (ICE 3) and 2015 (ICE T).

NEW HIGH-SPEED TRAINS WILL EXPAND THE ICE 3 FLEET BEGINNING IN 2012

We have placed an order with Siemens for 16 new ICE 3 of the 407 series for cross-border passenger services. The first trains are expected to be deployed in the spring of 2012.

This latest generation of high-speed trains will strengthen and enhance the existing ICE 3 fleet. The new trains are expected to be deployed in Germany, France and Belgium; however, their use can also be extended to the whole of Western Europe. For this purpose, we are assessing new deployment concepts for connections to the Netherlands and London through the Channel Tunnel.

ICX – NEW ERA IN LONG-DISTANCE SERVICE BEGINNING IN 2016

At the beginning of May 2011, we initiated the changeover of generations in our long-distance fleet when we signed a framework agreement for up to 300 ICx multiple units. The ICx sets new standards with regard to flexibility for adapting to future market developments, interior variability and energy efficiency.

The contract with Siemens is the largest single investment in the history of DB Group. The first call-off order will comprise 130 trains which are to be gradually deployed starting in December 2016. At least a further 65 multiple units are expected to be called off in order to completely replace the IC/EC and ICE 1/2 fleets.

ADJUSTMENT OF THE TRANSPORT AGREEMENT WITH THE VRR

At the end of 2009, we agreed an ⟶ *adjustment to the existing transport agreement* [2] with the Rhine-Ruhr transport association (Verkehrsverbund Rhein-Ruhr; VRR) from the year 2004.

[1] ⟶ ***2010 Annual Report Page 129***

[2] ⟶ ***2009 Annual Report Page 122***

In a subsequent review procedure initiated against the VRR, the Federal Court of Justice stated that this contractual amendment was void due to considerations of procurement law. It is alleged that, without a formal procedure, Cartel Procurement Law does not allow the envisaged extension of the services of S-Bahn Rhein-Ruhr by a further five years until December 2023. The Federal Court of Justice stated that German Cartel Procurement Law specifies an obligation to put contracts out to tender for agreeing public regional passenger transport services beyond the law of the European Union.

On May 18, 2011, we reached an agreement with the VRR with regard to a new adjustment to the transport agreement which, as far as possible, in particular maintains the improvements for the passengers which were included in the contract adjustment which was declared to be void (including increased train capacities, optimized routes). The extension of five years for S-Bahn (metro) services, which was criticized by the Federal Court of Justice, is no longer applicable. Part of the S-Bahn (metro) services will be extended by one year until December 2019 in line with procurement law as a result of an existing option of the VRR in the agreement from the year 2004.

In several letters to the EU Commission, the Interessenverband Mofair e.V., whose members include Abellio which belongs to the Dutch NS, has alleged that transport agreements between the VRR and companies of DB Group contained unlawful aid. The Federal Republic of Germany has answered a request for information from the European Commission which refers to these complaints. In the opinion of DB Group, no unlawful aid is involved.

FURTHER COMPENSATION PAYMENTS FOR RESTRICTIONS IN THE SERVICE OF S-BAHN BERLIN

As a result of the severe winter conditions at the beginning of 2011, a restricted winter timetable was applicable for S-Bahn Berlin between the end of January and the end of February 2011; these restrictions also included speed limits. The scheduled services with 425 quarter-trains, which had been applicable since June 2010, were initially resumed in March 2011. The number of quarter-trains deployed for passenger operations was then increased to 440 by the end of June 2011. The operating position was thus overall slightly improved compared with the first half of 2010. It is still the aim to offer scheduled services with 500 quarter-trains with the introduction of the new 2011/2012 timetable.

As a result of the continuing restrictions in operations at S-Bahn Berlin, we are offering additional compensation to our customers in the local public transport network in Berlin in 2011. In addition to the previous compensation provided in the form of free travel and repayments of around € 105 million, further payments will be made to passengers in 2011.

LIBERALIZATION OF LONG-DISTANCE SCHEDULED BUS SERVICES

In February 2011, the Federal Government published the draft of the amendment to the Passenger Transportation Act and liberalization of long-distance scheduled bus services. The legislation procedure will probably be completed at the beginning of 2012. In accordance with the regulations of this draft, local rail passenger transport services and public rail passenger transport services are to be protected against long-distance bus services.

Following an extensive review, we initially decided not to expand our existing long-distance bus services aggressively in view of the expected volatility of the market. However, we will observe further developments and adopt a flexible approach for our business activities.

TENDERING OF RAIL AND BUS SERVICES

Rail services in Germany (DB Regional Rail)

The ordering organizations completed 13 tender procedures in Germany in the period under review (first half of 2010: six) and awarded contracts for a total of 31 million train kilometers (train km) (first half of 2010: 14 million train km).

As was the case in the first half of 2010, we participated in all invitations to tender. We were successful in winning six contracts (first half of 2010: two invitations to tender) or 69 % of the train kilometers for which a contract was awarded (first half of 2010: 43 %). Of the total train kilometers put out to tender, 78 % have previously been provided by companies of DB Group.

On the basis of the contracted volume (train kilometers over the entire term of the contracts), the success ratio was 77 % (first half of 2010: 66 %).

Bus services in Germany (DB Regional Bus)

In the period under review, contracts were awarded in Germany for bus services in 17 tendering processes with a total volume of around 12 million bus kilometers (bus km) (first half of 2010: 14 million bus km). Of the total number of bus kilometers for which contracts have been awarded, 38 % have so far been provided by companies of DB Group.

In the period under review, we participated in nine invitations to tender with a volume of 9 million bus km. In the invitations to tender in which we participated, we achieved a success rate of 45 % (first half of 2010: 39 %).

Bus and rail services in other European countries (DB Arriva)

DB Arriva has also participated in tender processes throughout Europe in the period under review.

In bus transport, DB Arriva achieved success in eight major tendering processes with a total volume of around 7 million bus km in Great Britain, four major tendering processes in Denmark with a total volume of approximately 23 million bus km and three major tendering processes in the Netherlands with a total volume of approximately 5 million bus km. Most of the bus services which were secured had previously been operated by DB Arriva.

In the field of rail services, DB Arriva was also successful in a major tendering processes for a contract between Arnhem and Winterswijk in the Netherlands. The contract is due to run for a period of 13 years, with an annual volume of around 4 million train km.

DB BAHN LONG-DISTANCE BUSINESS UNIT

Selected key figures [€ million]	H 1		Change	
	2011	2010	absolute	%
Passengers rail (million)	60.0	60.2	- 0.2	- 0.3
Volume sold rail (million pkm)	16,888	17,289	- 401	- 2.3
Load factor (%)	45.0	46.9	–	–
Total revenues	1,825	1,828	- 3	- 0.2
External revenues	1,760	1,765	- 5	- 0.3
EBITDA adjusted	227	261	- 34	- 13.0
EBIT adjusted	46	80	- 34	- 42.5
Gross capital expenditures	40	13	+ 27	–
Employees (FTE as of Jun 30)	16,140	15,312	+ 828	+ 5.4

PERFORMANCE DEVELOPMENT

The development in the DB Bahn Long-Distance business unit in the period under review was characterized by the non-recurrence of positive one-off effects from the first half of 2010, for which it was not possible to achieve a full compensation, as well as problems attributable to negative one-off effects in the first half of 2011. The positive one-off effects from the first half of 2010 which were not repeated included in particular the severe winter weather and the problems posed in aviation as a result of the ash clouds and a pilot strike. In the first half of 2011, there were also negative one-off effects attributable to ⟶ *construction measures on the east-west corridor* [1], which resulted in considerable restrictions, as well as uncertainty relating to threatened and realized ⟶ *train driver strikes of the GDL trade union* [2].

The number of passengers, the volume sold and the load factor accordingly declined slightly in the period under review.

BUSINESS DEVELOPMENT

Despite an opposite increase in specific revenues, the negative effects resulting from the development in performance were reflected in a slight downturn in overall revenues and also in external revenues. This was opposed by an increase in the other operating income resulting from insurance payments in connection with a damaged ICE train (an accident near Lambrecht). On the expense side there were cost increases particularly in terms of maintenance, energy and personnel (resulting from a higher number of employees and wage increases), and there was also an increase in other operating expenses (costs of leased trains).

In consequence, the lower revenues and higher costs resulted in an adjusted EBITDA which declined by € 34 million to € 227 million and an adjusted EBIT which declined by € 34 million to € 46 million.

Gross capital expenditures were considerably higher than the respective previous year figure. The increase was due to the start of implementing the redesign measures for the ICE 2 fleet, procuring ultrasound inspection installations and the construction of additional de-icing installations.

The number of employees has increased considerably compared with June 30, 2010. The increased personnel requirement has resulted among other factors from internal reclassifications of employees as well as higher recruitment in the field of maintenance.

[1] ⟶ ***Page 27*** [2] ⟶ ***Page 35***

DB BAHN REGIONAL BUSINESS UNIT

Selected key figures [€ million]	H1		Change	
	2011	2010	absolute	%
Passengers (million)	1,286	1,276	+10	+ 0.8
thereof rail	885.8	873.5	+12.3	+1.4
thereof bus	400.0	402.8	- 2.8	- 0.7
Volume sold (million pkm)	25,172	24,957	+215	+ 0.9
thereof rail	20,518	20,265	+253	+1.2
thereof bus	4,654	4,692	- 38	- 0.8
Volume produced rail (million train-path km)	249.5	253.1	- 3.6	-1.4
Volume produced bus (million bus km)	317.5	317.4	+ 0.1	-
Total revenues	4,365	4,288	+77	+1.8
thereof rail	3,899	3,810	+ 89	+2.3
thereof bus	656	648	+ 8	+1.2
External revenues	4,323	4,247	+76	+1.8
thereof rail	3,714	3,639	+75	+2.1
thereof bus	609	607	+2	+ 0.3
Concession fees	2,173	2,147	+26	+1.2
EBITDA adjusted	753	724	+29	+ 4.0
thereof rail	687	654	+ 33	+ 5.0
thereof bus	66	67	-1	-1.5
EBIT adjusted	477	449	+28	+ 6.2
thereof rail	445	413	+ 32	+7.7
thereof bus	32	33	-1	- 3.0
Gross capital expenditures	116	128	-12	- 9.4
Employees (FTE as of Jun 30)	37,289	36,539	+750	+2.1

Since the financial year 2011, the ⟶ *DB Bahn Regional business unit* [1] comprises all activities of DB Group in the German regional transport service market (bus and rail) and in cross-border regional services from and to Germany.

The development detailed in the following shows an overall positive picture for the DB Bahn Regional business unit, with increases in revenues and adjusted EBIT. The development in bus and rail services in the period under review was mixed.

PERFORMANCE DEVELOPMENT

The performance development in rail transport was characterized by growth in the number of passengers (+1.4 %) and volume sold (+1.2 %), driven by the development in the regions of Baden-Württemberg, North Rhine-Westphalia and North as well as at S-Bahn Berlin.

Volume produced declined slightly due to lost tenders from previous years which became effective in the first half of 2011.

The performance in bus transport has declined slightly. This is due mainly to a downturn in the number of schoolchildren.

BUSINESS DEVELOPMENT

As a result of the growth in performance, ticket revenues in particular increased in rail transport. The concession fees (rail) have also increased. The higher bus transport revenues compared with the first half of 2010 are due to expanded rail replacement services and wage increases.

Costs in rail and bus transport were affected by increases in personnel expenses due to collective bargaining agreements and energy price increases as well as, in rail transport, increases in maintenance costs as well as security services and train cleaning as part of the ⟶ *Customer and Quality initiative* [2].

In rail transport, the increase in revenues combined with a less strong increase in costs resulted in an improvement in adjusted EBITDA (€ +33 million to € 687 million) and adjusted EBIT (€ +32 million to € 445 million).

[1] ⟶ **Page 11** | [2] ⟶ **Page 35**

In bus transport the increase in revenues in conjunction with a stronger increase in costs resulted in a slight decline in adjusted EBITDA (€ −1 million to € 66 million) and adjusted EBIT (€ −1 million to € 32 million).

Gross capital expenditures have declined in rail transport. This was due to missing approvals for trains. Gross capital expenditures also declined in bus transport, due to delays in bus procurement. In both areas, capital expenditures focused on purchasing vehicles.

The number of employees in rail transport increased compared with June 30, 2010. This was due to various factors, including the reduction of reference working hours and further staff recruitment at S-Bahn Berlin. In bus transport the workforce is roughly unchanged compared with the first half of 2010.

DB ARRIVA BUSINESS UNIT

Selected key figures [€ million]	H 1		Change	
	2011	2010	absolute	%
Total revenues	1,632	87	+1,545	–
thereof Mainland Europe	606	13	+ 593	–
thereof UK Bus	561	0	+ 561	–
thereof UK Trains	464	78	+ 386	–
External revenues	1,632	87	+1,545	–
thereof Mainland Europe	606	13	+ 593	–
thereof UK Bus	561	0	+ 561	–
thereof UK Trains	464	74	+ 390	–
Concession fees (rail)	138	8	+ 130	–
EBITDA adjusted	151	3	+ 148	–
thereof Mainland Europe	64	1	+ 63	–
thereof UK Bus	98	0	+ 98	–
thereof UK Trains	0	2	– 2	–
EBIT adjusted	71	– 3	+ 74	–
thereof Mainland Europe	21	0	+ 21	–
thereof UK Bus	68	0	+ 68	–
thereof UK Trains	– 9	– 3	– 6	–
Gross capital expenditures	72	9	+ 63	–
Employees (FTE as of Jun 30)	37,922	1,553	+ 36,369	–

Following the acquisition in the previous year, ⟶ *Arriva* [1] has been included in the DB consolidated financial statements since September 1, 2010, and has been managed together with previous activities of DB Group in the ⟶ *new DB Arriva business unit* [1]. This means that there are no comparable previous year figures for the first half of 2010. The figures shown for the previous year exclusively reflect the development of the reclassified activities within DB Group. In the following, therefore, we have not included any comment on the development of the DB Arriva business unit compared with the first half of 2010.

Moreover, in the first half of 2011, no performance data of Arriva have yet been taken into consideration, which means that the reported performance data of DB Group only contain the performance development of the activities of the DB Arriva business unit reclassified within DB Group.

[1] ⟶ **Page 11**

Transport and logistics

MAJOR EVENTS

POSITIVE CUSTOMER RESPONSE AFTER ONE YEAR XRAIL

The production alliance consisting of seven European freight rail companies which started in February 2010 for strengthening international single wagon traffic, ⟶ *Xrail* [1] has reported a positive performance: with 150 relations until the end of 2010, around 10 % of all services in European single wagon traffic between the partners were provided in accordance with the Xrail standard. By the end of this year, the offered relations are expected to increase three-fold to 450. The alliance thus intends to cover around 25 % of the market for European single wagon traffic. Next year, this percentage is expected to increase up to 40 %.

ECO SOLUTIONS OF DB SCHENKER PROVIDES A CLIMATE-FRIENDLY SOLUTION FOR EVERY TRANSPORT CARRIER

With ⟶ *Eco Solutions* [2], DB Schenker offers a comprehensive range of climate-friendly transport and logistics services to its customers: for every mode of transport, ranging from rail and land services, air and ocean freight right through to warehouse logistics, DB Schenker offers environmentally friendly solutions which can make a measurable contribution to carbon reduction and thus to climate protection. Eco Solutions, a climate-friendly range of products and services offered by DB Schenker, is supported by the new ECO_2PHANT, which symbolizes how much carbon can be saved by customers with their transport activities. Every ECO_2PHANT stands for five tons of carbon savings – approximately as much as a real elephant weighs.

FREIGHT TRAIN FROM CHINA REACHES GERMANY IN 16 DAYS

After approximately 16 days' travel, a container train arrived in Duisburg at the beginning of April 2011 from the Chinese city of Chongqing. For the route covering a total of 10,300 kilometers, the train, which was managed by DB Schenker, needed approximately half the time which would have been necessary by sea. The freight was conveyed on behalf on an international company which operates production facilities in Chongqing.

DB SCHENKER LOGISTICS IS ESTABLISHING A NEW LOGISTICS CENTER IN LEIPZIG

DB Schenker Logistics is establishing a new logistics center in Leipzig for supplying components to carmaking factories of BMW in China and South Africa. The logistics center covering approximately 63,000 m² in the north of Leipzig is expected to enter service in the second half of 2011. As part of a data network arrangement, the logistics center will receive approximately 8,000 different components, which will then be packaged and stored in containers as required. The logistics center will also be responsible for conservation of the metal components for the conditions encountered during the sea passage.

From Leipzig, approximately 50 containers are expected to be sent to Rosslyn in South Africa and Shenyang in China, primarily by sea, although some containers will also be shipped by rail. BMW is currently building a new production plant in Shenyang. DB Schenker is already involved in the process of supplying this plant.

NEW GREEN LOGISTICS CENTER OPENED IN OLDENBURG

The first location in the whole of Germany which is heated and cooled entirely with geothermal energy was put into service by DB Schenker Logistics in Oldenburg in May 2011. The logistics center is equipped with a highly efficient heat pump installation which generates four times as much energy as it requires as operating power. In this way, the green transshipment center makes a major contribution towards making efficient use of natural resources. We have invested around € 10 million in the environmentally friendly installation.

[1] ⟶ ***www.xrail.eu***

[2] ⟶ ***www.dbschenker.com/environment***

DB SCHENKER RAIL BUSINESS UNIT

Selected key figures [€ million]	H 1		Change	
	2011	2010	absolute	%
Freight carried (million t)	207.8	203.2	+ 4.6	+ 2.3
Volume sold (million tkm)	56,784	52,588	+ 4,196	+ 8.0
thereof Central region	46,440	43,990	+ 2,450	+ 5.6
thereof West region	8,183	6,731	+ 1,452	+ 21.6
thereof East region	2,161	1,867	+ 294	+ 15.7
Capacity utilization (t per train)	516.3	499.6	+ 16.7	+ 3.3
Total revenues	2,481	2,268	+ 213	+ 9.4
thereof Central region	2,275	2,097	+ 178	+ 8.5
thereof West region	430	348	+ 82	+ 23.6
thereof East region	150	192	- 42	- 21.9
External revenues	2,343	2,138	+ 205	+ 9.6
thereof Central region	1,849	1,702	+ 147	+ 8.6
thereof West region	379	312	+ 67	+ 21.5
thereof East region	115	123	- 8	- 6.5
EBITDA adjusted	199	127	+ 72	+ 56.7
thereof Central region	154	137	+ 17	+ 12.4
thereof West region	44	- 17	+ 61	–
thereof East region	10	- 1	+ 11	–
EBIT adjusted	58	- 19	+ 77	–
thereof Central region	43	26	+ 17	+ 65.4
thereof West region	24	- 36	+ 60	–
thereof East region	1	- 16	+ 17	–
Gross capital expenditures	135	147	- 12	- 8.2
Employees (FTE as of Jun 30)	32,697	33,492	- 795	- 2.4

PERFORMANCE DEVELOPMENT

In line with the development in the → *freight transport markets* [1], the performance in the DB Schenker Rail business unit has also increased strongly, with the support of a positive economic climate. Strong growth rates have been reported in the regions West and East. Overall, the volume sold has improved by 8.0 %. The strongest growth in absolute terms has been reported by the Central region. However, the situation has still not returned to the level seen before the crisis.

This positive development in demand has meant that capacity utilization has also increased by 3.3 %.

BUSINESS DEVELOPMENT

Based on the development in performance, total and external revenues increased strongly, namely by 9.4 % and 9.6 % respectively. Different developments have been reported for the various regions as a result of the differentiated development in the individual markets. Whereas revenues in the Central region (particularly in Germany) and the West region increased strongly, revenues in the East region declined as a result of a fiercely competitive situation, particularly in Poland.

Overall, there was a considerable increase in the expense items cost of materials (as a result of the continued positive development in performance), personnel expenses (as a result of restructuring measures in the East and West regions) and other operating expenses (due to various factors, including more extensive utilization of train rental). In the East region, a considerable improvement in the cost situation was achieved as a result of extensive restructuring measures.

In total, the adjusted profit measures improved in all regions. Accordingly, adjusted EBITDA increased by a total of € 72 million to € 199 million, and adjusted EBIT increased by a total of € 77 million to € 58 million.

[1] → ***Page 9 f.***

Gross capital expenditures declined as a result of lower procurement of freight wagons. Investment activities concentrated on the procurement of locomotives and freight wagons.

The number of employees declined as of June 30, 2011, mainly as a result of the redundancies at DB Schenker Rail Polska.

DB SCHENKER LOGISTICS BUSINESS UNIT

Selected key figures [€ million]	H 1		Change	
	2011	2010	absolute	%
Shipments in European land transport (thousand) [1]	47,515	39,372	+ 8,143	+ 20.7
Air freight volume (export, thousand t) [1]	583,2	586,8	– 3,6	– 0.6
Ocean freight volume (export, thousand TEU) [1]	837.3	800.1	+ 37.2	+ 4.6
Total revenues	7,466	6,746	+ 720	+ 10.7
thereof European land transport	3,191	2,832	+ 359	+ 12.7
thereof air/ocean freight	3,574	3,298	+ 276	+ 8.4
thereof contract logistics/SCM	695	613	+ 82	+ 13.4
External revenues	7,437	6,724	+ 713	+ 10.6
thereof European land transport	3,164	2,813	+ 351	+ 12.5
thereof air/ocean freight	3,572	3,297	+ 275	+ 8.3
thereof contract logistics/SCM	695	611	+ 84	+ 13.7
Gross profit margin (%)	29.6	29.5	–	–
EBITDA adjusted	255	197	+ 58	+ 29.4
thereof European land transport	110	85	+ 25	+ 29.4
thereof air/ocean freight	107	84	+ 23	+ 27.4
thereof contract logistics/SCM	44	34	+ 10	+ 29.4
EBIT adjusted	170	110	+ 60	+ 54.5
thereof European land transport	63	42	+ 21	+ 50.0
thereof air/ocean freight	88	63	+ 25	+ 39.7
thereof contract logistics/SCM	26	17	+ 9	+ 52.9
Adjusted EBIT margin (%)	2.3	1,6	–	–
Gross capital expenditures	89	61	+ 28	+ 45.9
Employees (FTE as of Jun 30)	60,691	57,379	+ 3,312	+ 5.8

[1] Preliminary figures.

PERFORMANCE DEVELOPMENT

Based on the continued positive development of the economy and the ⟶ *transport and logistics markets* [1], volumes in our network also increased strongly. European land transport shipments reported very dynamic growth, namely 20.7 %. The increase was related to national and also international land transport as well as the parcel business which reported very strong growth.

The performance development in ocean freight was also positive in line with the trend on the overall market. The volume of ocean freight which we handled increased by 4.6 %.

We have succeeded in benefiting from a further increase in demand in the field of contract logistics/SCM, where we have participated particularly in the continuing worldwide growth in volume sales in the automotive sector.

Air freight volume has remained virtually unchanged. These activities reported very strong growth in the first half of 2010, when a rapid process of recovering from the consequences of the economic crisis had already started. The air freight market in the first half of 2011 was characterized by downturns in transatlantic and transpacific transport volume as well as stable inner-Asian and expanding Europe/Asia transport volume.

[1] ⟶ ***Page 9 f.***

BUSINESS DEVELOPMENT

The development in revenues in the DB Schenker Logistics business unit in the period under review was positive in all sectors and regions as a result of the favorable economic development. Currency effects resulted overall in a positive revenue effect of € 58 million.

On the other hand, the higher levels of business activities also resulted in higher costs, particularly as a result of the increased volume of purchased transport services. In the European land transport business, freight prices and fuel costs also increased considerably compared with the first half of 2010. However, in the field of air freight (particularly as a result of somewhat weaker demand) and in ocean freight (as a result of shipping companies' expanding capacities), transport costs declined slightly compared with the first half of 2010. Overall, the gross profit margin improved slightly from 29.5 % to 29.6 %.

Due to the higher number of employees, personnel expenses were considerably higher than the figure from the first half of 2010.

As a result of the continually fierce competitive situation, it was only possible to a limited extent in certain cases to force through price increases in order to be able to pass on higher costs; nevertheless, the adjusted profit measures improved in all sectors. This was due to various factors, including higher productivity.

Overall, adjusted EBITDA improved by € 58 million to € 255 million, and adjusted EBIT improved by € 60 million to € 170 million. The EBIT margin also improved considerably from 1.6 % to 2.3 %.

Gross capital expenditures were considerably higher than the corresponding previous year figure as a result of higher levels of capital expenditures in virtually all regions. Capital expenditures concentrated on constructing new and extending existing logistics installations, with a regional focus in Europe.

As of June 30, 2011, the positive development in overall business was also reflected in a considerably higher number of employees. Additional staff have been taken on particularly in Europe, followed by Asia Pacific and Americas.

Services

MAJOR EVENTS

INITIAL ELECTRIC CARS INTRODUCED IN CAR SHARING

The first Citroën series vehicle with a pure electric drive, namely a Citroën C-Zero, was handed over to DB Fuhrpark in mid-January 2011.

Overall, 70 vehicles are to be delivered to DB Fuhrpark in 2011, where they will be used in car sharing. Environmentally friendly electric vehicles of DB Carsharing (e-Flinkster) have so far been available for use in model projects in Aachen, Berlin, Darmstadt, Frankfurt, Hamburg and Saarbrücken.

DB SERVICES BUSINESS UNIT

Selected key figures [€ million]	H 1		Change	
	2011	2010	absolute	%
Segment revenues	1,581	1,433	+148	+10.3
Total revenues	648	557	+91	+16.3
External revenues	68	49	+19	+38.8
Other operating income	933	876	+57	+6.5
EBITDA adjusted	155	149	+6	+4.0
EBIT adjusted	80	74	+6	+8.1
Gross capital expenditures	97	51	+46	+90.2
Employees (FTE as of Jun 30)	26,030	24,521	+1,509	+6.2

BUSINESS DEVELOPMENT

The development of the DB Services business unit mainly reflects the support nature of the business unit for internal customers within DB Group. Internal revenues of € 1,387 million continue to account for most of the segment revenues (total revenues plus other operating income) of € 1,581 million. These increased by 9.6 % in the period under review. This was due mainly to higher services for maintenance of rolling stock at DB Fahrzeuginstandhaltung (vehicle maintenance) as well as increases in demand in facility management and security services.

In line with the increase in revenues, there has also been a considerable increase in cost of materials as well as personnel expenses.

The cost of materials mainly reflected increased input services for vehicle maintenance. Compared with the corresponding previous year period, personnel expenses increased mainly as a result of the higher number of employees, but they also increased as a result of collective bargaining agreement.

Depreciation was roughly unchanged compared with the first half of 2010. Overall, the adjusted profit measures improved appreciably as a result of the growth in performance and the development in expenses described above.

Adjusted EBITDA increased by € 6 million to € 155 million, and adjusted EBIT increased by € 6 million to € 80 million. The improvement in these adjusted parameters was achieved in the period under review mainly in the business units DB Fuhrpark (fleet management) and DB Systel (IT and telecommunication services).

Gross capital expenditures were higher than the corresponding previous year figure as a result of an increase in vehicle procurement at DB Fuhrpark following a reduction of the rental ratio. Capital expenditures accordingly focused on vehicles.

The number of employees as of June 30, 2011 increased appreciably compared with the corresponding previous year figure, mainly as a result of the increase in performance.

Infrastructure

MAJOR EVENTS

STRESS TEST FOR STUTTGART 21 COMPLETED

As part of the ⟶ *mediation process relating to the infrastructure project Stuttgart 21* [1], we also agreed to the performance of a so-called stress test. The purpose of this simulation is to demonstrate that the infrastructure of Stuttgart 21 at peak times is 30 % more efficient than the existing terminal station. Only after this investigation, which is to be confirmed by the Swiss company SMA, has been completed will it be possible for a decision to be made as to whether additional infrastructure measures are necessary.

The stress test was completed by DB Group on June 21, 2011, when it handed over a completely simulated timetable to SMA. The appraisal and certification work was then carried out by SMA. The ⟶ *certification results* [2] were presented on July 21, 2011, to the state government of Baden-Württemberg, and are expected to be presented to the public on July 26, 2011 on the occasion of an event in Stuttgart.

FINANCING CIRCLE RAIL FOR EXPANDING RAIL LINES

In March 2011, the Federal Government decided to make an additional figure of € 1 billion available for expanding existing rail lines and constructing new ones between 2012 and 2015. Some of these funds will come from the annual dividend which we are expected to pay after 2011 to our owner, the Federal Republic of Germany, in accordance with plans of the Federal Government. Further funds will come from the ⟶ *early repayment of interest-free loans of the Federal Government* [3].

The additional funds are to be used for various purposes, including the expansion of sections of the lines Karlsruhe – Basel and Oldenburg – Wilhelmshaven (JadeWeserPort) as well as the construction of the new line Wendlingen – Ulm.

THE DECOMMISSIONING OF NUCLEAR POWER STATIONS ARE NOT EXPECTED TO RESULT IN ANY PROBLEMS OF SUPPLY

Directly after the severe earthquake in Japan and the subsequent tsunami as well as the resultant catastrophe in the Fukushima nuclear power station on March 11, 2011, the Federal Government together with the state governments ordered the temporary shutdown of the seven oldest nuclear power stations in Germany, including the joint nuclear power station Neckarwestheim I (GKN I). On June 30, 2011, the Bundestag then voted to rescind the operating time extension of September 2010, to phase out nuclear power by the year 2022 and to ensure that the nuclear power stations which have been temporarily shut down will be immediately closed.

With GKN I, DB Group will lose its (up to the point at which it is shut down) largest traction current generator. However, because GKN I would have been shut down in 2010 without the operating time extension, we have carried out the necessary capital expenditures to replace this source at an early stage. Accordingly, reliable supplies of traction current are likely to be also secured after the closure of GKN I. DB Group is not directly affected by the closure of the other six nuclear power stations.

[1] ⟶ **2010 Annual Report Page 121** | [2] ⟶ **Page 37** | [3] ⟶ **Page 52**

DB NETZE ENERGY CONNECTS TO SECOND WIND FARM

Approximately one year after concluding the power supply contract with the operator of the Märkisch Linden wind farm near Neuruppin, DB Netze Energy is now expanding its involvement in environmentally friendly wind energy. Since January 1, 2011, DB Netze Energy has been sourcing power from five wind power installations in the Hoher Fläming nature park in Brandenburg. A corresponding contract was concluded at the end of 2010 with the operator of the wind farm, namely Enertrag AG which is based in Dauerthal.

The five wind turbines near Marzahna have a total power of 7.5 MW. As is the case with the 20 turbines in the Märkisch Linden wind farm with a total rating of 30 MW, the energy produced with these five turbines is to be supplied directly into the grid of DB Netze Energy.

CONSTRUCTION MEASURES IN THE EAST-WEST CORRIDOR

The period under review saw the completion of an extensive construction volume for maintaining and upgrading the infrastructure. For instance, complex maintenance measures were carried out between Berlin, Hanover and Bielefeld (east-west corridor). This project also saw the replacement of a total of 186 km of track, 130,000 sleepers and 32 sets of points.

As was the case in recent years, construction work for upgrading the infrastructure was also carried out during the Easter and Whitsun public holidays when reduced services are operated. One of the main aspects of the measures was the Fulda – Frankfurt / Main line, with the commissioning of the new Schlüchterner tunnel.

The construction measures in certain cases had a considerable impact on passenger and freight services. In order to assure customer communication to be timely and reliable as possible, alternative medium- to long-term timetables were drawn up for these measures and were published via the sales and communication media.

DB NETZE TRACK BUSINESS UNIT

Selected key figures [€ million]	H 1		Change	
	2011	2010	absolute	%
Train kilometers on track infrastructure (million train-path km)	520.7	507.8	+12.9	+2.5
thereof non-Group railways	108.2	94.4	+13.8	+14.6
share of non-Group railways (%)	20.8	18.6	–	–
Total revenues	2,269	2,198	+71	+3.2
External revenues	446	395	+51	+12.9
share of external revenues to total revenues (%)	19.7	18.0	–	–
EBITDA adjusted	732	708	+24	+3.4
EBIT adjusted	262	237	+25	+10.5
Gross capital expenditures	1,872	1,921	– 49	– 2.6
Employees (FTE as of Jun 30)	41,149	40,225	+924	+2.3

PERFORMANCE DEVELOPMENT

Demand for track depends on the operating programs of the internal and external customers. The demand for track structure is still dominated (79 %) by internal customers, although this demand declined slightly (– 0.2 %) to the benefit of external customers, particularly in regional rail passenger services.

The external rail companies have increased their share of overall track demand by further significant increases in demand (+14.7 %) to the current figure of 21 % (first half of 2010: 19 %).

Overall, track demand in the period under review increased by 2.5 % compared with the first half of 2010. This growth was driven by much stronger demand from rail freight customers.

BUSINESS DEVELOPMENT

Revenues increased mainly as a result of volume-related factors due to the higher track demand. Price increases also had an effect in this respect. The development in external revenues mainly reflects the strong increase in demand from external rail companies.

Cost of materials was roughly unchanged compared with the level of the first half of 2010 – despite a significant increase in maintenance costs.

Personnel expenses were higher than the corresponding previous year figure mainly due to the higher number of staff, and also due to collective bargaining.

As a consequence, the fact that revenue growth outstripped growth in expenses resulted in adjusted EBITDA improving by € 24 million to € 732 million. Adjusted EBIT increased by € 25 million to € 262 million.

As a result of the continued implementation of the measures under the economic stimulus program, gross capital expenditures remained at a high level, although they were lower than the corresponding previous year figure as a result of seasonal factors and the resulting delays. Capital expenditures focused on strengthening the efficiency of the existing network and on the project for installing new lines/expanding existing lines on the Nuremberg – Erfurt route.

The number of employees as of June 30, 2011 increased compared with the corresponding previous year reference date as a result of the reduction of reference working hours.

DB NETZE STATIONS BUSINESS UNIT

Selected key figures [€ million]	H 1		Change	
	2011	2010	absolute	%
Station stops (million)	70.2	69.7	+ 0.5	+ 0.7
thereof non-Group railways	12.0	10.9	+ 1.1	+ 10.1
Total revenues	537	524	+ 13	+ 2.5
External revenues	207	200	+ 7	+ 3.5
EBITDA adjusted	186	184	+ 2	+ 1.1
EBIT adjusted	124	123	+ 1	+ 0.8
Gross capital expenditures	190	136	+ 54	+ 39.7
Employees (FTE as of Jun 30)	4,825	4,654	+ 171	+ 3.7

PERFORMANCE DEVELOPMENT

The number of station stops increased slightly (+ 0.7 %) in the period under review. This reflected the positive impact of stronger demand from external customers. The demand from internal customers declined slightly in the period under review.

BUSINESS DEVELOPMENT

The increase in overall revenues is due to higher station revenues and also higher rental and leasing revenues. The increase in station revenues was mainly due to price factors, but was also due to volume factors. The rental revenues reflected the positive development in retail revenues. The growth in external revenues mainly reflects the increased number of station stops of non-Group railways.

In terms of costs, there was an increase particularly in cost of materials. This was due to higher costs of maintenance, energy and winter service, cleaning and security services. Personnel expenses increased mainly as a result of collective bargaining agreements. In total, increased costs and revenue growth virtually canceled each other out, which meant that adjusted EBITDA increased slightly by € 2 million to € 186 million.

Depreciation has also increased slightly.

Adjusted EBIT of € 124 million was € 1 million higher than the level of the first half of 2010.

In the first half of 2011, gross capital expenditures were considerably higher than in the first half of 2010. This increase is mainly attributable to the measures in connection with the economic program and the projects City Tunnel Leipzig, Ingolstadt central station as well as Stuttgart 21.

The number of employees as of June 30, 2011 was higher than the corresponding previous year figure. This was due to the change in reference working hours and the recruitment of additional service staff.

DB NETZE ENERGY BUSINESS UNIT

Selected key figures [€ million]	H 1		Change	
	2011	2010	absolute	%
Traction current (16.7 Hz; GWh)	5,258	5,158	+100	+1.9
Stationary energy (50 Hz and 16.7 Hz; GWh)	859.4	839.8	+19.6	+2.3
Diesel fuel (million l)	237.2	238.7	-1.5	-0.6
Total revenues	1,448	1,230	+218	+17.7
External revenues	560	385	+175	+45.5
EBITDA adjusted	65	82	-17	-20.7
EBIT adjusted	24	40	-16	-40.0
Gross capital expenditures	39	32	+7	+21.9
Employees (FTE as of Jun 30)	1,602	1,552	+50	+3.2

PERFORMANCE DEVELOPMENT

The demand for traction current increased by 1.9 % in the period under review. This was mainly attributable to stronger demand from customers in rail freight transport. Volume growth was also reported for stationary energy in the period under review, among others due to the DB Services business unit. Sales of diesel fuel were roughly unchanged compared with the first half of 2010. Whereas volume sales to customers in rail freight transport increased, volume in passenger rail transport declined.

BUSINESS DEVELOPMENT

Revenues in the DB Netze Energy business unit in the first half of 2011 were 17.7 % higher than the corresponding previous year figure due to growth across all product areas. The main factors behind this positive development were traction energy and also the further expansion of business with energy services in the electricity and gas fields. This is where we combine our activities for marketing our know-how for industrial and manufacturing companies who wish to optimize their energy sourcing management and who wish to take advantage of the possibilities of changing energy markets and regulations.

The development in traction energy revenues reflects the economic recovery with increasing volume produced in rail transport as well as the fact that price increases on the energy procurement markets for electricity, diesel fuel and gas have been passed on to customers. With regard to energy services, there has been considerable growth in revenues in electricity business and also in gas procurement business.

The positive development in volume combined with higher energy sourcing prices has resulted in considerably higher cost of materials. The cost of materials was also increased by a negative one-off effect of € 24 million in connection with subsequent power station billings for the GKN I relating to the year 2010.

Personnel expenses were affected by collective bargaining wage increases in the period under review.

Depreciation was in line with the level of the first half of 2010.

As a result of the strong increase in cost of materials, adjusted EBITDA declined (by € 17 million to € 65 million) and adjusted EBIT also declined (by € 16 million to € 24 million) in the first half of 2011.

Gross capital expenditures were higher than the level seen in the first half of 2010 and were focused to a greater extent on traction current lines under the economic stimulus package II (including traction current lines Munich/East – Aufkirchen, Großkorbetha – Gößnitz, Muldenstein – Leipzig and Gerresheim – Duisburg).

The number of employees increased by 3.2 % as of June 30, 2011. This was due to the change in reference working hours as well as increased personnel requirements in accordance with the Energy Industry Act and also additional staff requirements for coping with the increased volume of capital expenditures.

FINANCIAL SITUATION

⟼ **Ratings confirmed**
⟼ **Slight increase in net financial debt**
⟼ **Further increase in gross capital expenditures**

Financial management

There were no changes to the financial management concept of DB Group in the first half of 2011. The concept is described on page 97 of the 2010 Annual Report.

The ⟶ *debt issuance program* [1] for € 15 billion designed for long-term financing was updated in April 2011. As of June 30, 2011, the program had been utilized to the extent of € 11.6 billion, and thus there was room for further issues of € 3.4 billion (as of December 31, 2010: € 3.2 billion).

In the first half of 2011, DB Group issued two bonds, each with a volume of € 500 million and terms of five and ten years, via its financing subsidiary Deutsche Bahn Finance B.V. (DB Finance), Amsterdam/the Netherlands. The bonds were placed mainly in France and Germany. The funds which were raised had various applications, including the repayment of two foreign currency bonds which were due during the reporting period (for a total equivalent of € 1.2 billion).

As was the case in the previous year, there was a multi-currency multi-issuer commercial paper program for € 2 billion available for short-term financing as of June 30, 2011. This program was utilized to the extent of € 1.7 billion as of June 30, 2011 (as of December 31, 2010: € 42 million).

As of June 30, 2011, DB Group had also guaranteed unused credit facilities of € 2.6 billion (as of December 31, 2010: € 2.5 billion). The commercial paper program is secured by these backup facilities.

In addition, we were also able to access credit facilities of € 1.4 billion as of June 30, 2011 (as of December 31, 2010: € 1.4 billion). These facilities which are made available to the subsidiaries worldwide comprise the financing of working capital and also the provision of guarantees.

No major finance lease transactions were concluded in the period under review.

RATINGS CONFIRMED

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	Jun 1, 2011	A-1+	AA	stable
Fitch	Feb 17, 2009	Jul 11, 2011	F1+	AA	stable

Information as of July 21, 2011.

The creditworthiness of DB Group is constantly monitored by the rating agencies Standard & Poor's (S&P), Moody's and Fitch.

In the period under review, S&P confirmed the good ratings of DB AG as part of the annual rating review. Fitch confirmed its ratings of DB AG at the beginning of July 2011. The ratings have thus been unchanged since they were first awarded in the year 2000 (S&P, Moody's) and 2009 (Fitch).

Additional information concerning the subject of ⟶ *rating* [2] and the complete analyses of Standard & Poor's (S&P), Moody's and Fitch concerning DB AG can be found on our Web site.

[1] ⟶ ***www.db.de/mtn-e*** | [2] ⟶ ***www.db.de/rating-e***

Cash flow statement

Summary [€ million]	H 1		Change	
	2011	2010	absolute	%
Cash flow from operating activities	1,075	1,286	- 211	- 16.4
Cash flow from investing activities	- 819	- 810	- 9	+ 1.1
Cash flow from financing activities	- 114	746	- 860	-
Net change in cash and cash equivalents	137	1,277	- 1,140	- 89.3
Cash and cash equivalents (as of Jun 30)	1,612	2,747	- 1,135	- 41.3

The cash flow from operating activities declined in the first half of 2011. Positive effects arising from the increase in profit before taxes on income and the adjustment of the increase in depreciation (not cash-effective) were opposed by higher negative effects particularly as a result of the increase in working capital. The higher working capital resulted from a considerable increase in trade accounts receivable in conjunction with a simultaneous reduction in trade accounts payable as well as reductions in the deferred items in connection with the early repayment of interest-free Federal loans as part of the → *financing cycle rail* [1]. Overall, cash flow from operating activities declined by € 211 million to € 1,075 million.

In the period under review, the cash flow from investing activities was characterized by much higher outflows for gross capital expenditures, which were virtually cancelled out by stable inflows from investment grants, as well as an opposite effect due to much higher inflows from the sale of financial assets (sale of Arriva Deutschland). In consequence, the outflow of cash from investing activities increased slightly by € 9 million to € 819 million.

The cash flow from financing activities in the first half of 2011 reported an outflow of € 114 million. This was mainly attributable to the payment of a dividend of € 500 million which we paid to our shareholder and the → *early repayment of interest-free Federal loans* [2] as part of the financing cycle rail. On the other hand, the cash inflows from issuing bonds increased by € 497 million, which meant that, on balance, the cash flow from financing activities declined by € 860 million to € −114 million.

As of June 30, 2011, DB Group had a lower volume of cash and cash equivalents (€ 1,612 million) compared with June 30, 2010. However, it has to be borne in mind that, in the previous year, considerable volumes of cash and cash equivalents had to be maintained for the acquisition of Arriva due to stipulations of British takeover law.

Net financial debt

[€ million]	**Jun 30, 2011**	Dec 31, 2010	Change	
			absolute	%
Non-current financial debt	16,307	16,394	- 87	- 0.5
thereof Federal loans	1,673	2,503	- 830	- 33.2
Current financial debt	2,694	2,159	+ 535	+ 24.8
thereof Federal loans	375	433	- 58	- 13.4
FINANCIAL DEBT	**19,001**	**18,553**	**+ 448**	**+ 2.4**
- Cash and cash equivalents and receivables from financing	1,711	1,614	+ 97	+ 6.0
NET FINANCIAL DEBT	**17,290**	**16,939**	**+ 351**	**+ 2.1**

Financial debt increased by € 448 million to € 19,001 million in the period under review. Bonds of € 1,054 million were repaid, and bonds of € 994 million were issued, which meant that the overall volume of bonds declined slightly.

On the other hand, financial debt was increased by the issue of commercial paper, for which the volume as of June 30, 2011 increased by € 1,664 million compared with December 31, 2010, namely to € 1,706 million.

The Federal loans declined by a total of € 888 million to € 2,048 million (as of December 31, 2010: € 2,936 million). This was due to the early repayment of interest-free Federal loans as part of the → *financing cycle rail* [1]. The interest-free Federal loans therefore declined by € 723 million as of June 30, 2011, to € 1,883 million (as of December 31, 2010: € 2,606 million).

[1] → **Page 26** [2] → **Page 52**

Financial debt excluding the Federal loans increased to € 16,953 million in the year under review (as of December 31, 2010: € 15,617 million).

The available liquidity as of June 30, 2011 increased by € 97 million to € 1,711 million. Accordingly, the increase in net financial debt was lower than the increase in financial debt.

There was a minor change in the maturity structure as of June 30, 2011. There has been a shift towards short-term financial debt, which now account for 14 % of total financial debt (as of December 31, 2010: 12 %).

There has been a slight change in the breakdown of borrowings as of June 30, 2011; they mainly comprise bonds (62 %; as of December 31, 2010: 64 %) and Federal loans (11 %; as of December 31, 2010: 16 %).

Capital expenditures

Gross capital expenditures by business units [€ million]	H 1		Change	
	2011	2010	absolute	%
DB Bahn Long-Distance	40	13	+27	–
DB Bahn Regional	116	128	–12	–9.4
DB Schenker Rail	135	147	–12	–8.2
DB Schenker Logistics	89	61	+28	+45.9
DB Services	97	51	+46	+90.2
DB Netze Tracks	1,872	1,921	–49	–2.6
DB Netze Stations	190	136	+54	+39.7
DB Netze Energy	39	32	+7	+21.9
Other/consolidation	39	4	+35	–
DB GROUP (EXCLUDING DB ARRIVA)	**2,617**	**2,493**	**+124**	**+5.0**
DB Arriva	72	9	+63	–
DB GROUP	**2,689**	**2,502**	**+187**	**+7.5**
– Investment grants	1,640	1,637	+3	+0.2
NET CAPITAL EXPENDITURES	**1,049**	**865**	**+184**	**+21.3**

Gross capital expenditures in the period under review amounted to € 2,689 million, which was 7.5 % higher than the corresponding previous year figure.

Growth compared with the corresponding previous year period was reported particularly in the DB Bahn Long-Distance, DB Schenker Logistics and DB Services business units, whereas capital expenditures in the infrastructure remained virtually constant.

In the DB Netze Track business unit, there were delays in implementing capital expenditure measures, which meant that these measures will be implemented in the second half of the year.

Net capital expenditures increased strongly as a result of the low investment grants for passenger services and for transport and logistics. The integration of Arriva resulted in an effect of € 59 million on gross capital expenditures. Throughout DB Group, the main focus in capital expenditures again comprised measures intended to improve performance and efficiency in the field of infrastructure as well as the modernization of our vehicle fleet.

The structure of capital expenditures continued to be dominated by the infrastructure business units, and in particular the DB Netze Track business unit. These business units accounted in total for 78 % of gross capital expenditures (first half of 2010: 83 %), and the DB Netze Track business unit alone accounted for 70 % (first half of 2010: 77 %). The business units in passenger transport accounted for 8 % (first half of 2010: 6 %) and the business units in transport and logistics accounted for 8 % (first half of 2010: 8 %).

Additional information concerning the development of the individual business units can be found in the chapter → *Development of business units* [1].

[1] → ***Page 17 ff.***

Balance sheet

Balance sheet structure [€ million]	Jun 30, 2011	Dec 31, 2010	Change absolute	Change %
Total assets	52,053	52,003	+ 50	+ 0.1
ASSET SIDE				
Non-current assets	43,961	44,530	- 569	- 1.3
Current assets	8,092	7,473	+ 619	+ 8.3
EQUITY AND LIABILITIES				
Equity	14,408	14,316	+ 92	+ 0.6
Non-current liabilities	24,572	24,762	- 190	- 0.8
Current liabilities	13,073	12,925	+ 148	+ 1.1
ASSET SIDE STRUCTURE				
Non-current assets	84.5 %	85.6 %	–	–
Current assets	15.5 %	14.4 %	–	–
EQUITY AND LIABILITIES STRUCTURE				
Equity	27.7 %	27.5 %	–	–
Non-current liabilities	47.2 %	47.6 %	–	–
Current liabilities	25.1 %	24.9 %	–	–

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). There have been no major changes in the IFRS regulations, and there have also not been any changes to the consolidation and accounting principles of the Group. Accordingly, these aspects have not resulted in any changes in relation to the consolidated financial statements in the period under review. Changes relating to the scope of consolidation did not have any major effect in the period under review on the development of the balance sheet ratios.

Total assets increased by € 50 million (+ 0.1 %) as of June 30, 2011, to € 52,053 million (as of December 31, 2010: € 52,003 million).

The non-current assets of € 43,961 million were € 569 million lower than the corresponding previous year figure (−1.3 %) (as of December 31, 2010: € 44,530 million). This was mainly due to the decline in property, plant and equipment from € 37,873 million as of December 31, 2010 to € 37,421 million as of June 30, 2011.

This was opposed by a strong increase in current assets as of June 30, 2011 (+ 8.3 % or € + 619 million to € 8,092 million; as of December 31, 2010: € 7,473 million). This was due to an increase in trade accounts receivable in the DB Schenker Rail and DB Schenker Logistics business units.

In structural terms, this has resulted in a slight shift in the direction of current assets.

On the liabilities side of the balance sheet, the main changes as of June 30, 2011 related to equity and financial debt. Equity increased by € 92 million (plus 0.6 %) mainly as a result of the profits which were generated – less the dividend payment. Accordingly, the equity ratio also increased by 0.2 percentage points.

Within non-current liabilities, the non-current financial debt declined by € 87 million, and the deferred items declined by € 117 million mainly as a result of an → *early repayment of interest-free Federal loans* [1].

Current liabilities as of June 30, 2011 increased by € 148 million (+1.1 %) compared with December 31, 2010. The increase is attributable to the increase in current financial debt (€ + 535 million).

Overall, → *financial debt* [2] increased by € 448 million (+ 2.4 %).

In the structure of liabilities, the percentage of non-current liabilities in relation to the balance sheet total declined slightly by 0.4 percentage points as of June 30, 2011. On the other hand, the percentage of current liabilities as of June 30, 2011 increased by 0.2 percentage points.

[1] → ***Page 26*** [2] → ***Page 31 f.***

EMPLOYEES

- **Number of employees increases slightly**
- **Round of wage negotiations concluded with EVG and GDL**
- **Sector-wide wage agreement in regional rail passenger transport sector takes effect**

Employees by business unit [FTE[1]]	Jun 30, 2011	Dec 31, 2010	Change absolute	Change %	Jun 30, 2010
DB Bahn Long-Distance	16,140	15,270	+870	+5.7	15,312
DB Bahn Regional	37,289	36,334	+955	+2.6	36,539
DB Arriva	37,922	38,137	–215	–0.6	1,553
DB Schenker Rail	32,697	32,618	+79	+0.2	33,492
DB Schenker Logistics	60,691	58,671	+2,020	+3.4	57,379
DB Services	26,030	25,131	+899	+3.6	24,521
DB Netze Track	41,149	39,849	+1,300	+3.3	40,225
DB Netze Stations	4,825	4,636	+189	+4.1	4,654
DB Netze Energy	1,602	1,536	+66	+4.3	1,552
Other	24,267	24,128	+139	+0.6	24,456
DB GROUP	**282,612**	**276,310**	**+6,302**	**+2.3**	**239,683**
– Effects from changes in scope of consolidation	2	–	+2	–	–
DB GROUP – COMPARABLE	**282,610**	**276,310**	**+6,300**	**+2.3**	–

[1] 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 of part-time employees are converted into figures for equivalent full-time employees in accordance with their share of the regular annual working time.

DB Group employed about 282,600 persons as of June 30, 2011, or approximately 6,300 more than at the end of 2010. The increase was due to more hirings at the DB Schenker Logistics (business expansion), the DB Services (expansion of maintenance services and transfer of employees within the Group) and the DB Bahn Long-Distance (additions in maintenance and service areas) business units. Furthermore, the definition of working hours as agreed in the wage agreement led to a statistical effect, whereby required weekly working hours were reduced by one to 39 hours and thereby again reflecting actual hours worked. As a result of this change the number of employees in the affected areas rose by about 2.5 % for accounting purposes as of March 1, 2011. Compensation paid also rose by 2.5 % as of this date. After being adjusted for this effect, the number of employees rose by about 3,300, or 1.2 %.

The number of employees increased by about 42,900 in comparison to the number of employees recorded on June 30, 2010. The change is mainly due to the acquisition of Arriva, which increased the number of employees by about 36,300.

Additional information about the development in the individual business units may be found in the chapter → *Development of business units* [1].

Round of wage negotiations concluded with EVG and GDL

Wage negotiations were concluded with the Rail and Transport Workers Union (Eisenbahn- und Verkehrsgewerkschaft; EVG) on January 25, 2011. Following one-time payments of in total € 500 in December 2010, wages were increased by 1.8 % as of March 1, 2011, and will be increased by an additional 2 % as of January 1, 2012. Additional improvements were agreed in the areas of retirement benefits and structural issues. The agreement reached with EVG remains in effect for 29 months.

On April 15, 2011 an agreement was reached with the German Locomotive Drivers' Union (Gewerkschaft Deutscher Lokomotivführer; GDL). The agreement is valid for 23 months and foresees one-time payments totaling € 500, which were paid in December 2010, and a 2 % increase in wages as of January 1, 2011. In addition, company retirement benefits were improved and individual allowances were increased.

[1] → *Page 17 ff.*

Agreements were reached with the EVG as well as the GDL to continue the existing job security pact beyond 2011. This means that layoffs due to operational reasons continue to be ruled out. Greater consideration should also be given to demographic development within the framework of this agreement in the future.

Sector-wide wage agreement concluded

Nationwide wage standards covering compensation and working hours at train operating companies (TOC) in the regional transport sector were agreed to and will apply in the future. On January 17, 2011 the EVG, the Employer and Mobility and Transport Services Association (Arbeitgeber- und Wirtschaftsverband der Mobilitäts- und Verkehrsdienstleister; AgvMoVe), as well as 24 additional TOCs, agreed to a sector-wide agreement covering employees in the regional rail passenger transport sector, which was reached through arbitration.

Standards covering wages and working conditions were also initiated with the GDL. These standards should also be valid on a sector-wide basis. The GDL and the AgvMoVe signed a corresponding national collective wage agreement on April 15, 2011 covering all locomotive drivers in Germany. In early February 2011, the GDL began to threaten that they would call for strikes during negotiations. A total of four strikes actually took place between the end of February and the middle of March 2011.

ADDITIONAL INFORMATION

- **Customer and Quality initiative continued**
- **Procurement projects for rail vehicles optimized**
- **2011 Rail Liberalisation Index confirms Germany's leading role**

Customer and Quality initiative continues

We launched our ⟶ *Customer and Quality initiative* [1] in the previous year and continued it in the first half of 2011. Measures affecting long-distance and regional transport, as well as freight transport and the infrastructure, were developed in 11 projects. The purpose of these measures was to ensure the highest possible level of operational quality, especially during difficult operational situations which could, for example, arise during unusual weather conditions. In view of possible hot weather periods, preventive measures, including the reduction of air-conditioning outages, were taken. In addition, passengers should be better informed by optimizing the flow of information during operational disturbances.

Investigations at DB International

KPMG, an audit firm, has been retained to conduct a ⟶ *special investigation at DB International GmbH (DBI)* [2] following charges arising from preliminary investigation proceedings opened by the public prosecutor's office in Frankfurt am Main.

The prosecutor accused former DBI employees of making payments and in-kind donations to decision makers abroad in the past, either directly or via third parties. The allegations have been partially confirmed by the special investigation and resulted in DBI taking appropriate action. The official investigations are continuing.

Quality Gates introduced in procurement projects

In previous years we experienced quality problems in the procurement of new rail vehicles. These problems led to delayed deliveries, unsatisfactory reliability and availability, as well as deficient certification materials.

The introduction of milestones (Quality Gates) in procurement projects is intended to identify and minimize project risks at an early stage, thereby ensuring the highest possible level of quality in the contractually agreed, and on-time, delivery of rail vehicles in the future. Quality Gates involve up to ten fixed dates at which time the client measures and evaluates the quality and completeness of the goods and services that have been provided at that time by the supplier.

Each Quality Gate will be reviewed during a meeting of the client with the supplier. During the meeting the supplier will present the concrete status of the project and the progress made to date based on a Quality Gate criteria list. The supplier will also present the critical path required for the further fulfillment of the contractually agreed standards of quality and delivery times. The client will then state his conclusion as well as his overall assessment of project risks and will decide about passing through the Quality Gate. The industry side has welcomed this procedure. In the interim the Quality Gate process is being used in eight procurement projects and preparations are being made to apply it in five others.

[1] ⟶ ***2010 Annual Report Page 105***

[2] ⟶ ***2010 Annual Report Page 122***

Germany is a leader in the liberalization of rail transport markets in Europe

According to the ⟶ *2011 Rail Liberalisation Index (LIB Index)* [1] published in April 2011, Germany is one of the top-ranked European countries in opening its rail transport markets to competition. Sweden is the number one country followed by Great Britain and Germany.

The LIB Index presents the status of the relative market opening of the rail transport markets in Europe and evaluates the legal and factual market access barriers from the point of view of a TOC that wants to enter the market. According to the study, ease of market access has further improved in the past four years since the last LIB Index was published in 2007. One of the reasons behind the improvement is that all of the countries reviewed in the study have expanded their legal platforms enabling access to their markets.

Claims for damages against manufacturers of railway tracks under examination

In June 2011 the public prosecutor's office in Bochum and the German Federal Cartel Office initiated investigations against ten steel companies suspected of illegal price setting related to the sale of railway tracks and switches. If the allegations are proven to be true it could mean that DB Group suffered damages in the amount of millions of euros. DB Group is examining if it has probable cause to file for damages and may do so when the investigation of the possible cartel has assembled sufficient proof.

Investigations at Group companies

The EU Commission conducted investigations at numerous DB Group locations between the end of March and the start of April 2011. The purpose of the investigations included an examination of DB Energie GmbH's traction current pricing system that has been in use since 2003. The pricing system had been previously judged to be permissible by the Higher Regional Court in Frankfurt am Main in 2006. DB Group has filed a lawsuit protesting the reexamination with the Court of Justice of the European Union in Luxembourg.

RISK AND OPPORTUNITIES REPORT

- **Risk position unchanged from 2010 financial year**
- **Quantitative assessment of risks reduced**
- **Risk portfolio free of existence-threatening risks**

DB Group's ⟶ *risk management system* [2] is described in the 2010 Annual Report. No material changes occurred in this area during the first half of 2011.

Opportunities report

DB Group's business opportunities are presented on page 138 of the 2010 Annual Report. No material changes occurred in this area during the first half of 2011.

Risk portfolio free of existence-threatening risks

Primary risk issues were related to sales and the procurement market. We counter the risk of higher energy prices by using appropriate derivative financial instruments. Comprehensive analyses are regularly conducted to assess all material risks. Due to favorable economic development, the quantitative evaluation of these risks declined further in comparison to the end of 2010. Substantial risks could arise from a worsening of the European sovereign debt crisis in the future.

Extensive business-unit-specific and Group-wide efficiency and rationalization programs are among the operational countermeasures employed to contain risk. In addition, we further

[1] ⟶ ***www.db.de/regulation***

[2] ⟶ ***2010 Annual Report Page 124 ff.***

develop our business unit offers systematically to ensure that they are designed to meet market needs. DB Group protects itself against unavoidable risks by taking out insurance policies that limit the risk of liability it could face in the event of damages.

Our analysis of risks, countermeasures, hedges and provisions has established that, based on the current assessment of risk, there are no risks present which could permanently and materially damage DB Group.

EVENTS AFTER THE BALANCE SHEET DATE

- **Introduction of a noise-based train-path pricing system**
- **Approval sought for ICE trains in the Channel Tunnel**
- **Stress test confirms the effectiveness of the Stuttgart 21 project**

Capacity utilization factor declared invalid

As of July 4, 2011, DB Netz AG is prohibited from using the capacity utilization factor. By way of a resolution, effective immediately, BNetzA declared this element of the train-path pricing system to be invalid, since the agency determined that DB Netz AG was unable to provide technical justification for the pricing distinction. DB Netz AG has appealed this decision.

Introduction of a noise-based train-path pricing system

On July 5, 2011, the Federal Ministry of Transport, Building and Urban Development, together with DB AG, concluded a benchmark agreement for introducing a noise-based train-path pricing system. The goal of the agreement is a substantial and lasting reduction in track noise. The noise-based train-path pricing system includes higher fees for trains without whisper brakes, and a bonus for freight trains that have been reequipped with noise-reducing technology. Because of financing from a federal subsidy, the noise-based train-path pricing system will be financed in equal parts by the railway sector and the public sector.

Approval for ICE trains in the Channel Tunnel

On July 12, 2011, DB Group applied for fundamental approval from the responsible authority to send its ICE trains through the Channel Tunnel. An independent audit has confirmed the necessary characteristics of the vehicles as safety-compliant. Because of the extensive preliminary work that has now been completed, we are optimistic about obtaining fundamental approval for the ICE trains this summer. Additional approval steps are still required before the start of service.

DB Schenker reorganizes domestic distribution in North America

DB Schenker Logistics will reorganize its domestic distribution business in the United States, Canada and Mexico. However, this decision does not mean a withdrawal from the US market, where DB Schenker Logistics generates about USD 3 billion in revenues annually. In total, the activities affected by this decision make up less than ten percent of American business for DB Schenker Logistics. The reasons for redirecting the business, which was added in 2006 with the acquisition of BAX Global, are the weak economic development in America and the concurrent rise in fuel costs.

The domestic American distribution business consists of an air freight network that previously operated 20 planes, as well as a land transport system with up to 2,000 departures a day.

Results of the stress test for the Stuttgart 21 project

In connection with arbitration regarding the Stuttgart 21 infrastructure project, DB Group published the report made available by the Swiss company SMA on July 21, 2011, in the Internet. In the final report, the experts of SMA gave the go-ahead for the planned station. In the opinion of the experts, there is no need for further infrastructure measures in addition to the already intended measures for equipping the new lines with conventional command and control technology, as well as the twin-track western link between the airport and the new line.

Contract won: RE-network southwest

At the beginning of July 2011 we won the RE (regional express train)-network southwest awarded in regional rail passenger transport. The contract covers services between 2014 and 2029 and has an annual volume of 5.8 million train km.

OUTLOOK

- **Further economic recovery expected, but at a slower pace**
- **Revenue and profit increases confirmed for the 2011 financial year**
- **Outlook remains uncertain, especially because of the sovereign debt crisis**

According to the estimates available at the time when this report was prepared, economic framework conditions will be favorable in 2011 due to the ongoing recovery of the global economy. The forecasted growth for industrialized nations anticipates continued economic recovery, though at a slightly slower pace throughout the year. For this reason we expect that we will again see generally favorable impulses for business in the 2011 financial year due to the economic development in Germany and the Eurozone, as well as from the continued growth of the global economy and international trade.

Future direction of DB Group

The future direction of DB Group is described on page 131 of the 2010 Annual Report. During the period under review, the Group's direction has not changed in terms of either future business policies or future sales markets.

Economic outlook

According to current estimates by economic research institutes, the global economy will continue to expand in the coming months; however, at a slower pace than in the second half of 2010. Economic output will generally remain at a moderate level in the industrialized nations. The economy will be burdened by a high level of debt in both the private and public sectors. The transition to fiscal consolidation in more and more countries will increasingly slow down economic recovery as financial policies become more restrictive. Economic development in the Eurozone will be burdened by effects of the sovereign debt crisis in the financial markets, which is forcing affected countries to cut their public budgets and in some cases to implement drastic savings measures. Very dynamic economic growth currently seen in the emerging nations is expected to decline due to tighter monetary policies and partially because of more restrictive fiscal policies. On the other hand, the dampening effects of several other factors should decrease – for instance, the strong increase in crude oil prices and the manufacturing downturn in Japan due to the natural/nuclear catastrophe.

For Germany, the overall forecast for the year anticipates GDP growth of about 3.5 %. The upward trend will be largely driven by the domestic economy. The strongest growth impulse will probably be generated by investments, which will expand significantly as a result of favorable financing conditions and an improved profit outlook. The estimated 1.5 % increase in private consumption is higher than it has been in years. Exports and imports will continue to increase notably, although the high growth rates noted in the previous year will not be reached. The labor market will continue to show favorable development. Wages and salaries will grow faster than in the previous year. However, the disposable real income levels will be restricted due to higher inflation.

Anticipated development in the relevant markets

PASSENGER TRANSPORT

Against the backdrop of the stable positive economic framework conditions anticipated for full year 2011, coupled with rising employment figures as well as improved income and consumption development, we continue to expect that volume sold for German passenger transport will increase moderately in 2011. The same development is also expected for rail passenger transport in Europe, although there will still be clear differences between the individual national markets.

FREIGHT TRANSPORT AND LOGISTICS

Even if the effects of the economic recovery weaken during the second half of the year, based on the developments noted in the first half of 2011 we expect growth for the German freight transport market for the full year 2011 to be at least as strong as in the previous year and expand by about 7 %. Ongoing dynamic foreign trade, as well as a strong increase in production across all industries, should reinforce demand correspondingly.

Development of the freight railways should be stronger than previously anticipated. We expect that truck transport will post above-average development as well. So rail and truck transport should expand its share of market – at the expense of inland waterway transport.

Following the continued favorable development noted in the global transport and logistics markets in the first half of 2011, based on current economic projections we anticipate a slightly slower rate of growth for the rest of the year. While growth rates for the global air and ocean freight market should be slightly lower than our previous expectations, we continue to expect that the European land transport sector will increase by at least 10 %.

INFRASTRUCTURE IN GERMANY

We anticipate that growth in train-path demand – driven by steady, dynamic development in rail freight transport – will continue throughout the year, and develop slightly better than previously expected. We also still anticipate that the favorable development seen in the number of station stops during the first half of 2011 will be confirmed over the course of the year.

Anticipated development in the financial markets

Key estimates made in the 2010 Annual Report regarding development in the financial markets can also be confirmed at this time. We also anticipate that uncertainties arising from the sovereign debt crisis in Europe will lead to greater volatility in the bond markets. At the same time, companies' issuing activities will depend heavily on the extent to which a potential worsening of the sovereign debt crisis affects their economic environment. We predict that, as a company with good creditworthiness, we will continue to enjoy good access to the capital market.

Anticipated development of important business conditions

The expected development of business conditions of importance to DB Group is described on page 134 of the 2010 Annual Report. These conditions remained unchanged during the period under review.

Anticipated profit situation

DB GROUP

Anticipated development [€ million]	2010	2011
Revenues	34,410	↗
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

Against the background of the favorable development noted in the first half of 2011, we expect revenues to increase by about € 4 billion to substantially more than € 38 billion in the 2011 financial year. This revenue growth will be driven by organic growth and the Arriva acquisition. This should also lead to a noticeable increase in profits (adjusted EBIT) to significantly more than € 2.0 billion. This means that our current expectations are slightly better than those stated in the 2010 Annual Report.

In terms of the ROCE, gross capital expenditures and net financial debt, we are able to confirm the forecasts stated on page 135 of the 2010 Annual Report.

BUSINESS UNITS

Anticipated development [€ million]	Revenues		EBIT adjusted	
	2010	2011	**2010**	2011
DB Bahn Long-Distance	3,729	→	117	↗
DB Bahn Regional[1]	8,603	↗	789	↗
DB Arriva[1]	1,236	↗	57	↗
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

[1] 2010 figures were adjusted to reflect the new business unit structure.

Based on the level of business noted thus far in the 2011 financial year for the DB Bahn Long-Distance business unit, we have changed our forecast for the business unit's anticipated development of revenues and currently anticipate that they will remain at the previous year's level.

Based on the level of business noted thus far in the 2011 financial year for the DB Services business unit, we currently expect that the business unit will record a slight increase in revenues, while we expect revenues to remain unchanged in the DB Netze Track business unit.

We confirm the revenue forecasts stated on page 136 of the 2010 Annual Report for the following business units: DB Bahn Regional, DB Arriva, DB Schenker Rail, DB Schenker Logistics, DB Netze Stations and DB Netze Energy.

Based on the level of business noted thus far in the 2011 financial year for the DB Netze Stations business unit, we have changed our forecast for the business unit's adjusted EBIT and currently anticipate that this figure will remain at the previous year's level.

We confirm the adjusted EBIT forecasts stated on page 136 of the 2010 Annual Report for the following business units: DB Bahn Long-Distance, DB Bahn Regional, DB Arriva, DB Schenker Rail, DB Schenker Logistics and DB Netze Track.

Anticipated financial situation

DB Group's anticipated financial position is described on page 137 of the 2010 Annual Report. We do not expect changes in the main focus of our capital expenditures or the financing of our net capital expenditures.

We anticipate that we will also tap the capital and money markets in the second half of 2011 to partially refinance maturing bonds. We have unchanged and appropriate financing scope to accomplish this 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.

We will continue our M&A activities in a selective and focused way in the second half of 2011. We do not expect these activities to have any significant effects on our financial situation for the 2011 financial year.

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 contained in this Management Report.

Consolidated interim financial statements (unaudited)

Consolidated statement of income

[€ million]	H 1		2010
	2011	2010	
Revenues	18,876	16,102	34,410
Inventory changes and internally produced and capitalized assets	1,143	1,019	2,207
OVERALL PERFORMANCE	20,019	17,121	36,617
Other operating income	1,204	977	3,120
Cost of materials	-10,291	-8,816	-19,314
Personnel expenses	-6,393	-5,443	-11,602
Depreciation	-1,463	-1,351	-2,912
Other operating expenses	-2,000	-1,613	-4,092
OPERATING PROFIT (EBIT)	**1,076**	**875**	**1,817**
Result from investments accounted for using the equity method	12	6	17
Net interest income	-409	-487	-911
Other financial result	-14	-25	-23
FINANCIAL RESULT	**-411**	**-506**	**-917**
PROFIT BEFORE TAXES ON INCOME	**665**	**369**	**900**
Taxes on income	-17	23	158
NET PROFIT	**648**	**392**	**1,058**
Net profit attributable to:			
Shareholders of Deutsche Bahn AG	642	386	1,039
Minority interest	6	6	19
Earnings per share (€ per share)			
undiluted	1.49	0.90	2.42
diluted	1.49	0.90	2.42

Reconciliation of consolidated comprehensive income

[€ million]	H 1		2010
	2011	2010	
Net profit	648	392	1,058
CHANGES IN ITEMS COVERED DIRECTLY IN EQUITY			
Changes from currency translation	-99	167	104
Shareholder of Deutsche Bahn AG	-95	159	97
Minority interests	-4	8	7
Changes resulting from market valuation of securities	1	5	10
Changes resulting from market valuation of cash flow hedges	50	66	131
Share of result items with no impact on the income statement from investments accounted for using the equity method	0	2	1
BALANCE OF RESULT ITEMS COVERED DIRECTLY IN EQUITY (BEFORE TAXES)	**-48**	**240**	**246**
Changes in deferred taxes on result items covered directly in equity	-14	-20	-40
BALANCE OF RESULT ITEMS COVERED DIRECTLY IN EQUITY (AFTER TAXES)	**-62**	**220**	**206**
COMPREHENSIVE INCOME	**586**	**612**	**1,264**
Comprehensive income attributable to:			
Shareholder of Deutsche Bahn AG	584	598	1,238
Minority interests	2	14	26

CONSOLIDATED BALANCE SHEET

Assets

[€ million]	Jun 30, 2011	Dec 31, 2010	Jun 30, 2010
NON-CURRENT ASSETS			
Property, plant and equipment	37,421	37,873	37,003
Intangible assets	4,000	4,154	2,169
Investments accounted for using the equity method	550	528	401
Available-for-sale financial assets	67	63	41
Receivables and other assets	151	162	189
Derivative financial instruments	266	279	161
Deferred tax assets	1,506	1,471	1,245
	43,961	**44,530**	**41,209**
CURRENT ASSETS			
Inventories	1,017	916	878
Available-for-sale financial assets	1	1	1
Trade receivables	4,325	3,877	3,703
Receivables and other assets	909	840	590
Income tax receivables	102	99	157
Derivative financial instruments	126	96	48
Cash and cash equivalents	1,612	1,475	2,747
Assets held for sale	0	169	0
	8,092	**7,473**	**8,124**
TOTAL ASSETS	**52,053**	**52,003**	**49,333**

Equity and liabilities

[€ million]	**Jun 30, 2011**	Dec 31, 2010	Jun 30, 2010
EQUITY			
Subscribed capital	2,150	2,150	2,150
Reserves	5,318	5,374	5,383
Retained earnings	6,780	6,638	5,980
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF DEUTSCHE BAHN AG	**14,248**	**14,162**	**13,513**
Minority interests	160	154	157
	14,408	**14,316**	**13,670**
NON-CURRENT LIABILITIES			
Financial debt	16,307	16,394	14,166
Other liabilities	310	327	314
Derivative financial instruments	95	88	66
Retirement benefit obligations	1,994	1,938	1,800
Other provisions	3,719	3,743	3,945
Deferred income	1,778	1,895	2,055
Deferred tax liabilities	369	377	187
	24,572	**24,762**	**22,533**
CURRENT LIABILITIES			
Financial debt	2,694	2,159	3,482
Trade liabilities	3,974	4,286	3,621
Other liabilities	3,233	3,109	2,856
Income tax liabilities	143	146	74
Derivative financial instruments	32	92	52
Other provisions	2,386	2,513	2,500
Deferred income	611	620	545
	13,073	**12,925**	**13,130**
TOTAL EQUITY AND LIABILITIES	**52,053**	**52,003**	**49,333**

CONSOLIDATED STATEMENT OF CASH FLOWS

[€ million]	H 1		2010
	2011	2010	
Profit before taxes on income	665	369	900
Depreciation on property, plant and equipment and intangible assets	1,463	1,351	2,912
Write-ups/write-downs on non-current financial assets	0	0	0
Result on disposal of property, plant and equipment and intangible assets	-11	8	16
Result on disposal of financial assets	-6	0	-6
Result on sale of consolidated companies	7	0	-1
Interest and dividend income	-148	-141	-315
Interest expense	557	627	1,225
Foreign currency result	14	25	20
Result from investments accounted for using the equity method	-12	-6	-17
Other non-cash expenses and income	-158	53	-142
Changes in inventories, receivables and other assets	-673	-987	-665
Changes in liabilities and deferred income	-214	363	186
CASH GENERATED FROM OPERATING ACTIVITIES	1,484	1,662	4,113
Interest received	25	20	62
Dividends and capital distribution received	0	0	1
Interest paid	-355	-345	-780
Taxes on income paid (-)/reimbursed taxes on income (+)	-79	-51	13
CASH FLOW FROM OPERATING ACTIVITIES	**1,075**	**1,286**	**3,409**
Proceeds from the disposal of property, plant and equipment and intangible assets	121	101	254
Payments for purchases of property, plant and equipment and intangible assets	-2,700	-2,500	-6,864
Proceeds from investment grants	1,640	1,637	4,819
Payments from repaid investment grants	-58	-46	-90
Proceeds from the sale of financial assets	174	0	24
Payments for purchases of financial assets	-2	0	0
Proceeds from the sale of shares in consolidated companies less net cash and cash equivalents diverted	7	0	2
Payments for acquisition of shares in consolidated companies less net cash and cash equivalents acquired	0	-2	-1,622
Payments for additions to investments accounted for using the equity method	-1	0	-2
CASH FLOW FROM INVESTING ACTIVITIES	**-819**	**-810**	**-3,479**
Distribution of profits to shareholder	-500	–	–
Distribution of profits to minority interests	-4	-1	-14
Repayment of capital amounts under finance leases	-76	-47	-212
Proceeds from issue of bonds	994	497	2,477
Payments for redemption of bonds	-1,148	-1,000	-1,000
Proceeds from Federal loans	0	7	0
Payments for the redemption of Federal loans	-968	-480	-481
Proceeds from borrowings and commercial paper	1,722	1,777	244
Repayment of borrowings and commercial paper	-134	-7	-987
CASH FLOW FROM FINANCING ACTIVITIES	**-114**	**746**	**27**
NET CHANGES IN CASH AND CASH EQUIVALENTS	**142**	**1,222**	**-43**
Cash and cash equivalents at the beginning of the period	1,475	1,470	1,470
Changes in cash and cash equivalents due to changes in the scope of consolidation	5	0	3
Changes in funds due to changes in exchange rates	-10	55	45
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1,612**	**2,747**	**1,475**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[€ million]	Subscribed capital	Capital reserves	Reserves: Currency translation	Reserves: Fair value valuation of securities[1]	Reserves: Fair value valuation of cash flow hedges[1]	Reserves: Other movements	Reserves: **Total reserves**	Retained earnings	**Equity attributable to shareholder of Deutsche Bahn AG**	Minority interests	**Total equity**
As of Jan 1, 2011	2,150	5,310	7	14	38	5	**5,374**	6,638	**14,162**	154	**14,316**
+ 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**	- 500	**- 500**	- 4	**- 504**
+/- Other changes	0	0	0	0	0	2	**2**	0	**2**	8	**10**
+/- Comprehensive income	0	0	- 95	1	36	0	**- 58**	642	**584**	2	**586**
AS OF JUN 30, 2011	**2,150**	**5,310**	**- 88**	**15**	**74**	**7**	**5,318**	**6,780**	**14,248**	**160**	**14,408**

[€ million]	Subscribed capital	Capital reserves	Reserves: Currency translation	Reserves: Fair value valuation of securities[1]	Reserves: Fair value valuation of cash flow hedges[1]	Reserves: Other movements	Reserves: **Total reserves**	Retained earnings	**Equity attributable to shareholder of Deutsche Bahn AG**	Minority interests	**Total equity**
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**	-1	**-1**
+/- Other changes	0	0	0	0	0	-3	**-3**	-2	**-5**	-2	**-7**
+/- Comprehensive income	0	0	159	6	47	0	**212**	386	**598**	14	**612**
AS OF JUN 30, 2010	**2,150**	**5,310**	**68**	**12**	**- 8**	**1**	**5,383**	**5,980**	**13,513**	**157**	**13,670**

[1] Equity capital includes deferred taxes.

SEGMENT REPORTING BY BUSINESS SEGMENTS

Jan 1 through Jun 30 [€ million]	DB Bahn Long-Distance		DB Bahn Regional[6]		DB Arriva[6]		DB Schenker Rail	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Segment revenues								
External revenues	1,760	1,765	4,323	4,247	1,632	87	2,343	2,138
Internal revenues	65	63	42	41	0	0	138	130
TOTAL REVENUES	1,825	1,828	4,365	4,288	1,632	87	2,481	2,268
Other external segment revenues	76	96	133	88	106	3	125	116
Other internal segment revenues	23	22	53	53	0	1	16	21
TOTAL SEGMENT REVENUES	1,924	1,946	4,551	4,429	1,738	91	2,622	2,405
Segment profit / loss (EBIT)	46	115	477	449	40	-3	57	-19
Adjustment special items[1]	0	-35	0	0	31	0	1	0
Segment result (EBIT adjusted)[1]	46	80	477	449	71	-3	58	-19
EBITDA	227	296	753	724	156	3	199	127
EBITDA adjusted[1]	227	261	753	724	151	3	199	127
Net interest income								
Result from investments accounted for using the equity method	0	0	0	0	2	0	5	2
Other financial result								
Profit before taxes on income								
Taxes on income								
NET PROFIT								
Segment assets[2),3)]	2,208	2,474	5,667	5,866	4,283	244	4,644	4,587
Investments accounted for using the equity method[2]	0	0	4	5	120	13	77	100
TOTAL ASSETS[2]	2,208	2,474	5,671	5,871	4,403	257	4,721	4,687
thereof goodwill	0	0	5	5	1,312	18	458	461
Segment liabilities[2),3)]	996	982	2,499	2,550	941	48	1,456	1,512
Segment capital expenditures	40	13	116	128	72	9	135	152
Additions to assets from changes in scope of consolidation	0	0	0	0	0	0	0	5
Additions to assets from gross capital expenditures	40	13	116	128	72	9	135	147
Investment grants received	0	0	-3	-14	-2	0	0	0
NET CAPITAL EXPENDITURES	40	13	113	114	70	9	135	147
Scheduled depreciation[4]	172	181	274	272	116	6	142	143
Impairment losses recognized / reversed[4]	9	0	2	3	0	0	0	3
Employees[5]	16,140	15,312	37,289	36,539	37,922	1,553	32,697	33,492

1) The adjustment relates to the income or expenses from the disposal of financial instruments, major special factors and (a figure of € 37 million) the PPA amortization of customer agreements in the segments DB Arriva and DB Schenker Rail.
2) The segment assets, the shares in associated companies and the segment liabilities are shown as of June 30; the remaining items relate to the reporting period.
3) Profit and loss transfer agreements have not been allocated to the segment assets or the segment liabilities.
4) The non-cash items are included in the segment result shown.

Segment reporting by regions Jan 1 through Jun 30 [€ million]
External revenues
Segment assets[1]
thereof non-current assets[1]

1) Statement as of June 30.

DB Schenker Logistics		DB Netze Track		DB Netze Stations		DB Services		Subsidiaries/ Other		Sum of segments		Consolidation[6]		Total	
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	**2010**	**2011**	2010	**2011**	**2010**
7,437	6,724	446	395	207	200	68	49	660	497	**18,876**	**16,102**	0	0	**18,876**	**16,102**
29	22	1,823	1,803	330	324	580	508	1,166	1,085	**4,173**	**3,976**	-4,173	-3,976	**0**	**0**
7,466	6,746	2,269	2,198	537	524	648	557	1,826	1,582	**23,049**	**20,078**	-4,173	-3,976	**18,876**	**16,102**
74	53	267	259	51	50	126	119	221	193	**1,179**	**977**	25	0	**1,204**	**977**
1	0	91	93	9	9	807	757	790	799	**1,790**	**1,755**	-1,790	-1,755	**0**	**0**
7,541	6,799	2,627	2,550	597	583	1,581	1,433	2,837	2,574	**26,018**	**22,810**	-5,938	-5,731	**20,080**	**17,079**
163	104	262	237	124	123	80	74	-218	-185	**1,031**	**895**	45	-20	**1,076**	**875**
7	6	0	0	0	0	0	0	30	0	**69**	**-29**	-12	0	**57**	**-29**
170	110	262	237	124	123	80	74	-188	-185	**1,100**	**866**	33	-20	**1,133**	**846**
248	191	732	708	186	184	155	149	-148	-119	**2,508**	**2,263**	31	-37	**2,539**	**2,226**
255	197	732	708	186	184	155	149	-118	-119	**2,540**	**2,234**	19	-37	**2,559**	**2,197**
														-409	**-487**
1	1	0	0	0	0	0	0	4	3	**12**	**6**	0	0	**12**	**6**
														-14	**-25**
														665	**369**
														-17	**23**
														648	**392**
5,657	5,469	21,280	21,625	3,246	3,216	1,223	1,220	3,641	4,887	**51,849**	**49,588**	-346	-656	**51,503**	**48,932**
11	11	1	1	0	0	0	0	337	271	**550**	**401**	0	0	**550**	**401**
5,668	5,480	21,281	21,626	3,246	3,216	1,223	1,220	3,978	5,158	**52,399**	**49,989**	-346	-656	**52,053**	**49,333**
1,036	1,092	0	0	0	0	0	0	13	12	**2,824**	**1,588**	0	0	**2,824**	**1,588**
2,857	2,511	2,500	2,549	359	409	597	634	5,643	5,907	**17,848**	**17,102**	19,797	18,561	**37,645**	**35,663**
89	61	1,872	1,921	190	136	97	51	72	52	**2,683**	**2,523**	6	-16	**2,689**	**2,507**
0	0	0	0	0	0	0	0	0	0	**0**	**5**	0	0	**0**	**5**
89	61	1,872	1,921	190	136	97	51	72	52	**2,683**	**2,518**	6	-16	**2,689**	**2,502**
0	0	-1,486	-1,521	-125	-89	0	0	-24	-13	**-1,640**	**-1,637**	0	0	**-1,640**	**-1,637**
89	61	386	400	65	47	97	51	48	39	**1,043**	**881**	6	-16	**1,049**	**865**
84	87	472	472	62	61	75	75	70	66	**1,467**	**1,363**	-14	-16	**1,453**	**1,347**
1	0	-2	-1	0	0	0	0	0	0	**10**	**5**	0	-1	**10**	**4**
60,691	57,379	41,149	40,225	4,825	4,654	26,030	24,521	25,869	26,008	**282,612**	**239,683**	0	0	**282,612**	**239,683**

[5] The number of employees relates to the workforce excluding trainees at the end of the reporting period (part-time employees converted to full-time employees).

[6] Previous year figures have been adjusted. The previous segment DB Bahn Urban has been omitted without any replacement. The domestic companies of the DB Bahn Urban segment have been allocated to the DB Bahn Regional segment, and the foreign companies have been allocated to the DB Arriva segment. The foreign regional transport activities of the former DB Bahn Regional segment have been transferred to the DB Arriva segment.

Germany		Rest of Europe		North America		Asia/Pacific		Rest of World		Reconciliation		Total	
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	**2010**
11,069	10,480	5,550	3,635	886	814	1,120	969	251	204	0	0	**18,876**	**16,102**
39,679	41,575	8,780	4,650	506	556	1,385	1,362	189	159	964	630	**51,503**	**48,932**
35,340	36,304	5,962	2,683	180	216	619	675	27	34	-604	-625	**41,524**	**39,287**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Basic principles and methods

The unaudited abbreviated interim financial statements for the period ending on June 30, 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU and their interpretation laid out by the International Financial Reporting Interpretations Committee (IFRIC). Due consideration has been given to IAS 34 (Interim Financial Reporting). The accounting policies underlying the consolidated financial statements for 2010 have been consistently applied for these interim financial statements.

The following new standards, interpretations and changes to the IAS/IFRS standards are the subject of mandatory adoption within the period under review. With regard to the explanations, please refer to the section → *Principles of preparing financial statements* [1] in the 2010 Annual Report.

- IAS 24: "Related Party Disclosures" (revised November 2009; applicable for reporting periods commencing after January 1, 2011)
- IAS 32: Amendment of IAS 32 "Financial Instruments: Financial Instruments: Presentation: Classification of Subscription Rights" (revised October 2009; applicable for reporting periods commencing after February 1, 2010)
- IFRS 1: Amendment of IFRS 1 "First-Time Adoption of International Financial Reporting Standards: Limited Exemption of First-Time Adopters for Comparison Figures According to IFRS 7" (revised January 2010; applicable for reporting periods commencing after July 1, 2010)
- Improvements to IFRS 2010 "Improvements to IFRS" (published May 2010; applicable for reporting periods commencing after January 1, 2011)
- IFRIC 14: Amendment of IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction: Advance Payments in Accordance with Minimum Funding Requirements" (published November 2009; applicable for reporting periods commencing after January 1, 2011)
- IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments" (published November 2009; applicable for reporting periods commencing after July 1, 2010)

Changes in segment allocation

With effect from January 1, 2011, the former DB Bahn Urban segment was omitted without replacement. The domestic companies of this segment have been allocated to the DB Bahn Regional segment, and the foreign companies have been allocated to the DB Arriva segment. The international regional transport activities of the former DB Bahn Regional segment have been transferred to the DB Arriva segment. The previous year's figures have been adjusted accordingly. Further changes made in segment allocation were of a minor nature.

Changes in the Group

The scope of consolidation of DB Group has developed as follows:

[Number]	German Jun 30, 2011	Foreign Jun 30, 2011	Total Jun 30, 2011	Total Dec 31, 2010	Total Jun 30, 2010
FULLY CONSOLIDATED SUBSIDIARIES					
As of Jan 1	169	691	**860**	579	579
Additions	0	1	**1**	335	3
Addition due to changes in type of inclusion	0	1	**1**	5	2
Disposals	6	26	**32**	58	14
Disposal due to changes in type of inclusion	0	0	**0**	1	1
TOTAL	**163**	**667**	**830**	**860**	**569**

The addition to the scope of consolidation comprises one new company established in the period under review.

The addition arising from the change in the type of integration relates to the acquisition of further shares in Corridor Operations NMBS/SNCB DB Schenker Rail N.V. (COBRA), Brussels/Belgium, which previously had been accounted for using the equity method.

[1] → ***2010 Annual Report Page 150 ff.***

The most significant transaction is detailed in the following:

- On June 24, 2011, DB Schenker Rail Deutschland AG increased its shares in COBRA by a further 2%, and now holds 51% of the shares. This company provides international train services via the Montzen route between Antwerp, Kinkempois, Zeebrugge and Châtelet on the Belgian side and Aachen-West or Cologne-Gremberg on the German side. Starting in June 2011, the information in segment reporting is included in the DB Schenker Rail segment.

The costs of purchase and the fair value of the acquired net assets are shown in the following. The purchase price has been allocated in accordance with IFRS 3. The goodwill is calculated as follows:

[€ million]	COBRA
PURCHASE PRICE	
Payments	0
+ Outstanding payments	0
TOTAL TRANSFERRED CONSIDERATION	**0**
+ Fair value of equity held before acquisition	3
– Fair value of net assets acquired	3
GOODWILL	**0**

Of the total purchase price, € 17 thousand is attributable to the period under review.

PURCHASE PRICE ALLOCATION COBRA

The acquired net assets are detailed in the following:

[€ million]	Fair value
Property, plant and equipment	0
Trade receivables	9
Other receivables and assets	2
Cash and cash equivalents	5
ASSETS	**16**
Other liabilities	11
LIABILITIES	**11**
thereof recognized contingent liabilities in accordance with IFRS 3	0
Share of third parties	2
NET ASSETS ACQUIRED	**3**
Purchase price paid in cash and cash equivalents	0
Cash and cash equivalents acquired with acquisition	5
INFLOW OF CASH AND CASH EQUIVALENTS THROUGH TRANSACTION	**5**

In the course of this gradual acquisition of shares, the cash holdings of the company (€ 5 million) were also recognized for the first time in DB Group.

There have been no major adjustments to assets and liabilities.

The fair value of the trade accounts receivable is € 9 million; this figure does not include any impairments.

If COBRA had been included in the DB consolidated financial statements as of January 1, 2011, DB Group would have reported additional revenues of € 12 million and an additional net profit of € 2 million.

The retirements from the scope of consolidation comprise 16 mergers as well as eight liquidations and eight sales. The sales have resulted in an inflow of cash of € 7 million.

The following overview shows a summary of the main effects on the consolidated income statement from the changes in the scope of consolidation which have occurred compared with the previous year period:

Statement of income [€ million]	Jan 1 through Jun 30, 2011	Thereof due to changes in the scope of consolidation	Amounts due to disposals from the scope of consolidation
Revenues	18,876	1,535	0
Inventory changes and internally produced and capitalized assets	1,143	3	0
OVERALL PERFORMANCE	20,019	1,538	0
Other operating income	1,204	63	-9
Cost of materials	-10,291	-508	0
Personnel expenses	-6,393	-717	0
Depreciation	-1,463	-112	0
Other operating expenses	-2,000	-224	8
OPERATING PROFIT (EBIT)	**1,076**	**40**	**-1**
Result from investments accounted for using the equity method	12	**2**	0
Net interest income	-409	-5	0
Other financial result	-14	-14	0
FINANCIAL RESULT	**-411**	**-17**	**0**
PROFIT BEFORE TAXES ON INCOME	**665**	**23**	**-1**
Taxes on income	-17	-3	0
NET PROFIT	**648**	**20**	**-1**

Of the revenues of € 1,535 million resulting from additions to the scope of consolidation, € 1,529 million relates to Arriva which was acquired in the previous year.

Contingent receivables, contingent liabilities and guarantee obligations

Contingent receivables amounted to € 55 million as of June 30, 2011 (as of December 31, 2010: € 76 million, as of June 30, 2010: € 52 million), and mainly comprise a claim for the refund of building cost subsidies which had been made, but for which there was insufficient certainty regarding the extent and time of maturity as of the closing date. The decline has resulted from the capitalization of an insurance claim.

The contingent liabilities are broken down as follows:

[€ million]	**Jun 30, 2011**	Dec 31, 2010	Jun 30, 2010
Contingent liabilities from			
issuance and transfer of bills	1	1	2
provision of collateral for third-party liabilities	0	0	0
provision of warranties	0	2	2
Other contingent liabilities	79	93	118
TOTAL	**80**	**96**	**122**

The other contingent liabilities also include risks arising from legal disputes which, because the expected probability of occurrence is less than 50 %, have not been recognized as provisions.

There were also contingencies arising from guarantees of € 179 million as of June 30, 2011 (as of December 31, 2010: € 188 million, as of June 30, 2010: € 144 million). In addition, property, plant and equipment with carrying amounts of € 207 million (as of December 31, 2010: € 196 million, as of June 30, 2010: € 108 million) were used as security for loans, including EUROFIMA (Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial), Basel/Switzerland to Deutsche Bahn AG (DB AG); this essentially relates to rail vehicles which are used at the operating companies of the DB Bahn Long-Distance, DB Bahn Regional and DB Schenker Rail segments. Additionally, buses of the DB Arriva segment are used as security for liabilities.

The investigations into the freight industry initiated by the European Commission, the US Department of Justice (DOJ) as well as other national cartel authorities based on the suspicion of anti-competitive agreements in the fields of land, ocean and air freight have been completed in certain cases. On September 30, 2010, the DOJ reached plea agreements with Schenker AG and BAX Global Inc., Irvine/USA, for terminating the cartel proceedings pending in the USA. Fines of USD 3.53 million and USD 19.75 million have been imposed on Schenker and BAX Global Inc. respectively. In return, the DOJ has agreed not to file proceedings against Schenker AG and BAX Global Inc. The plea agreements still require court approval.

In the proceedings before the EU Commission, a decision still has to be made following the hearing in July 2010. Overall, the cartel authority investigations are not expected to be completed before the beginning of 2012.

A class action for claims for damages in the USA has been settled by plea agreement in return for the payment of USD 8.75 million and a commitment to provide various cooperation services – subject to the outstanding court approval – with regard to the companies of DB Group.

DB Group acts as a guarantor mainly for equity participations and joint ventures, and is jointly and severally liable for all joint ventures in which it is involved.

Other financial obligations

The investment spending for which contractual obligations exist as of the balance sheet date but for which no consideration has yet been provided is broken down as follows:

[€ million]	**Jun 30, 2011**	Dec 31, 2010	Jun 30, 2010
Committed capital expenditures for			
property, plant and equipment	11,761	7,181	6,928
intangible assets	2	3	2
Outstanding capital contributions	389	376	354
TOTAL	**12,152**	**7,560**	**7,284**

The increase in the order commitment in property, plant and equipment is mainly attributable to the procurement of new vehicles – in particular ICx trains – as well as an increase in the contracted investment volume. In some cases, there are independent acknowledgements of debt for fulfilling the order commitment, which are opposed by claims of the same amount backed by guarantees of prime banks and insurers.

Of the figure shown for outstanding contributions, € 389 million (as of December 31, 2010: € 376 million, as of June 30, 2010: € 354 million) relate to outstanding contributions of EUROFIMA which have not been called in.

Related-party disclosures

Major economic relations between DB Group and the Federal Republic of Germany (Bund) relate to liabilities due to the Federal loans which have been extended (present value € 2,048 million, as of December 31, 2010: € 2,936 million, as of June 30, 2010: € 2,852 million). There are also relations arising from the payments made to the Bund as part of the pro forma calculation for the allocated civil servants as well as cost refunds for personnel provided in the service provision field as well as investment grants which have been received. The guarantees received from the Bund mainly relate to the loans received from EUROFIMA as well as the outstanding contributions or liabilities from the collective responsibility of DB AG at EUROFIMA.

The normal extent of business relations with Deutsche Telekom and Deutsche Post with regard to the utilization of telecommunication services and postal services took place.

Other information

BOND ISSUES AND REPAYMENTS

Two bonds of Deutsche Bahn Finance B.V. (DB Finance), Amsterdam/the Netherlands which had become due (for USD 1.2 billion and for USD 250 million) were repaid in the first half of 2011.

Two additional bonds – each for € 500 million and with terms of five and ten years – were issued with coupons of 2.75 % and 3.875 %.

SALE OF ARRIVA DEUTSCHLAND

Following the cartel approval by the European Commission on February 16, 2011, the sale of Arriva Deutschland Group was completed on February 18, 2011.

DIVIDEND PAYMENT

Pursuant to the resolution of the Annual General Meeting of April 5, 2011, DB Group paid a dividend of € 500 million to the Bund.

EARLY REPAYMENT OF INTEREST-FREE LOANS

In the first half of 2011, DB Group prematurely repaid interest-free loans of the Federal Government with a present value of € 583 million (nominal value € 839 million).

NUMBER OF ISSUED SHARES

The number of issued shares is unchanged at 430,000,000.

Major events after the balance sheet date

The → *major events after the balance sheet date* [1] are described in the interim management report. In particular, they include:

- With effect from July 4, 2011, the Federal Network Agency prohibited DB Netz AG from charging the utilization factor as part of the train-path pricing system.
- On July 5, 2011, the Federal Ministry for Transport, Building and Urban Affairs and DB AG reached an agreement regarding the introduction of a noise-based train-path pricing system. The noise-based train-path pricing system provides for higher charges for trains without whisper brakes and a bonus for freight wagons which are converted to noise-reducing technology.
- DB Schenker Logistics will restructure the domestic distribution business in the USA, Canada and Mexico. However, this does not mean a withdrawal from the US market. The activities affected by the decision in total account for less than 10 % of the American business of DB Schenker Logistics.
- The stress test carried out as part of the Stuttgart 21 project has confirmed the efficiency of the new infrastructure.

Berlin, July 21, 2011

Deutsche Bahn Aktiengesellschaft
The Management Board

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The Interim and Annual Reports of Deutsche Bahn Group and DB Mobility Logistics Group as well as the Financial Statements of Deutsche Bahn AG are published in German and English. In case of any discrepancy, the German version shall prevail.

The Annual Reports of DB Fernverkehr AG, DB Regio AG, DB Schenker Rail Deutschland AG, DB Station&Service AG and DB Netz AG are published in German.

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Corporate publications, the Report of the Competition Officer and the Sustainability Report can be requested from Corporate Communications:

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Our service number +49-18 05-99 66 33 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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