Mobility
Networks
Logistics

Deutsche Bahn

Interim Report January–June 2014

DB2020 – guiding us toward the future

At a glance

Selected key figures	H1 2014	H1 2013	Change absolute	Change %
FINANCIAL FIGURES – € MILLION				
Revenues adjusted	19,734	19,373	+361	+1.9
Revenues comparable	19,842	19,346	+496	+2.6
Profit before taxes on income	570	549	+21	+3.8
Net profit (after taxes)	642	554	+88	+15.9
EBITDA adjusted	2,554	2,460	+94	+3.8
EBIT adjusted	1,088	1,018	+70	+6.9
Non-current assets as of Jun 30, 2014/Dec 31, 2013	44,401	43,949	+452	+1.0
Current assets as of Jun 30, 2014/Dec 31, 2013	10,196	8,945	+1,251	+14.0
Equity as of Jun 30, 2014/Dec 31, 2013	15,147	14,912	+235	+1.6
Net financial debt as of Jun 30, 2014/Dec 31, 2013	16,571	16,362	+209	+1.3
Total assets as of Jun 30, 2014/Dec 31, 2013	54,597	52,894	+1,703	+3.2
Capital employed as of Jun 30	33,604	33,350	+254	+0.8
Return on capital employed (ROCE) (%)	6.5	6.1	–	–
Redemption coverage (%)	20.2	18.7	–	–
Gearing as of Jun 30 (%)	109	113	–	–
Net financial debt/EBITDA	3.2	3.5	–	–
Gross capital expenditures	3,414	3,263	+151	+4.6
Net capital expenditures	1,847	1,598	+249	+15.6
Cash flow from operating activities	1,865	1,494	+371	+24.8
KEY PERFORMANCE FIGURES				
Passengers (million)	2,171	2,150	+21	+1.0
RAIL PASSENGER TRANSPORT				
Punctuality rail passenger transport in Germany (%)	95.6	94.8	–	–
Passengers (million)	1,113	1,102	+11	+1.0
thereof in Germany	1,001	991	+10	+1.0
Volume sold (million pkm)	42,860	43,047	-187	-0.4
Volume produced (million train-path km)	378.7	379.4	-0.7	-0.2
RAIL FREIGHT TRANSPORT				
Freight carried (million t)	189.9	196.7	-6.8	-3.5
Volume sold (million tkm)	52,116	51,627	+489	+0.9
RAIL INFRASTRUCTURE				
Total punctuality in Germany (%)	95.3	94.4	–	–
Train kilometers on track infrastructure (million train-path km)	517.2	511.8	+5.4	+1.1
thereof non-Group railways	127.3	120.4	+6.9	+5.7
share of non-Group railways (%)	24.6	23.5	–	–
Station stops (million)	73.8	72.5	+1.3	+1.8
thereof non-Group railways	14.2	13.4	+0.8	+6.0
BUS TRANSPORT				
Passengers (million)	1,058	1,048	+10	+1.0
Volume sold [1] (million pkm)	4,198	4,261	-63	-1.5
Volume produced (million bus km)	798.0	759.8	+38.2	+5.0
FREIGHT FORWARDING AND LOGISTICS				
Shipments in European land transport (thousand)	48,985	47,276	+1,709	+3.6
Air freight volume (export) (thousand t)	540.0	526.2	+13.8	+2.6
Ocean freight volume (export) (thousand TEU)	988.1	911.0	+77.1	+8.5
OTHER FIGURES				
Order book passenger transport as of Jun 30, 2014/Dec 31, 2013 (€ billion)	85.4	87.5	-2.1	-2.4
Rating Moody's/Standard & Poor's/Fitch	Aa1/AA/AA	Aa1/AA/AA	–	–
Employees as of Jun 30, 2014/Dec 31, 2013 (FTE)	296,897	295,653	+1,244	+0.4
Share of female employees in Germany as of Jun 30, 2014/Dec 31, 2013 (%)	22.6	22.5	–	–

[1] Excluding DB Arriva.

DB2020 strategy

Our future:
Sustainably successful

Our three dimensions

Our four strategic directions

Contents

Dear Ladies and gentlemen,

With the challenging year of 2013 behind us, Deutsche Bahn is once again on an upward trend. Our interim report on the first half of 2014 shows that all business units are pursuing the goals of our DB2020 strategy – under the three sustainability dimensions of economic, social and environmental – with equal vigor.

DR. RÜDIGER GRUBE
CEO AND CHAIRMAN
OF THE MANAGEMENT BOARD

In the first six months of this year our employees generated revenues of € 19.7 billion, an increase of 1.9 percent. Earnings before interest and taxes totaled € 1.1 billion, 6.9 percent ahead of the previous year.

Virtually all performance indicators are in positive territory. It is especially noteworthy that more DB Schenker Rail freight trains are plying the German rail network than a year ago. There was a slight decline in passenger kilometers, which can be attributed to long-distance services. Our regional and S-Bahn (metro) trains, conversely, were more heavily utilized than in the first half of 2013. The bottom line here is that we welcomed in Germany an additional ten million passengers to our rail services. Punctuality also improved.

We face an overall increase in competitive pressure in all segments of the mobility and logistics sector, and accordingly we are continuing to invest in the quality of our products. New and modernized trains are increasing comfort on rail passenger services. Jointly with our French partner SNCF we shall expand rail services to Paris, and there are now new long-distance cross-border bus services to the Netherlands, Slovenia and Croatia – to mention but a few.

We have made measurable progress towards our goal of becoming a "Top Employer." In several different rankings of Germany's most popular employers, Deutsche Bahn is among those that have risen fastest in the last five years. In the latest study by the Universum consultancy, for example, Deutsche Bahn ranks in the Top Ten for engineering students for the first time.

Digitalization will make Deutsche Bahn still more customer-friendly, environmentally sound and successful.

Our environmental balance sheet has improved once again. Since the beginning of this year more freight trains have been 100 % CO_2-free, and near Cologne we have commenced operations at Europe's first climate-neutral station.

We believe the opportunities presented by digitalization offer the greatest potential for future success. WiFi in trains and stations, new apps to make travel even more convenient, digital solutions for scheduling, consignment tracking and resource conservation in logistics: digitalization will make Deutsche Bahn still more customer-friendly, environmentally sound and successful. We are on the right track to achieve the goals that we have set ourselves for 2014, and to set a course for sustainable, holistic corporate success.

Sincerely yours,

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

Major events

Economic

Punctuality figures improved

Within our strategic direction *customer and quality* product quality is one of the top three goals, and one primary indicator of *product quality* is punctuality. In the first half of 2014, we succeeded in improving the ***punctuality figures*** *[page 13]* for rail passenger services in Germany.

WiFi further extended

Digitalization is of great importance for DB Group. Against this backdrop, we are continuing to ***expand Internet access*** *[page 45]* on ICE trains and in stations. Furthermore, we intend to strengthen our range of digital services, continuing the development of apps for timetable information and online ticketing. Our new mobility portal ***Qixxit*** *[www.qixxit.de]* is an online and mobile app that for the first time enables passengers to plan their journeys from door to door.

Storm caused massive damage

Western Germany was swept by extremely severe bad weather during the spring holiday weekend. Due to the ***storm Ela*** *[page 42]* overhead cables were damaged and tracks were blocked by fallen trees. Major rail links in North Rhine-Westphalia were blocked for several days. The damage for DB Group is estimated at a mid-double-digit millions amount.

Long-distance bus station opened at Berlin Südkreuz

We opened the *first long-distance bus station* in Germany at the beginning of 2014. Located at Berlin Südkreuz, it offers all ***long-distance bus companies*** *[page 29]* non-discriminatory access. It already has a lot of traffic. In future we intend to set up long-distance bus stations at more railway stations.

Social

Increased attractiveness as an employer

We have continued our ***employer branding campaign*** *[page 23]* “A job like no other.” New TV ads, posters, poster advertisements, transit, and online advertising all focus on the diversity and multifaceted nature of DB Group and its 500 different job profiles. We have significantly improved our position in the latest ***employer rankings*** *[page 23]*.

Cultural transformation continues

Five *workshops on the future* on the central issues arising from the 2012 group-wide employee survey were held between March and June 2014. These ***workshops on the future*** *[page 24]* were designed to increase joint learning within DB Group and to work on specific solutions.

Environmental

Europe’s first CO_2-free railway station opened

Our *Green Station* project has become a reality for the first time, at Kerpen-Horrem. In future, the ***first CO_2-free station*** *[pages 25]* anywhere in Europe will be powered exclusively by a combination of solar and geothermal energy.

Noise reduction progress

The pan-European approval of LL brake shoes in June 2013 resulted in an across-the-board *reduction of freight-train noise*. Since then, the program to ***retrofit freight cars*** *[page 26]* with these quiet brake shoes has proceeded on schedule at DB Group. Furthermore, we have created a *“Mobile Noise Control Exhibition”* to conduct a direct ***program of information and dialog*** *[page 26]*. Information on our noise reduction strategies and projects is also available on its *noise control portal*.

Interim Group management report (unaudited)

Overview

Business development positive again
Progress towards the goal of being a top employer
Environmental position further improved

DB2020 – GUIDING US TOWARD THE FUTURE

As an international provider of mobility and logistics and one of Germany's largest employers, Deutsche Bahn Group (DB Group) has a special responsibility for customers, employees, the environment and society. With the *DB2020* strategy, we have created a framework approach that harmonizes *economic*, *social* and *environmental* factors in order to ensure the sustainable success of our company and social acceptance. In order to achieve our vision of becoming the leading global mobility and logistics company, we have set ambitious goals in all three dimensions. We aim to become a *profitable market leader* with a focus on *customer and quality*, a *top employer* and an *eco-pioneer*. Further information is available in our 2013 Annual Report.

Economic

Selected financial key figures [€ million]	H1 2014	H1 2013	Change absolute	Change %
Revenues adjusted	19,734	19,373	+361	+1.9
Revenues comparable	19,842	19,346	+496	+2.6
EBITDA adjusted	2,554	2,460	+94	+3.8
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Net profit	642	554	+88	+15.9
ROCE (%)	6.5	6.1	–	–
Redemption coverage (%)	20.2	18.7	–	–
Net financial debt as of Jun 30, 2014/Dec 31, 2013	16,571	16,362	+209	+1.3
Gross capital expenditures	3,414	3,263	+151	+4.6
Net capital expenditures	1,847	1,598	+249	+15.6

Selected key performance indicators	H1 2014	H1 2013	Change absolute	Change %
Punctuality in passenger transport (rail) in Germany (%)	95.7	94.8	–	–
Passengers (rail and bus) (million)	2,171	2,150	+21	+1.0
Passengers (rail) in Germany (million)	1,001	991	+10	+1.0
Volume sold passenger transport (rail) (million pkm)	42,860	43,047	–187	–0.4
Volume sold passenger transport [1] (bus) (million pkm)	4,198	4,261	–63	–1.5
Volume sold freight transport (million tkm)	52,116	51,627	+489	+0.9
Train kilometers on track infrastructure (million train-path km)	517.2	511.8	+5.4	+1.1
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Ocean freight volume (export) (thousand TEU)	988.1	911.0	+77.1	+8.5

[1] Excluding DB Arriva.

The development of DB Group in the first half of 2014 was again distinctly positive. The ***economic environment*** *[page 6 ff.]* was more benign. The Eurozone is slowly returning to the growth track, and our domestic market – Germany – remains its driving force.

Our ***market and competitive environment*** *[pages 7 ff.]* was persistently challenging during the reporting period. The liberalization of the German long-distance bus market has sharply increased competition in the long-distance market. But once again, overall performance was overwhelmingly positive. This was also reflected in our ***economic development*** *[pages 13 ff. and 27 ff.]*. Our ***key value management figures*** *[page 21]* again displayed a positive trend.

Punctuality performance in rail services *[page 13]* in Germany was very encouraging in the first half of 2014.

Social

We made good progress in the first half of 2014 towards our goal of becoming one of the *top ten employers* in Germany by 2020. We have significantly improved our position in the latest ***employer rankings*** *[page 23]*. Among others we have continued our ***employer branding campaign*** *[page 23]* *"A job like no other"* to make ourselves even more attractive as an employer.

We have refined our ***strategic personnel planning*** *[page 23]* to ensure that we become aware of changing personnel requirements at an early stage. One effect of the systematic internal ***development of specialists and executives*** *[page 23]* is to retain employees with DB Group in the long term. We have further increased the transparency of the opportunities for ***vocational development*** *[page 23]* within DB Group.

We were extremely active on the ***labour market*** *[page 23]*. In Germany alone more than 6,000 new employees were hired.

We reached agreement with the ***trade union*** *[page 24]*, the German Train Drivers' Union (Gewerkschaft Deutscher Lokomotivführer; GDL) and the employers' association Agv MoVe on employment protection provisions for train drivers. In the summer of 2014 we will embark on our next negotiation rounds with the GDL and the Railway and Transport Workers Union (Eisenbahn- und Verkehrsgewerkschaft; EVG), which will deal with pay, working hours and other conditions.

Environmental

We intend to strengthen our *leading environmental position* still further. To help us achieve this objective, we are concentrating on the DB Group-wide central topics, such as ***reducing energy consumption*** *[page 25]*, ***cutting specific CO_2 emissions*** *[page 25 f.]*, ***reducing rail noise pollution*** *[page 26]* and increasing resource efficiency.

The ***DB Environment Center*** *[www.db.de/sustainability]* – which is 20 years old – is proof of our long-standing commitment in the environmental area.

In addition, we continue to work on a Group-wide basis to reduce CO_2 emissions. We opened Europe's ***first CO_2-free station*** *[page 25]* in June.

We also continued the expansion of ***environmentally friendly mobility*** *[page 25]* and the deployment of ***modern, energy-efficient rolling stock*** *[page 25 f.]* within DB Group.

We took a further step towards our noise-reduction goal. By the end of June 2014 approximately 11,000 freight cars had been fitted with ***whisper brakes*** *[page 35]*. This retrofitting project is also reinforced by the newly introduced ***noise-based train-path pricing system*** *[page 43]*.

We are also constantly working to improve resource efficiency. We take our responsibility to protect the natural environment very seriously.

Assessment of the economic situation

The performance of DB Group in 2014 to date has again been distinctly positive. We still face extensive challenges in the areas of the economic situation, the market, competition and cost structures. Ongoing delays in the delivery of new rolling stock are causing additional tension. Material aspects of future infrastructure funding have yet to be budgeted by the Federal Government and enshrined in contractual arrangements. Overall, the Management Board of DB AG considers the economic situation of DB Group as of the date of the preparation of this interim Group management report to be positive.

Developments in the economy, which is gradually showing signs of recovery, had positive effects on our activities in transport and logistics. Also the negative effects of adverse weather conditions were much less extreme than in the first half of 2013. Additional burdens resulted from higher specific cost factors in Germany for personnel and maintenance.

We are continuing with the consistent implementation of our *DB2020* strategy. It is our objective to be a *profitable market leader*, a *top employer* and an *eco-pioneer*.

We expect our business activities to benefit from moderate economic stimuli in 2014. The trend in the markets where we operate is likely to be better than it was last year.

So far this year the business performance of DB Group has been in line with expectations. The Management Board therefore continues to assume that revenues and adjusted EBIT will perform in line with the statements made in the ***Outlook*** *[page 50 ff.]*.

CHANGES IN DB GROUP

Change of name at the Rail Technology Board division

Structures in the Board division that used to be called Rail Technology were altered as of July 1, 2014, and its name was changed to "Technology and Environment." The Technology and Environment Board division is responsible within DB Group for developing economic strategies for the rail system under the headings of technology, innovation, quality and the environment. The change in name is intended to underscore DB Group's feeling of responsibility for the environment and global warming. The Division is tasked with pressing ahead with the goal of becoming an *eco-pioneer*.

Changes in the Executive Bodies of DB AG and DB ML AG

There were no changes to the Management Boards of Deutsche Bahn AG (DB AG) or DB Mobility Logistics AG (DB ML AG) in the first half of 2014.

The following changes to the Supervisory Board of DB AG took place in the first half of 2014: Dr. Hans-Bernhard Beus stepped down with effect from January 8, 2014. Dr. Thomas Steffen was appointed to succeed him on the Supervisory Board of DB AG with effect from March 20, 2014.

Dr. Bernhard Heitzer stepped down with effect from January 29, 2013. Dr. Rainer Sontowski was appointed to succeed him on the Supervisory Board of DB AG with effect from January 30, 2014. Dr. Sontowski stepped down from the Supervisory Board with effect from July 9, 2014.

Wolfgang Joosten and Patrick Döring stepped down from the Supervisory Board of DB AG with effect from midnight on June 30, 2014. Kirsten Lühmann was elected to succeed Patrick Döring as a member of the Supervisory Board on July 17, 2014.

The following changes to the Supervisory Board of DB ML AG took place in the first half of 2014: Dr. Hans-Bernhard Beus stepped down with effect from January 8, 2014. Dr. Thomas Steffen was elected to succeed him as a member of the Supervisory Board of DB ML AG on March 20, 2014.

Dr. Bernhard Heitzer stepped down with effect from January 29, 2013. Dr. Rainer Sontowski was selected to succeed him as a member of the Supervisory Board of DB ML AG on January 30, 2014. Dr. Sontowski stepped down from the Supervisory Board with effect from July 9, 2014.

M & A activities

DB MOBILITY LOGISTICS AG

- In May 2014, DB ML AG acquired 100 % of the shares in Barnsdale Cartel Damage Solutions AG. The purchase price was € 10.4 million. Barnsdale is a special-purpose company for the pursuit of compensation claims from a cartel. It has been included in the consolidated financial statements since June 1, 2014.

DB ARRIVA BUSINESS UNIT

- As part of the continuing expansion of its business in the Czech Republic, DB Arriva acquired 100 % of the shares in CUP TOUR bus, s.r.o., Příbram/Czech Republic, in February 2014. The purchase price was € 1.3 million. Cup Tour has been included in the consolidated financial statements since March 1, 2014.
- DB Arriva sold 100 % of its shares in Arriva Malta Ltd., Qormi/Malta, to the Maltese state in January 2014. Arriva Malta has not been included in the consolidated financial statements since January 2014.

DB SCHENKER RAIL BUSINESS UNIT

- In May 2014, DB Schenker Rail sold 55 % of its shares in DAP Barging B.V., Rotterdam/the Netherlands. The sale price was € 1.4 million. DAP Barging has not been included in the consolidated financial statements since June 2014.

DB SCHENKER LOGISTICS BUSINESS UNIT

- In February 2014, DB Schenker Logistics sold 18 % of its shares in Transportes Hispania-Astur S.A., Oviedo/Spain. Transportes Hispania-Astur has not been included in the consolidated financial statements since March 2014.
- In March 2014, DB Schenker Logistics sold 100 % of its shares in Schenker Mauritanie SAS, Nouakchott/Mauretania. Schenker Mauritanie has not been included in the consolidated financial statements since April 1, 2014.
- In March 2014, DB Schenker Logistics acquired the remaining 49 % of shares in Schenker-Gemadept Logistics Vietnam Company Limited, Vietnam. The purchase price was approximately € 0.6 million.

Business and overall conditions

Increasingly positive economic impetus
Decline in demand for long-distance rail passenger transport
Recovery in the transport and logistics markets

ECONOMIC ENVIRONMENT

The developments as described below are based on provisional data or data relating to non-coterminous periods, as complete information relating to development over the first half of 2014 was not yet available at the time this report was prepared.

Assessment of the economic climate by the Management Board

We have positive economic expectations for 2014 as a whole, supported by a good start to the year in terms of the global economy and global trade. Despite many unresolved structural problems, the Eurozone is slowly returning to a path of economic growth, and Germany continues to be the driving force behind it.

We predict that risks to the global economy will arise in particular from a potential banking crisis in China. There is also a continued risk of deflation in the Eurozone.

The German passenger transport market is developing dynamically. Demand is being boosted not only by positive economic conditions, but also by the impetus generated by the liberalization of the long-distance bus market. Further progress on liberalization was made in the rest of Europe as well.

The overall economic environment for rail freight transport in Europe is positive. The economic recovery has also bolstered demand in the international transport and logistics markets.

Restrained positive growth momentum in the global economy

The global economy and global trade made a positive entry into 2014. However, this momentum eased off slightly at the beginning of the year. The reasons for this include the slow economic recovery in the Eurozone and the weak growth caused by structural conditions in many emerging economies. Special circumstances such as the severe winter in the USA also had an impact on growth.

In the USA, the consolidation of the Federal budget and the weak development of fixed asset investments and foreign trade also led to a shrinking economy in the first quarter of 2014 compared to the previous quarter. Private consumer spending remained markedly robust, building on an improved financial and earnings position.

The Chinese government is shifting the focus of its economic policy more strongly towards developing its domestic market. The reform package adopted as part of this is accompanied by weaker economic growth by Chinese standards. In the interests of more stable long-term economic development, this situation is consciously accepted by the Chinese government. The conditions changed by the reforms, for example those of the Chinese financial and credit markets, increase the risk of credit defaults, with potentially far-reaching consequences for the global real economy.

In the Eurozone, the gradual recovery continued in the first quarter of 2014. At the level of individual countries, development is taking place at different rates: a few core Eurozone countries experienced weak economic development at the start of the year. In the first quarter of 2014, GDP rose only slightly in France and Belgium and declined in the Netherlands and Italy. In Spain and Portugal, on the other hand, the reform and austerity measures of recent years are starting to bear fruit. The return of investor confidence is becoming evident as corporate investments increase. Along with the gradual stabilization of domestic consumption, the focus on the more productive export sector has led to a significant impetus for growth from foreign trade.

The German economy was also growing at the start of the year. As well as the continued growth in private consumer spending, fixed asset investments rose sharply in the first quarter of 2014. A particularly strong impetus for this increase came from the construction sector. The foreign trade sector benefited from the strong economic growth in the English-speaking world and the nascent recovery in the Eurozone, which more than compensated for the poor growth in demand from emerging economies.

In Germany, economic development relating to passenger transport remains positive. Immigration from Southern and Eastern Europe helped give rise to an increase in the working population and a related increase in demand for passenger transport. The increase in employment in the industrial and service sectors, wage increases in many sectors of the economy and low inflation have produced a rise in real disposable incomes. The subdued pace of global economic growth means that the price of oil is under pressure, leading to a drop in fuel prices and increasing competitive pressure on rail transport.

The positive development of the freight transport sector in Germany has persisted so far this year. The rate of growth in foreign trade increased, owing in particular to the rise in demand from the European market, which is important for the German economy. Further stimuli for the German export sector came from the USA. In particular, the demand for capital goods, such as from the fields of vehicle construction, mechanical engineering and the high-tech sector, which was damaged during the crisis by the uncertainty over anticipated economic development, experienced above-average growth. Stimuli were also seen coming from the German domestic market. There was strong growth in fixed asset investment, due to replacement investments in equipment and the strong increase in production in the construction sector.

Energy markets in areas of political conflict

Developments in energy prices	H1 2014	2013	Change absolute	Change %
BRENT CRUDE OIL (USD/BBL)				
Average price	109	109	–	–
Highest price	116	119	-3	-2.5
Lowest price	104	97	+7	+7.2
Period-end price as of Jun 30, 2014/Dec 31, 2013	112	111	+1	+0.9
BASE LOAD POWER (FOLLOWING YEAR) (€/MWH)				
Average price	35.3	39.1	-3.8	-9.7
Highest price	37.0	45.6	-8.6	-18.9
Lowest price	33.7	36.0	-2.3	-6.4
Period-end price as of Jun 30, 2014/Dec 31, 2013	34.5	36.5	-2.0	-5.5
EMISSIONS CERTIFICATES (€/TON CO_2)				
Average price	5.6	4.5	+1.1	+24.4
Highest price	7.4	6.8	+0.6	+8.8
Lowest price	3.7	2.5	+1.2	+48.0
Period-end price as of Jun 30, 2014/Dec 31, 2013	5.9	5.0	+0.9	+18.0

Source: Thomson Reuters.

The oil market was predominantly characterized in the first half of 2014 by the tension between concerns over demand and geopolitical uncertainties. Owing to the subdued economic development, the price of Brent fell to around USD 104/bbl as the global political situation eased. As the year has progressed, the advance of the extremists in Iraq has led to a 9½-week high in the price of Brent, at USD 115.71/bbl. The Organization of the Petroleum Exporting Countries (OPEC) once again gave assurance that it would compensate for shortfalls in supply from Iraq and Libya. Despite these price activities, supply on the physical market is adequate, not least due to record levels of extraction in the USA.

In Germany, despite high economic costs resulting primarily from the Renewable Energy Sources Act (EEG) and higher supply quotas for renewable energy, the planned reduction in CO_2 levels has so far not been achieved. The prioritized supply of subsidized renewable energy is putting downward pressure on wholesale prices. Large, low-CO_2 thermal power plants with high marginal costs are becoming unprofitable. Coal and lignite power plants are experiencing a renaissance as a result of the low price of coal and CO_2. The high input of renewable energy, with its lack of controllability due to its dependence on wind and sunlight, leads to substantial variation on the electricity spot market, with a low average price level. The price of emissions rights recovered in line with the discussions on the start of the withholding of 400 million certificates, which was ultimately implemented from March. The high for the year was reached in early March at EUR 7.41/t CO_2, only to plummet to EUR 3.71/t CO_2 by the end of the month. The reasons for this were rumors of a persistent excess supply and speculation regarding a major resolution of the position.

Return of confidence strengthened euro

Development of important currencies (average rates)	H1		Change	
	2014	2013	absolute	%
EUR/Australian dollar (AUD)	1.49890	1.29605	+ 0.20285	+ 15.7
EUR/pound sterling (GBP)	0.82134	0.85083	- 0.02949	- 3.5
EUR/Swiss franc (CHF)	1.22145	1.22995	- 0.00850	- 0.7
EUR/Canadian dollar (CAD)	1.50288	1.33409	+ 0.16879	+ 12.7
EUR/Swedish krona (SEK)	8.95352	8.53115	+ 0.42237	+ 5.0
EUR/US dollar (USD)	1.37035	1.31337	+ 0.05698	+ 4.3
EUR/Norwegian krone (NOK)	8.27655	7.52090	+ 0.75565	+ 10.0

Source: Thomson Reuters.

So far this year, the upward pressure on the euro against a number of other currencies has continued unabated. Significant drivers of this trend include the return of confidence in the European single currency and an adjusted risk assessment for investment in emerging economies. The latter has prompted a global reallocation of portfolio capital. A significant proportion of this capital has flowed from the emerging economies into the Eurozone. The European Central Bank (ECB) has reacted by easing its monetary policy, which has produced a more stable euro exchange rate.

In Australia, the expansive monetary policy of the Reserve Bank of Australia and low demand for Australian products, particularly from China, have shaped the progression of the exchange rate against the euro.

Strong economic growth in Great Britain is stimulating demand for the pound sterling and placing upward pressure on the currency. This trend is supported by an easing in inflation rates.

In the USA, stagnating economic growth in late 2013 and early 2014 led to weaker demand for the US dollar.

The return of investor confidence in the Eurozone is affecting the progression of the Swiss franc, which has reported a slight appreciation as a result.

The Canadian dollar has shown a stable progression against the euro. Available capacity in industry and a slow-down in property price rises are lowering the probability of an increase in the base rate by the Bank of Canada, with a resultant lack of stimulus for an increase in the currency's value.

In Sweden, the slight downward pressure on the krona seen over the course of the year to date has solidified. Market observers expect the Swedish central bank to increase interest rates in the coming months, with a resultant increase in demand and anticipated upward pressure on the krona.

The Norwegian krone has recovered from its downward trend against the euro last year. Owing in particular to an increase in demand from Europe, the foreign trade sector has again grown significantly, leading to an increase in demand and support for the Norwegian krone.

Decline in bond markets

In the first half of 2014, the bond markets recorded a continuous decline in yields, which were already at a low level. The reform efforts of individual Eurozone countries are starting to show their effects, and have led to increased interest from investors in bonds from these countries. Accordingly, the returns on government bonds from the countries in question dropped in absolute terms as well as in relation to German Bunds. This development was accompanied by upgrades to the credit ratings of Spain, Italy and Ireland, as well as Portugal's decision to leave the euro bailout fund.

Borne along by low rates of inflation, the ECB has once again eased its monetary policy with the aim of intensifying lending to the private sector. Along with additional open market operations for the explicit provision of credit to private customers, a negative deposit rate has been agreed for the first time, in order to prevent bank liquidity from being parked in the central bank and to allow available funds to flow into circulation. Returns on the 10-year Bund fell from 1.9% at the start of the year to 1.25% at the end of June 2014. However, they have not reached the lows of 2012 and 2013. The development of the bond prices has been favored by a lack of lucrative investment alternatives.

DEVELOPMENTS IN THE RELEVANT MARKETS

Passenger transport

GERMAN PASSENGER TRANSPORT MARKET

The positive development in the German passenger transport market continued in the first quarter of 2014.

The motorized individual transport sector benefited from a significant decrease in fuel prices (– 4.7 %), an increase in available incomes (+1.1 %) and weather conditions, which were more favorable than the previous year.

Passenger rail transport developed in the opposite direction. The decline of the second half of 2013 persisted in the first few months of 2014. As of March, demand had decreased by 0.9 %. A decisive contributing factor was the development in long-distance transport, which suffered a major decline (as of March 2014: – 4.8 %) in the face of intense competition, particularly from long-distance buses and motorized individual transport. However, regional transport recorded stable growth (as of March 2014: +1.6 %). In terms of total passenger rail transport, non-DB Group railways experienced a positive development of 1.2 %, which was once again stronger than our own companies (–1.2 %). In the first six months of 2014, demand development for DB Group railways lowered by 0.8 %.

This year, the public road transport sector has recorded a more positive trend than in recent years. For the first time, passenger numbers are likely to have remained constant in the first quarter of 2014. This means that the rapidly growing long-distance bus market has compensated for the decline resulting from lower numbers of school passengers. According to available estimates, the offer in this sector of the market has tripled since the start of liberalization.

After three years of decline, German domestic air traffic had grown by 2.1% as at March 2014 as a result of completed consolidation moves.

EUROPEAN PASSENGER TRANSPORT MARKET

Demand in the European passenger rail transport market was down in the first quarter of 2014 compared to the previous year. This had a dampening effect on general economic conditions in a number of Central European countries.

Special circumstances such as infrastructure projects gave rise to divergent trends in the individual countries concerned. While the British railway companies, Spain's Renfe and Italy's FS were able to significantly increase their volume sold, other railway companies such as France's SNCF, Denmark's DSB and Poland's PKP suffered some significant reductions.

The British passenger rail market grew by around 3.5 %. The Department for Transport (DfT) extended a series of franchises without any tendering procedure. Furthermore, the winners of two tendering procedures were also announced. In the British bus market, demand was up 2.8 % in the first quarter of 2014 compared to the previous year.

In Scandinavia there was a decline in passenger rail transport. While volume sold fell by 3.4 % in Denmark, in Sweden demand fell 0.9 % compared to the previous year.

The liberalization of European passenger transport markets continued in the first half of 2014. A stretch of Spain's high-speed network (Madrid – Levante) is to be opened up to competition by the end of 2014. In addition, plans have been announced to put Czech long-distance passenger rail services out to tender. The Italian region of Emilia Romagna has already published a call for tenders, while the region of Friuli-Venezia Giulia has revealed plans to introduce tendering for its domestic services in 2014.

Freight transport

GERMAN FREIGHT TRANSPORT MARKET

Volume sold in the German market for freight transport (rail, road, inland waterways and long-distance pipelines) increased by 5.5 % in the first quarter of 2014. In addition to a weak start to the previous year, performance development was bolstered by stimuli from production and trade, and also in particular by the mild winter. Transport demand rose above all in the construction industry, which benefited the road freight transport sector primarily. The market nonetheless remains dominated by high levels of inter- and intramodal competition and pricing pressure.

The rail freight figures in Germany are further shaped by a particular statistical effect. The retroactive inclusion of rail freight companies in the statistics of the previous year means that growth in the first four months of 2014 is overestimated at 7 %. Stripping out this effect, the rise would have been around half this amount. While there has been pronounced growth in the areas of combined transport and in ore/rock/

soil, vehicles and coal, chemicals transport in particular has remained below the level of the previous year. Our companies' volume sold increased in the first half of 2014 by 1.6%. Non-DB Group companies grew in the first quarter by a good 17%, which is above all attributable to the statistical effect.

Helped by the positive overall direction of the economy and the mild winter in comparison with the previous year, there was a very dynamic demand for road freight transport up to May 2014. According to some calculations, output rose by a good 4.5%. This is also reflected in the results for German-registered trucks. According to Germany's Federal Office for Freight Transport (BAG) statistics, the use of these vehicles on the toll road network was up 2% up to May. However, for vehicles registered abroad, the toll statistics continued to show above-average growth at 8%, which was boosted in particular by trucks from Central and Eastern Europe.

After 2.7% growth in the previous year, the growth in volume sold on inland waterways slowed in early 2014. There was an increase in demand of almost 1% in the first quarter of 2014.

EUROPEAN RAIL FREIGHT TRANSPORT

As a result of the improved economic conditions, the development of volume sold in Europe gained significant momentum in the opening months of 2014. There was an increase of around 5% in the first quarter of 2014.

In the first quarter of 2014, the positive trend for freight rail transport performance in Great Britain continued, with growth of around 6%. The volume sold of DB Schenker Rail UK decreased slightly in the first half of 2014. This is due to the pressure on coal transport caused by the oversupply of gas on the market.

In Poland, the previous years' growth of volume sold continued, at around 6.5% for the first quarter of 2014. DB Schenker Rail Polska grew at above market level in the first half of 2014, strengthening its market position.

The positive overall trend in rail freight in France continued in the first few months of 2014. There was an increase in volume sold of around 4% in the first quarter of 2014. The volume sold of Euro Cargo Rail (ECR) declined in the first half of 2014.

EUROPEAN LAND TRANSPORT

The strong upward trend in the European land transport market in late 2013 continued into 2014. Other than slight fluctuations from month to month, the market recorded solid development at above the level of the previous year. This development was, however, slightly below the forecast levels, as demand was weaker than expected owing to the political tensions in parts of Eastern Europe, particularly in this region. Competition in European land transport intensified accordingly in the first half of 2014, and pressure on margins increased.

AIR FREIGHT

The air freight market made a relatively pronounced recovery in the first five months of 2014, and grew in June at just under 5%. The Asian market in particular is demonstrating above-average growth. There was also growth in North America and Europe.

The delivery of big passenger planes, that offer space for air cargo as well, led to an increase in capacity in the market. However, the growth in demand exceeding the capacity expansion in the first half of 2014. This produced slight increases in the use of aircraft capacity, somewhat lower overcapacity rates, and therefore also stable to slightly increasing air freight rates.

OCEAN FREIGHT

The ocean freight market grew by about 3 to 4% in the first half of 2014. In the context of a slowly recovering global economy, positive growth rates can be seen even on the most important routes. In particular, the two routes with the greatest volume, Asia–North America and Asia–Europe, show an increase of around 5% year on year for container traffic. Container traffic experienced the strongest growth on the links between North America and Europe (+5.8%) and between Europe and Asia (+5.6%). Although the market continues to be characterized in general by overcapacity, more deliveries of new container ships are expected in 2014. Freight rates are under pressure due to this overcapacity. In order to improve profitability, the carriers have raised their freight rates several times in recent months. The higher price level could not be maintained over the long term. This has led to greater price volatility, particularly on the Europe – Asia route.

CONTRACT LOGISTICS

The market for contract logistics continued the sustained upward trend of recent years in the first half of 2014. Overall, growth has gained momentum slightly, particularly in the Asian markets and Europe. The demand for dedicated solutions in the core industries for contract logistics/supply chain management (automotive, consumer, electronics, healthcare and industrial sectors) improved slightly in the period under review.

Rail infrastructure in Germany

Following a slight drop in train-path demand in the previous year, the market recovered significantly in the first half of 2014. This development is attributable in large part to the additional traffic from newly concluded transport contracts in the regional passenger rail transport sector and cyclical growth in rail freight transport.

The number of station stops has increased slightly in the period under review due to new transport services, such as the Leipzig City Tunnel opened in December 2013. The proportion of train stops from non-DB Group railways has increased further.

POLITICAL ENVIRONMENT

Details of regulatory issues and the development of the European legal framework in the railway sector are also provided in our annual ***Competition Report*** *[www.db.de/competitionreport]*.

Regulatory issues in Germany

MAINTENANCE FACILITIES CONSIDERED AS RAIL INFRASTRUCTURE

In early 2013, the Higher Administrative Court (OVG) of Münster confirmed that maintenance facilities are considered to be rail infrastructure. It remains open whether this also applies to facilities for heavy maintenance. The Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railways (BNetzA) has resumed dormant proceedings in this connection. It has asked DB Vehicle Maintenance, which is responsible for heavy maintenance within DB Group, to submit conditions of use and payment regulations compliant with railway law to the agency. DB Group is of the view that heavy maintenance is not subject to regulatory requirements, as the activities associated with it can be clearly differentiated from on-site maintenance.

ASSESSMENT OF THE TRAIN-PATH PRICING SYSTEM

As part of the overall review of the train-path pricing system (TPS) that has been ongoing for several years, BNetzA announced in May 2014 that it intended to complete the full test proceedings by the end of 2014. These proceedings present a risk that the agency will not fully recognize the mandatory service costs presented by DB Netz as such, and that they will make cuts to the cost and capital base. In addition, BNetzA and DB Netz are in an ongoing exchange regarding the principles of the pricing structure and the options for further developing the pricing system.

CIVIL PROCEEDINGS RELATING TO FEES FOR USE OF INFRASTRUCTURE

According to a judgment by the Federal Court of Justice (BGH), fees for the use of railway infrastructure (train-path fees, station fees) can be reviewed for fairness by the civil courts according to the standard set out in Section 315 of the German Civil Code (BGB), even if BNetzA has not objected to the fees and they are effective according to regulatory law. In this connection, legal disputes are currently pending before the civil courts between DB Netz AG and DB Station & Service AG on the one hand and train operating companies or transport authorities on the other. The subject of the proceedings is the review of fairness of the usage fees. The majority of these legal disputes relate to fees that were raised as regional factors or in accordance with the 2005 station pricing system.

Regulatory issues in Europe

DRAFT OF FOURTH RAILWAY PACKAGE

The ordinary legislative procedure, according to which the EU Parliament and Council must agree to the proposals of the EU Commission for the fourth railway package, was initiated in 2013. On February 26, 2014 the European Parliament adopted extensive amendments to the legislative proposals. In particular, a large majority was against extensive separation of railway infrastructure and operations, calling instead for continued improvement of the transparency of financial flows within railway companies in addition to stricter regulation. The European Parliament voted for the opening-up of national markets to private passenger rail services from December 2019. However, Member States are to be given the ability to restrict market access where the economic equilibrium of public transport services is compromised. Similarly, they are to continue to have the choice in future between tendering and direct awarding. Overall, the decisions on opening up passenger rail transport markets cannot be expected to provide any noticeable impetus for the development of competition in Europe. There was, however, a positive vote when it came to the proposals on technical interoperability. The European Parliament voted by a large majority for the continued dismantling of technical barriers to market entry in Europe by means of harmonizing and speeding up authorization processes. Furthermore, the role of the European Railway Agency (ERA) vis-à-vis the national authorities is to be strengthened.

The European Council has so far only discussed the technical pillar of the fourth railway package. On June 5, 2014 EU transport ministers agreed that in future the ERA would be responsible for railway authorizations and the issuing of safety certification for railway companies. Authorization procedures are to be simplified and accelerated by using clear, pan-European decision deadlines. The ERA is also to be authorized to ensure uniform practice by national authorities in the authorization process. Furthermore, an independent Board of Appeal is to be set up for the ERA.

RAILWAY REFORM IN FRANCE

On June 24, 2014 the French National Assembly adopted the reform plans for the French railway system by a large majority. Measures include the harmonization of social conditions throughout the sector to the level at SNCF. In the rail freight sector in particular, a harmonization of social conditions would mean a threat to competitiveness.

INNOVATION PROGRAM FOR THE RAILWAY SECTOR

On June 16, 2014 the Council of the European Union adopted a proposal for a Regulation to establish a major research and innovation program for the European railway sector by 2020, known as Shift²Rail. The railway industry and railways are to form a public/private partnership to develop technical innovations and to pilot these as prototypes in field trials. The aim is to introduce technological innovations to the market more quickly and efficiently, to reduce the overall costs of rail transport, to increase capacity and demand and to improve the reliability and quality of the railways. Total funding for the research program amounts to € 900 million (€ 450 million in EU funding and € 450 million in contributions from the companies involved). Shift²Rail has been launched by rail industry firms and includes numerous other partners from within the industry.

FURTHER DEVELOPMENT OF THE RELEVANT REGULATORY FRAMEWORK

Implementation of the recast into national law

The Federal Government coalition agreement between Germany's Christian Democrats (CDU/CSU) and Social Democrats (SPD) provides for further development of the regulatory framework. As the agreement puts it, "selective regulation" is planned, where regulation and financing are to be intimately linked. The EU provisions of Directive 2012/34/EU are to be transposed on a one-to-one basis in order to ensure equal opportunities in Europe's internal market. The Directive must be transposed into national law by mid-2015. However, there is no need for fundamental changes to German law. With a view to implementing the provisions of the coalition agreement, the Federal Ministry of Transport and Digital Infrastructure has commenced work on drafting a new Railway Regulation Act. No official bill has yet been tabled.

Economic

Customer and quality initiative continued
Revenues and operating profit increased
Key value management figures improved

CUSTOMER AND QUALITY

Customer and quality initiative continues

The *customer and quality initiative* is an important aspect of the implementation of our *DB2020* strategy. Since the beginning of 2013, it has focused principally on the constant improvement of punctuality in passenger and freight services as a central component of our performance commitment. Our top priority is reducing day-to-day disturbance, especially when it results from operational planning. Within the business units DB Bahn Long-Distance, DB Bahn Regional, DB Schenker Rail and DB Netze Track a wide range of improvement projects was initiated.

In the first half of 2014, we improved the availability of the ICE 1 and ICE 3 fleet. Due to scheduling adjustments the rate of deviating carriage orientation at ICE T on some lines could be significantly reduced. We intend to extend similar activities to more fleets and lines in the second half of 2014.

As part of the customer and quality initiative, DB Bahn Regional has developed and successfully tested a concept for improving punctuality, and this will be implemented nationwide before the end of 2014.

At DB Schenker Rail, we are concentrating on continuing and expanding the measures initiated last year for further improvements in operating procedures. They have already succeeded in stabilizing punctuality.

Cooperation with the passenger advisory board

Members of the DB Group Customer Advisory Council continued in 2014 to be involved in a variety of projects and workshops. A forum for current and former council members was developed. Other key issues were optimizing services at stations, developing stations as a mobility hub, and involving the council in vehicle-related topics at DB Bahn Long-Distance and DB Bahn Regional.

Punctuality improved

Punctuality in passenger transport (rail) [%]	H1 2014	2013	H1 2013
Rail passenger transport in Germany	95.6	94.1	94.8

In the first half of 2014, we posted a significant increase in the average punctuality figure for all passenger trains in Germany to 95.6%. This increase can be put down to less adverse weather conditions in comparison with the first half of 2013, and to the improvements implemented under the customer and quality initiative.

Details on the development of punctuality in the individual business areas are described in the chapter ***Development of business units*** [Page 27 ff.].

ECONOMIC POSITION

Earnings

CHANGES COMPARED TO H1 2013

Expenses and income in the first half of 2014 were also affected by ***changes to the scope of consolidation*** [page 61]. In the 2013 financial year, accomplished changes are described in the 2013 Annual Report. The following changes are relevant for comparative purposes at the business unit level and subsequently, if material, explained:

- DB Arriva: Cup Tour (included since March 1, 2014), Veolia Eastern Europe (included since May 1, 2013), bus transport activities of Abellio in the Czech Republic (included since December 31, 2013) and Centrebus (included since September 1, 2013)
- DB Schenker Logistics: Schenker Panama (included since April 1, 2013) and Schenker Logistics L.L.C., Abu Dhabi/United Arab Emirates (included since June 1, 2013).

Accounting-related changes that are important for *year-on-year comparisons* [page 61 f.] are detailed in the Notes to the Consolidated Interim Financial Statements.

REVENUES INCREASED SLIGHTLY

Revenues [€ million]	H1 2014	H1 2013	Change absolute	Change %
DB Group	19,741	19,373	+368	+1.9
± Special items	-7	-	-7	-
DB Group adjusted	**19,734**	**19,373**	**+361**	**+1.9**
± Effects from changes in scope of consolidation	-118	-27	-91	-
± Effects from change in exchange rates	+226	-	+226	-
DB Group comparable	**19,842**	**19,346**	**+496**	**+2.6**

Revenues increased during the period under review in comparison with the first half of 2013. This resulted from the operative *Development of the business units* [page 27 ff.], and also from the positive effects of changes in the scope of consolidation. It was perceptibly offset by negative *exchange rate effects* [page 8] resulting from the strong euro.

The effects of changes in the scope of consolidation totaled € 118 million in the first half of 2014. The business units mainly affected were:

- DB Arriva: € 110 million (Veolia Eastern Europe: € 96 million, Centrebus: € 9 million, bus transport activities of Abellio in the Czech Republic: € 4 million and Cup Tour: € 1 million)
- DB Schenker Logistics: € 8 million (Schenker Logistics L.L.C.: € 5 million and Schenker Panama: € 3 million)

The effects in the first half of 2013 resulted primarily from the sale of Arriva Malta.

The *exchange rate changes* [page 8] resulted mainly from the performance of the euro against the pound sterling, the Swedish krona, the Australian dollar, the Canadian dollar, the Norwegian krone and the US dollar. The effects were attributable to the following business units: DB Schenker Logistics (€ 270 million), DB Arriva (€ –36 million) and DB Schenker Rail (€ –8 million).

With the effects of exchange rate changes and changes to the scope of consolidation excluded, revenues increased by 2.6 % during the period under review.

Revenues by regions

External revenues by regions [€ million]	H1 2014	H1 2013	Change absolute	Change %
Germany	11,468	11,249	+219	+1.9
Europe (excluding Germany)	6,123	5,927	+196	+3.3
Asia/Pacific	1,188	1,211	-23	-1.9
North America	704	727	-23	-3.2
Rest of world	251	259	-8	-3.1
DB Group adjusted	**19,734**	**19,373**	**+361**	**+1.9**

Changes in revenues during the period under review varied from region to region.

Revenues rose in the Germany region. Contributory factors here included increases at DB Netze Track and DB Bahn Regional.

Positive effects on the Europe region (excluding Germany) came from growth in the DB Arriva business unit, among others due to the first-time full inclusion of Veolia Eastern Europe.

In the Asia/Pacific and North America regions performance was significantly affected by negative exchange rate effects. When these effects are excluded, both regions posted increased revenues.

The regional revenue structure remained stable. Approximately 42 % of total revenues during the period under review was generated outside Germany (first half of 2013: approximately 42 %). The proportion generated in Europe (excluding Germany) was stable at approximately 31 %.

Revenue development by business units

Changes in revenues during the period under review varied from one business unit to another. Details are provided in the chapter *Development of business units* [page 27 ff.].

DEVELOPMENT OF PROFITS POSITIVE

Excerpt from statement of income [€ million]	H1 2014	Reclassification: Compounding/discounting IFRS	Reclassification: Net investment income	Reclassification: PPA amortization	Adjustment special items	2014 adjusted	2013 adjusted	Change absolute	thereof due to changes in scope of consolidation	thereof due to changes in exchange rates	%
Revenues	19,741	–	–	–	-7	19,734	19,373	+361	+91	-226	+1.9
Inventory changes and internally produced and capitalized assets	1,244	–	–	–	-10	1,234	1,218	+16	+0	-0	+1.3
Other operating income	1,056	–	–	–	-1	1,055	1,084	-29	+0	-11	-2.7
Cost of materials	-9,919	–	–	–	+23	-9,896	-9,967	+71	-41	+167	-0.7
Personnel expenses	-7,270	–	–	–	+5	-7,265	-7,037	-228	-30	+28	+3.2
Depreciation	-1,513	–	–	+47	–	-1,466	-1,442	-24	-8	+0	+1.7
Other operating expenses	-2,326	–	–	–	+18	-2,308	-2,211	-97	-1	+34	+4.4
Operating profit (EBIT) | Adjusted EBIT	**1,013**	**–**	**–**	**+47**	**+28**	**1,088**	**1,018**	**+70**	**+11**	**-8**	**+6.9**
Net interest | Net operating interest income	-444	+30	–	–	–	-414	-420	+6	–	+0	-1.4
Operating profit after interest	**569**	**+30**	**–**	**+47**	**+28**	**674**	**598**	**+76**	**+11**	**-8**	**+12.7**
Result from investments accounted for using the equity method | Net investment income	6	–	1	–	–	7	3	+4	–	–	+133
Other financial result	-5	-30	-1	–	–	-36	-3	-33	-0	-6	–
PPA amortization customer contracts	–	–	–	-47	–	-47	-44	-3	–	+1	+6.8
Extraordinary result	–	–	–	–	-28	-28	-5	-23	–	+0	–
Profit before taxes on income	**570**	**–**	**–**	**–**	**–**	**570**	**549**	**+21**	**+11**	**-13**	**+3.8**

The transition to an adjusted income statement is a two-step process. The first involves standard reclassifications, then the figures are adjusted for special effects that apply in individual cases. The procedure for ***reclassifications and adjustments*** *[2013 Annual Report page 108 f.]* is described in the 2013 Annual Report. The following presentation of income development describes the corresponding adjusted changes in the key income statement items for the first half of 2014 in comparison with the first half of 2013. The effects of changes in the scope of consolidation and exchange-rate effects are presented in the table above and are not explained further in the following section.

Revenue performance in the first half of 2014 was significantly affected by developments in the DB Arriva, DB Netze Energy and DB Bahn Regional business units. Countereffects included weak performance at the DB Bahn Long-Distance business unit.

There was a slight decline in other operating income in comparison with the first half of 2013, resulting partly from lower earnings from substitution transport services for third parties by DB Bahn Regional.

The cost of materials in the first half of 2014 was slightly lower year on year. The main factors here were exchange rate effects at DB Schenker Logistics and performance declines at DB Services in the area of vehicle maintenance. Contrary factors included demand-related increases in expenditures on procurement of energy at DB Netze Energy.

Personnel expenses were significantly higher year on year. Major contributory factors included wage increases and the higher headcount.

Other operating expenses also rose. One of the expense increases at DB Arriva was for franchise licenses. At DB Schenker Logistics, rental costs rose owing to an expansion in the capacity of warehouses and transhipment facilities.

On balance, the increases in revenues outweighed the additional expenses, reflected in a rise in adjusted EBITDA of € 94 million (+3.8 %) to € 2,554 million (first half of 2013: € 2,460 million). There was a rise in depreciation, resulting partly from rolling-stock additions at DB Bahn Regional. Adjusted EBIT – up € 70 million (+6.9 %) to € 1,088 million – and operating profit after interest – up € 76 million (+12.7 %) to € 674 million – accordingly increased during the period under review.

Net operating interest income was virtually unchanged, mainly because of lower interest rates. There was a countereffect from the higher volume of outstanding *bonds* [page 17 f.] in consequence of new issues.

As a result, the adjusted EBITDA and EBIT margins increased in the period under review, from 12.7 % to 12.9 % and from 5.3 % to 5.5 % respectively. The trend in the EBIT margin in the first half of 2014 varied from one business unit to another. In some it improved, especially at DB Netze Stations, DB Services and DB Bahn Regional – while elsewhere it declined, mainly at DB Bahn Long-Distance and DB Netze Track.

The deterioration in the other financial result was primarily attributable to higher effects from the compounding of provisions. At the same time, the extraordinary result decreased in comparison with the first half of 2013. Accordingly, at € 21 million, or 3.8 %, the rise in profit before taxes on income to € 570 million was slightly lower than the rise in operating profit after interest.

Extraordinary result decreased

Extraordinary result [€ million]	H1 2014	H1 thereof effecting EBIT	H1 2013	H1 thereof effecting EBIT
DB Bahn Long-Distance	–	–	–	–
DB Bahn Regional	–	–	–	–
DB Arriva	-6	-6	-3	-3
DB Schenker Rail	1	1	–	–
DB Schenker Logistics	-7	-7	–	–
DB Services	-16	-16	–	–
DB Netze Track	–	–	–	–
DB Netze Stations	–	–	–	–
DB Netze Energy	–	–	–	–
Other/consolidation	–	–	-2	-2
DB Group	**-28**	**-28**	**-5**	**-5**

The extraordinary result in the first half of 2014 was low, at € –28 million. It related to DB Arriva, DB Schenker Rail, DB Schenker Logistics and DB Services. The effects mainly resulted from the sale and restructuring of investments.

Special effects in the first half of 2013 resulted from the sale of investments by DB Arriva and from the “Other” item.

Net profit after taxes increased

Excerpt from statement of income [€ million]	H1 2014	H1 2013	Change absolute	Change %
Profit before taxes on income	570	549	+21	+3.8
Taxes on income	72	5	+67	–
actual tax expenses	-49	-66	+17	-25.8
deferred tax income	121	71	+50	+70.4
Net profit after taxes on income	**642**	**554**	**+88**	**+15.9**
thereof shareholder of DB AG	627	550	+77	+14.0
thereof minority interests	15	4	+11	–

The positive development in profit before taxes on income was reinforced by the improvement in the taxes on income item. This mainly resulted from a positive development in deferred taxes due to improved profit expectations. The actual tax expense declined as a result of one-off effects in connection with amended assessments for previous periods for DB AG. Profit after taxes on income rose accordingly by a substantial € 88 million to € 642 million (first half of 2013: € 554 million). Profit after taxes on income for the shareholder of DB AG was therefore higher in the period under review, at € 627 million (first half of 2013: € 550 million). Profit attributable to minority interests also rose in the period under review, to € 15 million (first half of 2013: € 4 million).

Earnings per share also rose to € 1.46 (first half of 2013: € 1.28).

Financial position

The purpose of financial management at DB Group is not only to achieve sustainable growth in the enterprise value, but also to comply with a capital structure which is adequate for maintaining a very good credit rating. The key indicators used – redemption coverage, gearing and net financial debt/EBITDA – are explained in the section on ***value management*** *[page 21]*.

Group Treasury is based within DB AG. This ensures that all Group companies can raise and invest funds at the best possible terms. Before arranging external funding we conduct a financial resources balancing analysis within DB Group. When raising funds outside DB Group, DB AG procures short-term cash in its own name, and long-term capital as a general rule through the Group's own funding company Deutsche Bahn Finance B.V. (DB Finance), Amsterdam/the Netherlands.

Funds are passed to companies in DB ML Group under a dual-level treasury concept via DB ML AG using short-term credit lines that can be drawn down as part of cash pooling on internal current accounts and/or fixed short-term loans, or in the form of long-term loans.

DB Group's infrastructure companies are linked directly to DB AG's treasury, however. This concept ensures that the Group constitutes a single risk and resource association. It also yields other benefits: the pooling of expertise, the realization of synergy effects, and the minimization of refinancing costs.

In the long-term sphere, DB Group uses a € 20 billion ***Debt Issuance Program*** *[www.db.de/mtn]*. In the first half of 2014, we issued a total of six public bonds and private placements through DB Finance. Two private placements were repaid during the period under review: JPY 5 billion and HKD 250 million. The utilization of the debt issuance program accordingly stood at € 16.7 billion as of June 30, 2014 (December 31, 2013: € 15.7 billion).

With respect to short-term financing, as in the previous year, € 2 billion was available as of June 30, 2014 from a multi-currency, multi-issuer commercial paper program. This had not been utilized as of June 30, 2014 (December 31, 2013: no utilization).

As of June 30, 2014 we also had guaranteed unutilized credit facilities of € 2.0 billion (December 31, 2013: € 2.0 billion) with a residual term of 1.0 to 2.0 years, and an additional guaranteed unutilized credit facility of € 0.1 billion (December 31, 2013: € 0.1 billion).

In addition, credit facilities of € 1.6 billion for operating business were available as of June 30, 2014 (December 31, 2013: € 1.6 billion). These credit facilities, which are made available to our subsidiaries around the world, include provisions for financing working capital as well as sureties for payment.

No major financing leasing transactions were concluded during the period under review.

RATINGS UNCHANGED

			Current ratings		
Ratings DB AG	First issued	Last confirmation	Short-term	Long-term	Outlook
Standard & Poor's	May 16, 2000	Mar 3, 2014	A-1+	AA	stable
Moody's	May 16, 2000	Mar 4, 2014	P-1	Aa1	stable
Fitch	Feb 17, 2009	Dec 23, 2013	F1+	AA	stable

The creditworthiness of DB Group is constantly monitored by the rating agencies Standard & Poor's (S & P), Moody's and Fitch. DB AG's ratings have remained unchanged since they were first issued.

Further information on ***ratings*** *[www.db.de/rating]* and the rating agencies' full analyses of DB AG are available on our Investor Relations Web site.

SIX BONDS ISSUED

In the first half of 2014 we placed six bonds to a total value of € 1.1 billion in the capital market through DB Finance. Besides serving to increase the Group's financial flexibility, these bonds were also placed in anticipation of the maturity of a JPY 50 billion bond and the repayment of loans from EUROFIMA totalling € 519 billion in the second half of the year.

In the first half of 2014 we tapped two markets for the first time: the Australian dollar (AUD) and the Singapore dollar (SGD). A ten-year AUD 90 million bond was mostly placed with Japanese insurers. One use of the proceeds of the SGD 125 million bond was the refinancing of a DB Schenker Logistics real estate project in Singapore.

We decided to tap the longer-term segment in the Eurozone. A 15-year € 500 million bond met investor demand for higher-rated paper with an attractive coupon. In addition to keen interest from Germany and Asia, there was again strong demand from French investors. This was stimulated by lower yields on French government bonds in comparison with German issues.

Interest from Swedish investors gave us an opportunity to tap the SEK market once again after a hiatus of more than ten years. We issued a seven-year SEK 1,250 million fixed-interest bond, and also a SEK 350 million variable-interest bond.

The usual high level of demand for our bonds in Switzerland enabled us to issue a CHF 300 million bond with a maturity in 10.5 years.

ISIN	Issuer	Currency	Volume (million)	Coupon (%)	Maturity	Terms (years)
XS102326024	Deutsche Bahn Finance B.V.	AUD	90	5.395	January 2024	10
XS1031014928	Deutsche Bahn Finance B.V.	SGD	125	2.290	February 2019	5
XS1045386494	Deutsche Bahn Finance B.V.	EUR	500	2.750	March 2029	15
XS1027425328	Deutsche Bahn Finance B.V.	SEK	1,250	2.875	February 2021	7
XS1027416095	Deutsche Bahn Finance B.V.	SEK	350	FRN	February 2021	7
CH0235834154	Deutsche Bahn Finance B.V.	CHF	300	1.500	August 2024	10.5

STATEMENT OF CASH FLOWS

Summary statement of cash flows [€ million]	H1		Change	
	2014	2013	absolute	%
Cash flow from operating activities	1,865	1,494	+371	+24.8
Cash flow from investing activities	-1,711	-2,049	+338	-16.5
Cash flow from financing activities	533	290	+243	+83.8
Net change in cash and cash equivalents	696	-280	+976	-
Cash and cash equivalents as of Jun 30/Dec 31	3,557	2,861	+696	+24.3

Cash flow from operating activities in the period under review totaled € 1,865 million, and thus improved significantly (€ +371 million). The principal underlying factors were positive working capital effects and the trend in earnings before interest, taxes and depreciation (€ +54 million).

The outflow of cash for investing activities declined by € 338 million to € 1,711 million in the period under review. This was mainly due to the non-recurrence of the one-off item from the redemption of station leases in the first half of 2013, and to the significantly lower payments for corporate acquisitions, in which the acquisition of Veolia Eastern Europe was a prominent feature in the first half of 2013. There was a countereffect from a rise in net capital expenditures.

Cash inflow from financing activities rose by € 243 million to € 533 million. This resulted from increased bond issue activity and the lower dividend payment. Adverse effects resulted from the lower inflow from the issue of commercial paper and higher outflows due to increased repayments of interest-free loans as a consequence of a postponement effect in the previous year relating to the reporting date.

As of June 30, 2014 DB Group held € 3,557 million in cash and cash equivalents, € 696 million more than at the end of the previous year.

Asset position

NET FINANCIAL DEBT SLIGHTLY INCREASED

Net financial debt [€ million]	Jun 30, 2014	Dec 31, 2013	Change absolute	Change %
Interest-free loans	1,461	1,644	-183	-11.1
Finance lease liabilities	601	634	-33	-5.2
Other financial debt	18,159	17,035	+1,124	+6.6
thereof bonds	16,555	15,454	+1,101	+7.1
Financial debt	**20,221**	**19,313**	**+908**	**+4.7**
- Cash and cash equivalents and receivables from financing	-3,650	-2,951	-699	+23.7
Net financial debt	**16,571**	**16,362**	**+209**	**+1.3**

With regard to financial debt, interest-free loans had declined as of June 30, 2014 to € 1,461 million (December 31, 2013: € 1,644 million).

Liabilities from finance leases were down as of June 30, 2014, mainly because of continual repayments.

Other financial debt was mainly affected by the development of outstanding bonds. As part of our activities in the capital market, new bonds to the value of € 1.1 billion were issued during the period under review. As no extensive bond repayments are due until the second half of the year, holdings of outstanding bonds as of June 30, 2014 were € 1,101 million higher at € 16,555 million.

Total financial debt as of June 30, 2014 was € 908 million higher at € 20,221 million. Cash and cash equivalents (€ +696 million) and receivables from financing (€ +3 million) were higher in parallel, partly offsetting the increase in financial debt. Net financial debt as of June 30, 2014 accordingly stood at € 16,571 million, slightly higher (by € 209 million) than the figure of € 16,362 million as of December 31, 2013.

The maturity structure of the financial debt as of June 30, 2014 was virtually unchanged. The proportion accounted for by current financial debt declined from 6.5 % to 6.4 %.

There had been a slight change in the composition of financial debt as of June 30, 2014. The bond proportion was approximately 82 % (December 31, 2013: approximately 80 %). The proportion of interest-free loans, conversely, was down to approximately 7 % (from approximately 9 % as of December 31, 2013). Liabilities from finance leases accounted for an unchanged proportion of approximately 3 %.

CAPITAL EXPENDITURES EXPANDED

Capital expenditures [€ million]	H1 2014	H1 2013	Change absolute	Change %
Gross capital expenditures	3,414	3,263	+151	+4.6
- Investment grants	-1,567	-1,665	+98	-5.9
Net capital expenditures	**1,847**	**1,598**	**+249**	**+15.6**

The principal features of our capital expenditure activity in the first half of 2014 were again measures to improve the performance and efficiency of the rail infrastructure, and the continued rejuvenation of our rolling stock on both rail and road. We backed up our long-term orientation with gross capital expenditures totaling € 3,414 million: 4.6 % more than in the same period of the previous year. At € 1,847 million, net capital expenditures were proportionately higher than in the first half of 2013 owing to reduced investment grants.

At the business unit level, gross capital expenditures were higher at DB Bahn Regional and DB Bahn Long-Distance. Details are provided in the chapter ***Development of business units*** [page 27 ff.].

In structural terms, gross capital expenditures continued to be dominated by business units in the area of infrastructure, principally DB Netze Track. Infrastructure business units accounted for a total of around 65 % of gross capital expenditures (first half of 2013: around 69 %), DB Netze Track alone for around 58 % (first half of 2013: around 61 %). Business units in the area of passenger services accounted for a share of around 26 % (first half of 2013: around 22 %), while those in the area of Transport and Logistics accounted for around 5 % (first half of 2013: around 5 %).

Capital expenditures by regions

Gross capital expenditures by regions [€ million]	H1 2014	H1 2013	Change absolute	Change %
Germany	3,239	3,006	+233	+7.8
Europe (excluding Germany)	146	228	-82	-36.0
Asia/Pacific	16	13	+3	+23.1
North America	6	6	–	–
Rest of world	2	2	–	–
Consolidation	5	8	-3	-37.5
DB Group	**3,414**	**3,263**	**+151**	**+4.6**

Net capital expenditures by regions [€ million]	H1		Change	
	2014	2013	absolute	%
Germany	1,673	1,343	+330	+24.6
Europe (excluding Germany)	145	226	-81	-35.8
Asia/Pacific	16	13	+3	+23.1
North America	6	6	-	-
Rest of world	2	2	-	-
Consolidation	5	8	-3	-37.5
DB Group	**1,847**	**1,598**	**+249**	**+15.6**

On a regional breakdown, Germany continued to account for the lion's share of gross capital expenditures at around 95% (first half of 2013: around 92%). Here the increase over the previous year can mainly be attributed to DB Bahn Regional (€ +238 million) and DB Bahn Long-Distance (€ +41 million). Capital expenditures declined elsewhere, especially in DB Netze Stations (€ –47 million).

The year-on-year decline in Europe (excluding Germany) was due to lower capital expenditures at DB Arriva (€ –83 million). Capital expenditures in DB Schenker Rail, on the other hand, was slightly higher.

In the Asia/Pacific region, DB Schenker Logistics increased its capital expenditures in logistics facilities.

Development of investment grants

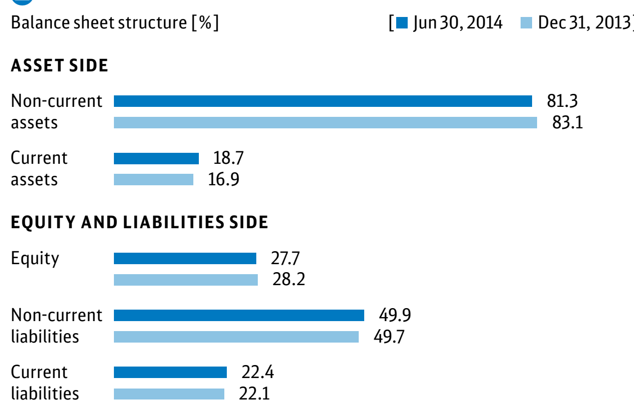
Investment grants received in the first half of 2014 were down by € 98 million (–5.9%) to € 1,567 million. The decline resulted from a one-off effect in the previous year.

Our infrastructure companies were almost the sole recipients as in the first half of 2013.

Details of the ***various forms of grants*** *[www.db.de/capex]* can be found on our Web site.

INCREASED BALANCE SHEET TOTAL

Balance sheet [€ million]	Jun 30, 2014	Dec 31, 2013	Change	
			absolute	%
Total assets	54,597	52,894	+1,703	+3.2
ASSETS				
Non-current assets	44,401	43,949	+452	+1.0
Current assets	10,196	8,945	+1,251	+14.0
EQUITY AND LIABILITIES				
Equity	15,147	14,912	+235	+1.6
Non-current liabilities	27,234	26,284	+950	+3.6
Current liabilities	12,216	11,698	+518	+4.4



Group financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). There were no significant changes in the IFRS regulations or in the consolidation and accounting principles of DB Group entailing changes to the Group financial statements.

The following balance sheet changes in comparison with the end of the previous year took place as of June 30, 2014:

Total assets rose by € 1,703 million (+3.2%) to € 54,597 million (December 2013: € 52,894 million).

Non-current assets stood at € 44,401 million, € 452 million (+1.0%) higher than at the previous year-end (€ 43,949 million). Particulary, the main reason for this was the rise of € 371 million in property, plant and equipment, from € 37,696 million to € 38,067 million.

Current assets rose by € 1,251 million (+14.0%) to € 10,196 million (December 31, 2013: € 8,945 million). This was especially due to an increase of € 696 million in cash and cash equivalents from € 2,861 million to € 3,557 million, of € 392 million in trade receivables from € 4,113 million to € 4,505 million, and of € 150 million in other receivables and assets to € 1,039 million.

In structural terms there was a slight shift in the direction of current assets.

On the equity and liabilities side, shareholders' equity rose slightly by € 235 million (1.6%) to € 15,147 million. Positive profit effects outweighed the effects of the dividend payment and the changes in connection with the pension revaluation reflected in the reserves. The equity ratio declined slightly to 27.7 % as a result of the disproportionate increase in total assets (December 31, 2013: 28.2%).

There were increases in both non-current liabilities (€ + 950 million, + 3.6 % to € 27,234 million) and current liabilities (€ + 518 million, + 4.4 % to € 12,216 million). On the non-current side this was mainly driven by the increase of € 865 million in *financial debt* [page 19] and the pension obligations of € 269 million. On the current side the rise mostly affected other liabilities (€ + 368 million) and trade payables (€ + 75 million).

These gave rise to no structural changes. The proportion of non-current liabilities remained stable at around 50 %. The proportion of current liabilities also remained stable, at around 22 %.

Value management

Value management goals [%]	DB Group	DB ML Group	Infra-structure
ROCE	10.0	14.0	8.0
Redemption coverage	30	50	30
Gearing	100	100	100
Net financial debt / EBITDA (multiple)	2.5	1.5	2.5

ROCE IMPROVED

ROCE [€ million]	H1 2014	H1 2013	Change absolute	Change %
EBIT adjusted	1,088	1,018	+ 70	+ 6.9
÷ Capital employed as of Jun 30	33,604	33,350	+ 254	+ 0.8
ROCE [1] (%)	**6.5**	**6.1**	**-**	**-**

[1] The ROCE on a full-year basis was determined by extrapolating the figures for adjusted EBIT to the full year on the basis of a linear projection.

The ROCE was up by 0.4 percentage points as of June 30, 2014. This resulted from an improvement in the adjusted EBIT with a disproportionately low rise in capital employed. The increase in capital employed is a function of capital expenditures.

KEY DEBT RATIOS IMPROVED

Gearing slightly down

Gearing [€ million]	Jun 30, 2014	Dec 31, 2013	Change absolute	Change %
Net financial debt	16,571	16,362	+ 209	+ 1.3
÷ Equity	15,147	14,912	+ 235	+ 1.6
Gearing (%)	**109**	**110**	**-**	**-**

Gearing as of June 30, 2014 was slightly lower at 109 %, only marginally above the target figure of 100 %. The rise in equity was rather more than that in net financial debt.

Redemption coverage increased

Redemption coverage [€ million]	H1 2014	H1 2013	Change absolute	Change %
EBITDA adjusted	2,554	2,460	+ 94	+ 3.8
+ Net operating interest	- 414	- 420	+ 6	- 1.4
Operating cash flow	**2,140**	**2,040**	**+ 100**	**+ 4.9**
Net financial debt as of Jun 30	16,571	16,982	- 411	- 2.4
+ Present value operate leases	4,595	4,829	- 234	- 4.8
÷ Adjusted net financial debt	**21,166**	**21,811**	**- 645**	**- 3.2**
Redemption coverage [1] as of Jun 30 (%)	**20.2**	**18.7**	**-**	**-**

[1] The repayment cover on a full-year basis was determined by extrapolating the figures for adjusted EBIT and net operating interest income to the full year on the basis of a linear projection.

The redemption coverage as of June 30, 2014 was up by 1.5 percentage points to 20.2 % (June 30, 2013: 18.7 %). This can be attributed to a significant improvement in operating cash flow with a simultaneous decline in adjusted net financial debt. The improvement in operating cash flow is attributable to the positive development of operating profit.

Net financial debt/EBITDA improved

Net financial debt / EBITDA [€ million]	H1 2014	H1 2013	Change absolute	Change %
Net financial debt as of Jun 30	16,571	16,982	- 411	- 2.4
÷ EBITDA adjusted	2,554	2,460	+ 94	+ 3.8
Net financial debt / EBITDA [1] (multiple)	**3.2**	**3.5**	**-**	**-**

[1] This key indicator on a full-year basis was determined by extrapolating the figures for adjusted EBIT to the full year on the basis of a linear projection.

The key indicator net financial debt / EBITDA improved slightly during the period under review in consequence of the positive development of *adjusted EBITDA* [page 15 f.] while net financial debt declined.

Social

More than 6,000 new employees in Germany
Implementation of employee survey findings
Cultural development process continues

DEVELOPMENT OF THE NUMBER OF EMPLOYEES

Employees by business unit	Full-time employees (FTE) Jun 30, 2014	Dec 31, 2013	Change absolute	Change %	Jun 30, 2013	Natural persons Jun 30, 2014	Dec 31, 2013	Change absolute	Change %	Jun 30, 2013
DB Bahn Long-Distance	16,844	16,564	+280	+1.7	16,449	17,881	17,621	+260	+1.5	17,486
DB Bahn Regional	36,842	36,878	-36	-0.1	36,948	38,449	38,496	-47	-0.1	38,576
DB Arriva	45,814	46,718	-904	-1.9	46,216	47,910	48,715	-805	-1.7	48,924
DB Schenker Rail	31,219	30,925	+294	+1.0	31,536	31,594	31,290	+304	+1.0	31,911
DB Schenker Logistics	64,441	64,051	+390	+0.6	64,129	67,155	66,795	+360	+0.5	66,824
DB Services	26,103	26,319	-216	-0.8	26,430	27,105	27,344	-239	-0.9	27,484
DB Netze Track	43,320	42,206	+1,114	+2.6	42,191	44,036	42,930	+1,106	+2.6	42,883
DB Netze Stations	4,915	4,835	+80	+1.7	4,896	5,176	5,095	+81	+1.6	5,151
DB Netze Energy	1,770	1,753	+17	+1.0	1,652	1,806	1,783	+23	+1.3	1,676
Other	25,629	25,404	+225	+0.9	25,287	27,123	26,850	+273	+1.0	26,643
DB Group	**296,897**	**295,653**	**+1,244**	**+0.4**	**295,734**	**308,235**	**306,919**	**+1,316**	**+0.4**	**307,558**
± Effects from changes in scope of consolidation	-19	-1,240	+1,221	-	-	-19	-1,240	+1,221	-	-
DB Group – comparable	**296,878**	**294,413**	**+2,465**	**+0.8**	**295,734**	**308,216**	**305,679**	**+2,537**	**+0.8**	**307,558**

In order to guarantee better comparability over time, the number of employees within DB Group is calculated on the basis of full-time employees (FTE). Figures for part-time employees are measured in accordance with their share of the regular annual working time. On a comparable basis DB Group had 296,878 employees as of June 30, 2014, an increase of 2,465 compared with December 31, 2013. One factor behind this rise is an increase in staffing requirements at DB Netze Track, especially in the areas of dispatch and maintenance.

Mainly, the effects of changes in the scope of consolidation resulted from the sale of the activities of DB Arriva in Malta (–1,118 employees), though this was partly offset by the takeover of *Cup Tour* *[page 5]*.

As of June 30, 2014 the number of DB Group employees (natural persons) had risen on a comparable basis to 308,216 (December 31, 2013: 305,679).

Employees by regions

Employees by regions [in FTE]	Jun 30, 2014	Jun 30, 2013	Change absolute	Change %
Germany	189,202	188,094	+1,108	+0.6
Europe (excluding Germany)	84,107	83,872	+235	+0.3
Asia/Pacific	13,762	13,808	-46	-0.3
North America	7,269	7,390	-121	-1.6
Rest of world	2,557	2,570	-13	-0.5
DB Group	**296,897**	**295,734**	**+1,163**	**+0.4**

Employees by regions [natural persons]	Jun 30, 2014	Jun 30, 2013	Change absolute	Change %
Germany	197,229	196,030	+1,199	+0.6
Europe (excluding Germany)	87,241	87,610	-369	-0.4
Asia/Pacific	13,829	13,856	-27	-0.2
North America	7,379	7,492	-113	-1.5
Rest of world	2,557	2,570	-13	-0.5
DB Group	**308,235**	**307,558**	**+677**	**+0.2**

There was a slight increase in the number of employees (FTE) in the regions Germany and Europe (excluding Germany) as of June 30, 2014. In Germany the rise resulted in particular from increased staffing requirements in the DB Netze Track and DB Bahn Long-Distance business units.

In the Europe (excluding Germany) region, the number of employees fell, mainly as a result of the sale of the activities of DB Arriva in Malta. This was partially offset by several factors, including the takeover of the bus transport activities of Abellio in the Czech Republic in November 2013.

The proportion of employees outside of Germany is on a constant level and accounted for approximately 36%.

IMPLEMENTATION OF THE HR2020 PROGRAMS

Strategic personnel planning

Communication with operating personnel management was the prime concern of *strategic personnel planning (SPP)* in the first half of 2014. Its objective is to convey the findings and implications of the SPP to the regions, and to initiate targeted measures in the operating units.

In order to be able to respond in the short and medium term to changing personnel requirements, an IT system was developed and introduced with the performance-based early-warning report to identify potential staff shortages at an earlier stage and create more transparency. In addition, the staff requirement mapping system – also newly introduced – makes it possible for the first time to reflect, in a single system and on a uniform basis, changes in requirements that become apparent during the year.

In November 2013, in order to achieve among others a continuous reduction in overtime, we agreed with representatives of the Group Works Council and the Railway and Transport Workers Union (Eisenbahn- und Verkehrsgewerkschaft; EVG) to take on new employees in 2014 in addition to the high number of new hires already planned. DB Group has further increased the number of new hires. For example, significantly more dispatchers were recruited and trained than before. In the first half of 2014 we took on some 6,100 new employees in Germany, of whom about 380 were dispatchers. That put external recruitment at around 600 more employees than a year before. The number of dispatchers was 130 higher than in the previous year.

Personnel recruitment

We have continued our *"A job like no other" employer branding campaign*. New TV ads, posters, image advertisements, transit and online advertising all focus on the diversity and multifaceted nature of the 500 different job profiles available at DB Group. The initial findings of the externally commissioned study of advertising effectiveness show that "A job like no other" has the highest market awareness of any employer campaign – as it did when last measured in July 2013. The campaign is stimulating greater interest in DB Group as an employer than there was a year ago, and more intentions to apply to us for jobs. In particular, the important target group of pupils find the campaign especially appealing: applications from them have increased, particularly for those jobs in the technical and vocational fields that are difficult to fill, and for the transport-related professions.

We have significantly improved our position in the latest *employer rankings*. In the target group of engineering students, according to the international employer branding specialists at Universum, DB Group has improved its ranking from 12th place last year to 10th this year. In the trendence ranking of students' favorite employers, DB Group has risen from 57th place to 25th among business students since 2010, and from 28th to 13th among engineering undergraduates.

In May 2014, we received the Employer Branding Award from trendence, the European Institute for employer image studies and rankings, in the "Best careers Web site" category.

Career development

A strategically oriented, attractive *career development* program is essential if we are to retain qualified, committed employees. We focus principally on the internal development of specialist and managerial staff. In the first half of 2014, we concentrated in particular on making opportunities for vocational development more transparent, and we also expanded the range of DB Group development paths. The DB Group-wide career development compass gives all employees online access to information on in-service training programs. The DB Group-wide DB master program has become an established part of the Group's in-service training program: it has now entered its second cycle.

Corporate culture

During the first half of 2014, the Management Board continued the dialog that emerged from the Conferences on the Future and Regional Dialogues about the Future, conducting more events for employees and managers. Five *Workshops on the Future* on the central issues arising from the 2012 DB Group-wide employee survey were held between March and June 2014. In conjunction with experts from all business units, they drew up proposals on topics such as cooperation, communication, leadership and working conditions.

The second DB Group-wide *employee survey* will be conducted in the autumn of 2014. Its findings will show the extent to which the more than 29,000 follow-up measures initiated throughout DB Group are taking effect, and how much employee satisfaction, commitment and loyalty have increased.

In June 2014, DB Group took part in the second German Diversity Day, conducting a variety of activities. The event is intended to establish diversity as a permanent feature in the German economy.

The “Careers with Children” mentoring program, supported by the European Social Fund and conducted jointly with the European Academy for Women in Politics and Business (EAF) was successful completed in June 2014. As a result of the positive response we have received, a special mentoring program for current and future managers will be included permanently in the internal training portfolio beginning in 2015.

The first half of 2014 saw the launch of the “Generation Management” project, which is designed to improve collaboration among people of different age groups with varying values and needs. The results of the workshops and the areas for action that emerged will be discussed further and evaluated in the second half of 2014.

Women accounted for 22.6 % of the total headcount in Germany as of June 30, 2014, virtually the same (December 31, 2013: 22.5 %). The proportion of women in managerial positions increased slightly to 17.4 % (December 31, 2013: 16.9 %).

Employment conditions

In March 2014, we reached an agreement with the German Train Drivers’ Union (Gewerkschaft Deutscher Lokomotivführer; GDL) on employment protection provisions for train drivers who are no longer able to exercise their professions on health grounds. Representatives of DB Group, the employers’ association Agv-MoVe and the GDL agreed on special conditions for drivers no longer able to function as such. The agreements reached included 100 % wage protection for train drivers who are unable to continue their activity as a result of traumatic events, and the choice between lifelong employment protection with DB Group and improved severance terms. The “Collective Agreement on Special Conditions for Disabled Train Drivers” came into force on April 1, 2014.

Collective wage bargaining for most employees in Germany begins with the GDL and the EVG in summer 2014. Collective bargaining agreements with the GDL were terminated as of June 30, 2014, and those with the EVG as of July 31, 2014. The basic collective bargaining agreements with the EVG and the GDL also expired at the end of June 2014, with no continued application. They included special provisions determining which trade union may enter into collective bargaining agreements for which professional groups. These provisions were a precondition for a consistent, conflict-free collective bargaining policy with two competing trade unions. We have offered talks. We believe long-term cooperation will guarantee continued orderly collective bargaining policy.

Optimization and internationalization of HR work

International cooperation among human resources areas has continued. The fifth international HR managers’ meeting took place in May 2014.

Further progress was made on the internationalization of human resources reporting in the first half of the year, enabling foreign business areas and companies to be integrated further into the human resources systems.

We also intend to be more active in the *international labor market* in future. We have initiated an internal Global Talent Acquisition Network to work on personnel recruitment on a transnational basis.

As part of the international development of our corporate culture, we successfully completed the first cycle of an international exchange program for employees’ children in April 2014. A total of 32 employees’ children from 13 countries spent a week together in Berlin as the Group’s guests, followed by another week with their host families. A second cycle is scheduled for the autumn of 2014.

Environmental

Climate change in the focus of our actions

CO_2-free services expanded

Further progress with noise reduction

20 YEARS OF THE DB ENVIRONMENT CENTER

When DB AG was established 20 years ago, so was the Group's internal Environment Center. Its main task is to draw up environmental targets, to back these up with programs, and to help the business areas to implement them. Today, around 130 specialists work at *DB Environment Center*, cooperating with the business areas to make DB Group an *eco-pioneer* in all relevant fields of activity by 2020.

REDUCTION OF EMISSIONS

Europe's first CO_2-free train station opened

Europe's first CO_2-free train station opened at Kerpen-Horrem in North Rhine-Westphalia on June 20, 2014. This first *green station* combines customer convenience with sustainability. It serves as a practical test for innovative technologies. A photovoltaic installation with an area of 340 m² supplies 31,000 KWh per year of CO_2-free electricity. There is also a geothermal installation that heats and cools the station by means of a heat pump. The toilets in the sanitary facilities are flushed with rainwater. The station itself consists mainly of timber with steel structural beams, and the lighting is provided by efficient LED lamps and a high proportion of daylight.

Expansion in environmentally friendly mobility

INTELLIGENT LINKING OF CAR-SHARING SERVICES

At the beginning of 2014, DB Rent (Flinkster and Call a Bike) and Daimler Mobility Services (car2go and moovel) signed a declaration of intent linking together car2go and Flinkster for the benefit of customers. Station-based and station-independent car sharing will thus be networked together. As a result, a total of 6,600 vehicles and 8,500 Call a Bike cycles will in future be available to customers all over Germany.

CALL A BIKE AND FLINKSTER SERVICES EXPANDED

Since the spring of 2014, our Call a Bike service has also been available in Wiesbaden, Rüsselsheim, Marburg and Darmstadt, where there are about 105 bicycles at a total of 20 locations. In Berlin, Call a Bike bicycles have been fitted with additional card readers to make them easier to rent.

We have extended our Flinkster service to the South Tirol and Trentino regions of Italy. There are 35 vehicles available at 20 locations. In Vienna there are seven new stations in public locations, in addition to the existing 19 Flinkster parking garage locations.

FIRST WIND POWER GENERATOR ON A STATION ROOF

At the end of April 2014 Germany's first wind power generator on a station roof was installed at Berlin Südkreuz. It will in future supply energy with which electric cars and bikes will be directly charged up at the station base. Its output will initially be limited to 2 kW, but this will increase several times over when additional eco-power generators are installed – for example a movable solar power plant with storage batteries. The project is supported by the Federal Ministry of Transport and Digital Infrastructure (BMVI).

CO_2-Free Rail Freight Services Expanded

DB Schenker Rail is continuously increasing its CO_2-free transport volume with its *Eco Plus* service. In 2013 alone the quantity of eco-power fed to Eco Plus customers rose by around 35%. BMW has been using this CO_2-free transport service for its vehicle components on an additional route since March 2014. The volume of goods transported by Eco Plus looks set to rise again in 2014. Since July 2014, Eco Plus has also been available for all routes to Austria. This means that CO_2-free cross-border services are available between Germany and Austria for the first time.

Lower emissions rolling stock deployed

DB Bahn Regional has ordered a total of 56 series VT 620 Alstom Coradia LINT trains, and it has been operating the first of these on the Cologne diesel network since May 2014. All the new trains are scheduled to be in service, replacing the existing trains, when the timetable changes in December 2014. The new diesel multiple units meet the stringent level IIIB emissions standard, significantly reducing pollution in comparison with the trains they are replacing. They are also fitted with an SCR (selective catalytic reduction) exhaust gas purification system that reduces nitrogen oxides to the maximum extent that is technically possible, and is expected to cut particle emissions by around 90 % in comparison with the old trains.

EconoSpeed helps to save fuel

By the end of 2014 all DB Arriva's 2,700 or so buses in Great Britain that are technically suitable for the *EconoSpeed system* will have been fitted with it. EconoSpeed automatically monitors acceleration, thus saving substantial quantities of fuel. More than 7,000 vehicles throughout Europe will be fitted with it in 2015. In future it may also be utilized in other business units.

CO_2 compass for DB Group employees

Until September 2014 DB Group employees will be able to take part in the *CO_2 compass*, an online tool that involves them in the subject of climate protection. Easily adoptable examples from both work and the private sphere are designed to motivate individuals to reduce their carbon footprints. Possible measures are highlighted, and the positive environmental effects that they achieve are presented simply and understandably.

DB Group also donates to the Mountain Forests Project Association for the protection of our native woodlands when a fixed CO_2 reduction threshold is reached. DB Group has fixed the first threshold at 500,000 kg of CO_2.

NOISE REDUCTION

Once the *LL brake shoe* (made from a type of composite material) was approved in June 2013, we set about retrofitting it to our freight cars. By the end of June 2014 around 11,000 of DB Schenker Rail's quiet freight cars with composite brakes were in use on the German rail network, over 3,000 of them having been retrofitted.

We are also continuing to issue more information on the subject of noise control. Information on noise reduction strategies and projects can be found at the new Internet *noise control portal*, and we have also produced an up-to-date brochure. The *"Mobile Noise Control Exhibition"* is of special interest to trackside residents affected by rail traffic noise. It explains the effects of noise abatement measures, providing information and an opportunity for dialog. It is the result of cooperation between DB Group, the Association of Privately Owned Freight Car Operators (Vereinigung der Privatgüterwagen-Interessenten e.V.; VPI) and the infrastructure initiative "Keeping Germany Ahead" (Damit Deutschland vorne bleibt).

OTHER TOPICS

Active support for environmental projects

In 2013 and the first half of 2014, customers using our bahn.bonus program allocated a total of 2.8 million premium points to special forest conversion projects by the "Bergwaldprojekt" association. DB Group has now donated a total of € 85,000 to environmental measures in woodland areas.

Destination nature expanded

One-third of the Destination Nature areas now allow ticket holders to use local public transport free of charge. In these regions, the Ameropa travel company also offers Destination Nature trips, including rail travel that is *100 % eco-powered*. The cooperation between DB Group and environmental associations – BUND (Friends of the Earth Germany), NABU (Nature and Biodiversity Conservation Union) and VCD (the German Transport Association) – is thus increasingly encouraging people to make the change to bus or train.

Development of business units

Negative development in long-distance transport
Transport and logistics activities back on growth track
DB Netze Track weighed down by costs

Revenues adjusted [€ million]	Total revenues				External revenues			
	H1		Change		H1		Change	
	2014	2013	absolute	%	2014	2013	absolute	%
DB Bahn Long-Distance	1,979	2,011	-32	-1.6	1,904	1,934	-30	-1.6
DB Bahn Regional	4,438	4,380	+58	+1.3	4,386	4,333	+53	+1.2
DB Arriva	2,210	2,031	+179	+8.8	2,208	2,028	+180	+8.9
DB Schenker Rail	2,452	2,410	+42	+1.7	2,292	2,254	+38	+1.7
DB Schenker Logistics	7,407	7,405	+2	-	7,385	7,386	-1	-
DB Services	1,507	1,523	-16	-1.1	120	132	-12	-9.1
DB Netze Track	2,425	2,344	+81	+3.5	534	492	+42	+8.5
DB Netze Stations	589	567	+22	+3.9	238	224	+14	+6.3
DB Netze Energy	1,416	1,393	+23	+1.7	533	453	+80	+17.7
Other	778	739	+39	+5.3	134	137	-3	-2.2
Consolidation	-5,467	-5,430	-37	+0.7	-	-	-	-
DB Group	**19,734**	**19,373**	**+361**	**+1.9**	**19,734**	**19,373**	**+361**	**+1.9**

Operating profit figures [€ million]	EBIT adjusted				EBITDA adjusted			
	H1		Change		H1		Change	
	2014	2013	absolute	%	2014	2013	absolute	%
DB Bahn Long-Distance	123	167	-44	-26.3	285	325	-40	-12.3
DB Bahn Regional	485	433	+52	+12.0	776	709	+67	+9.4
DB Arriva	104	94	+10	+10.6	219	202	+17	+8.4
DB Schenker Rail	9	-6	+15	-	157	136	+21	+15.4
DB Schenker Logistics	148	136	+12	+8.8	240	227	+13	+5.7
DB Services	28	4	+24	-	119	90	+29	+32.2
DB Netze Track	267	292	-25	-8.6	731	755	-24	-3.2
DB Netze Stations	136	117	+19	+16.2	202	183	+19	+10.4
DB Netze Energy	34	35	-1	-2.9	66	77	-11	-14.3
Other/consolidation	-246	-254	+8	-3.1	-241	-244	+3	-1.2
DB Group	**1,088**	**1,018**	**+70**	**+6.9**	**2,554**	**2,460**	**+94**	**+3.8**
Margin (%)	5.5	5.3	-	-	12.9	12.7	-	-

Capital expenditures [€ million]	Gross capital expenditures				Net capital expenditures			
	H1		Change		H1		Change	
	2014	2013	absolute	%	2014	2013	absolute	%
DB Bahn Long-Distance	116	75	+41	+54.7	116	75	+41	+54.7
DB Bahn Regional	707	469	+238	+50.7	706	467	+239	+51.2
DB Arriva	75	158	-83	-52.5	74	155	-81	-52.3
DB Schenker Rail	78	66	+12	+18.2	78	66	+12	+18.2
DB Schenker Logistics	88	104	-16	-15.4	88	104	-16	-15.4
DB Services	106	104	+2	+1.9	106	104	+2	+1.9
DB Netze Track	1,987	1,993	-6	-0.3	578	485	+93	+19.2
DB Netze Stations	194	241	-47	-19.5	62	103	-41	-39.8
DB Netze Energy	44	32	+12	+37.5	20	18	+2	+11.1
Other/consolidation	19	21	-2	-9.5	19	21	-2	-9.5
DB Group	**3,414**	**3,263**	**+151**	**+4.6**	**1,847**	**1,598**	**+249**	**+15.6**
thereof investment grants	1,567	1,665	-98	-5.9	-	-	-	-

PASSENGER TRANSPORT

Development of order book

SLIGHT DECLINE IN ORDER BOOK VOLUME

Development of order book in passenger transport [€ billion]	Jun 30, 2014	Dec 31, 2013	Change absolute	Change %
DB Bahn Regional	70.2	71.1	- 0.9	- 1.3
Secured	46.6	46.5	+ 0.1	+ 0.2
Unsecured	23.6	24.6	- 1.0	- 4.1
DB Arriva	15.2	16.4	- 1.2	- 7.3
Secured	6.9	7.5	- 0.6	- 8.0
Unsecured	8.3	8.9	- 0.6	- 6.7
Total	**85.4**	**87.5**	**- 2.1**	**- 2.4**
Secured	53.5	54.0	- 0.5	- 0.9
Unsecured	31.9	33.5	- 1.6	- 4.8

The total order book volume as of June 30, 2014 stood at € 85.4 billion, € 2.1 billion less than as of December 31, 2013. This can be divided into € 53.5 billion secured and € 31.9 billion unsecured revenues. Additions from newly awarded transport contracts of about € 3.2 billion and changes in assumptions of about € 0.3 billion were offset by disposals, mainly due to services provided, of about € 5.6 billion.

TRANSPORT CONTRACTS IN GERMANY

Concluded transport contracts (rail) in the first half of 2014	Term	Volume (million train km) p. a.[1]	Volume (million train km) total[1]
RE 1, 4, 5, 6, 11, RB33 (NRW)	3.5 - 6 years	16.1	73.6
Main-Neckar-Ried	12/2017 - 12/2032	3.3	50.0
Northwest Brandenburg [2]	12/2016 - 12/2028	2.4	28.8
Bridging RE6/RE5 2014 [3]	12/2013 - 12/2014	1.5	1.5
Total [1]		**23.4**	**154.0**

[1] Differences due to rounding are possible.
[2] With the option of an extension.
[3] Awarding of contract published with retroactive effect in the EU Official Journal.

Eleven tender procedures were awarded by ordering organizations for local rail passenger transport in Germany in the first six months of 2014 (first half of 2013: 21). A total of 32 million train kilometers (train km) per year were awarded (first half of 2013: around 54 million train km). Of the train kilometers for which new orders were placed in the first half of 2014, 72 % had previously been provided by companies within DB Group.

We won four of the tenders (first half of 2013: 12 tenders). This accounts for 74 % of the train kilometers tendered (first half of 2013: 62 %).

Concluded transport contracts (bus) in the first half of 2014	Term	Volume (million Nkm) p. a.	Volume (million Nkm) total[1]
Traffiq Frankfurt-Höchst (B)	12/2014 - 12/2022	3.9	31.2
VBB Spree-Neiße East	1/2015 - 12/2024	3.4	34.4
VRN Zweibrücken environs	6/2014 - 5/2022	1.0	7.8
mhv D2 Löhne	12/2014 - 11/2018	0.5	1.9
Coesfeld 2	1/2014 - 1/2018	0.2	0.9
Stadtbus Kronberg (Taunus)	12/2014 - 12/2022	0.2	1.2
Other	2 - 5 years	2.9	6.1
Total [1]		**12.1**	**83.5**

[1] Differences due to rounding are possible.

In bus transport in Germany, orders were placed in 43 procedures (first half of 2013: 52 procedures) for services with a total volume of around 27 million commercial vehicle kilometers (Nkm) in the first half of 2014 (first half of 2013: 35 million Nkm). Of the commercial vehicle kilometers for which new orders were placed, 29 % (first half of 2013: 26 %) had previously been provided by companies within DB Group.

In the first half of 2014 we participated in 35 invitations to tender (first half of 2013: 41 invitations to tender) with a volume of 25 million Nkm (first half of 2013: 28 million Nkm). In the procedures for the awarding of contracts that we participated in, we were successful in 49 % of cases (first half of 2013: 23 %).

TRANSPORT CONTRACTS IN EUROPE (EXCLUDING GERMANY)

Concluded transport contracts (bus) in the first half of 2014		Term	Volume (million bus km) p. a.	Volume (million bus km) total[1]
Great Britain [2]	London (13 separate lines)	2 - 5 years	14.2	34.9
Denmark	NT20	6/2014 - 6/2022	3.8	30.3
Czech Republic [2]	Ustecky Region North Bohemia	1/2015 - 12/2024	2.6	26.0
Slovenia [2]	2 separate lines	3 - 10 years	1.8	12.0
Italy	Lecce Public Health Transport	3/2014 - 3/2020	0.4	2.5
Other		2 - 5 years	0.0	0.1
Total [1]			**22.8**	**105.8**

[1] Differences due to rounding are possible.
[2] Extension of existing contract.

DB Arriva has participated in invitations to tender throughout Europe. Tenders were considerably successful in the United Kingdom, Denmark and the Czech Republic. In bus transport developments were positive in the first half of 2014. In the United Kingdom, DB Arriva was successful in 14 tenders with a total volume of 14.2 million bus km per year.

Antitrust proceedings relating to ticket sales

The German Federal Cartel Office has initiated proceedings against DB AG on suspicion of the abuse of market dominance with regard to the distribution of tickets for passenger rail services. In this connection the Federal Cartel Office has sent us a questionnaire requesting information on cooperative arrangements with other railway companies regarding fares and distribution, and also on distribution commissions and distribution channels. We are cooperating fully with the Federal Cartel Office. We filed our responses to the questionnaire on March 14, 2014. We have received no feedback from the Federal Cartel Office as yet. The Federal Cartel Office has also asked other companies operating local and long-distance passenger rail services, as well as the Association of Federal and Private Railways in Germany, for information on market conditions and the behavior of which DB AG is being accused.

DB Bahn Long-Distance business unit

EVENTS IN THE FIRST HALF OF 2014

Development of the availability of the ICE fleet

The availability of the ICE fleet improved in the first half of 2014. One contributory factor was the mild winter. This kept damage at a low level, so maintenance facilities had the capacity to conduct quality-enhancing measures. Improvements initiated in the previous year, such as the optimization of circulation, had a positive effect.

Another contributory factor was the largely trouble-free introduction of the first eight of the series 407 multiple units. The first of 17 new series 407 ICE 3 trains ordered by DB Group, originally intended to be delivered at the end of 2011, were approved by the Federal Railway Authority for double-traction operation on the German rail network at the end of December 2013. They are to be tested in operation, for which eight units have been available since April 2014. They have been increasingly deployed for passenger operations since June 2014.

Because of delays to the planned replacement of wheel sets, the expected improvements in the availability of the existing ICE 3 and ICE T fleet have yet to come about. Commissioning approval has not yet been granted, and the retrofitting of the trains is accordingly not expected to be completed until 2017. Trains have to spend more time in the workshop for the required intensive ultrasound testing, which is putting workshop capacities under significant strain. The availability of the ICE 3 and ICE T fleet has benefited from the utilization of scheduled reserve capacities for operating purposes. In addition, there is still an increased requirement for the replacement of wheel sets on ICE 1 and ICE 2 trains.

Rolling stock modernization continues

IC modernization measures continued as planned in the first half of 2014. They will be completed on schedule by the time of the December change of timetable. Seven trains have now been modernized since the redesign of the ICE T fleet began at the end of 2013.

Competition with long-distance bus services intensifies

The German long-distance bus market has developed very dynamically since it was liberalized in January 2013. Numerous new providers have established networks throughout Germany, some of them covering extensive areas. We expect the market to continue to grow over the next two or three years, although the pace of growth will become slower.

The establishment of additional services in the German long-distance market is bringing about a shift in demand, to which long-distance passenger rail services are not immune. This is leading to revenue losses, which are reflected in the earnings performance of the DB Bahn Long-Distance business unit.

Expansion of IC bus services

Even before liberalization, DB Group established itself in the long-distance bus market with the berlinlinienbus.de (blb) brand. blb focuses on its Berlin-centric main network. Under the IC Bus brand we offer long-distance services that supplement existing rail services on our core network, and that we cannot operate competitively by rail (because lines have not been electrified, for example).

These services are integrated into our timetable and our pricing system. We are continuously expanding our services, especially on international routes. Since the first half of 2014 our IC Bus fleet has been joined by 23 new double-decker buses with wheelchair access, provided by DB Arriva as operator. They are in use on the Munich – Zagreb and Düsseldorf – Eindhoven – Antwerp routes.

ICx project on target

The completion of the final design review at the end of March 2014 was an important quality milestone. It will be followed by the start of trial operation in summer 2016, and the commissioning of the first trains in December 2017. According to the schedule the production of the first train will be completed by the end of 2014, and this will be followed by the commencement-of-operations phase. Licensing runs are expected to begin in the autumn of 2015. Approval is scheduled for the summer of 2016, allowing the 14-month trial operation with two trains to begin.

DEVELOPMENT IN THE FIRST HALF OF 2014

The first half of 2014 was not satisfactory for the DB Bahn Long-Distance business unit. Increased competition following the liberalization of the long-distance bus market, altered customer perceptions of costs and benefits, *storm Ela* *[page 43]* and the follow-on effects of the flooding in 2013 all had negative effects on performance. Declining revenues meant that the unit was unable to compensate for slightly higher expenses. Both these factors led to a fall in operating profit.

Significant improvement in punctuality

Punctuality passenger transport (rail) [%]	H1 2014	2013	H1 2013
DB Bahn Long-Distance	81.0	73.9	75.2
Rate of people making connections (long-distance transport/long-distance transport)	88.1	86.3	86.9

The average level of punctuality for the period under review was 81.0 % (full-year 2013: 73.9 %). The first half of 2013 featured huge operating difficulties due to the severe winter early in the year and floods at the mid-point. The first half of 2014 was marked by the repercussions of *storm Ela* *[page 43]* and its knock-on effects on nationwide long-distance services. The measures implemented in the framework of the *Customer and quality initiative* *[page 13]* had a positive effect on punctuality as well.

The rate of people making their train connections in the period under review was 88.1 % (full-year 2013: 86.3 %). This development is in line with improved punctuality.

Business development unsatisfactory

DB Bahn Long-Distance Selected key figures [€ million]	H1 2014	H1 2013	Change absolute	Change %
Passengers rail (million)	62.2	62.5	- 0.3	- 0.5
Passengers bus (million)	0.2	–	+ 0.2	–
Volume sold rail (million pkm)	17,250	17,754	- 504	- 2.8
Volume sold bus (million pkm)	71.0	–	+71.0	–
Volume produced (million train-path km)	71.6	71.1	+ 0.5	+ 0.7
Load factor (%)	47.7	49.1	–	–
Total revenues	1,979	2,011	- 32	- 1.6
External revenues	1,904	1,934	- 30	- 1.6
EBITDA adjusted	285	325	- 40	- 12.3
EBIT adjusted	123	167	- 44	- 26.3
Gross capital expenditures	116	75	+ 41	+ 54.7
Employees as of Jun 30 (FTE)	16,844	16,449	+395	+ 2.4

Keener competition from new long-distance bus services, the negative follow-on effects of the floods, the aftereffects of restricted rolling-stock availability at the end of 2013 and storm Ela all combined to restrict our volume sold. Several key indicators declined: the number of passengers (– 0.5 %), volume sold (– 2.8 %), capacity utilization (– 1.4 percentage points). Volume produced was up by 0.7 %, partly owing to increased nighttime travel following infrastructure-related cancellations in the first half of 2013.

Total and external revenues both declined by 1.6 %, mainly because of keener competition from long-distance bus services and a deterioration in customer perceptions of costs and benefits. The rise in other operating income was mainly due to rolling stock sales in the car-train and night-train area, and the compensation from insurers in connection with the ICE accident near Lambrecht.

There was a slight increase in cost of materials (+ 1.0 %). Maintenance costs were lower because of the mild winter, but higher train-path utilization fees more than made up for this. Personnel expenses rose by 4.0 % owing to new hires to improve quality in workshops and onboard services, and to increases in pay. Other operating expenses were down by 3.3 %, mainly owing to a financial reporting change affecting international service relationships in the car-train and night-train field. In the previous year these were reported under other expense, but since the beginning of 2014 they have been classified as cost of materials. Depreciation rose by 2.2 % owing to the capitalization of railway carriages as part of the IC modernization program.

Higher expenses combined with lower revenues led to a decline of € 40 million in adjusted EBITDA to € 285 million, and of € 44 million in adjusted EBIT to € 123 million.

The significant increase in gross capital expenditures (+ 54.7 %) was the result of advance payments made for the series 407 ICE trains.

Employee numbers were up as of June 30, 2014 as the result of the new hires in workshops and onboard service.

DB Bahn Regional business unit

EVENTS IN THE FIRST HALF OF 2014

Delays in the delivery of new regional trains

DB Bahn Regional and Bombardier entered into a framework agreement regarding the development, manufacture and supply of up to 321 electric multiple units (EMU) series 442 (Talent 2) on a platform basis in 2007. The 13th order in March 2014 marked the complete fulfillment of the framework agreement.

In order to push forward with the delivery of vehicles despite existing problems, we have agreed on a procedure for vehicle orders one to 12 (a total of 295 vehicles) with Bombardier whereby we will continue to take deliveries but will hold back a certain amount of the purchase price. On the basis of this agreement, a total of 283 vehicles were delivered and accepted until the end of the first half of 2014. So far, all vehicles have been delivered with a considerable delay. In addition, Bombardier is also behind schedule with the delivery of a further 12 vehicles. These delays necessitated and continue to necessitate substitution transport services with old vehicles. The vehicles delivered have many defects and we are currently working to remedy this situation.

The delivery of the 87 EMU 430 series for the S-Bahn (metro) Stuttgart by Bombardier started with a delay in April 2013 and was recommenced in February 2014 following a fault-related interruption that began in mid-2013. DB Bahn Regional has already accepted 54 vehicles. The vehicles can still be used for passenger services solely without the entrance support system.

The series approval for the order of 91 vehicles in the 430 series Rhein-Main build was issued in mid-March 2014. By the end of the first half of 2014, 31 vehicles from DB Bahn Regional had been accepted.

Alstom was expected to deliver the first of 56 diesel multiple units (DMU) series 620/622 ordered for the ***diesel-powered network in Cologne*** [page 26] in June 2013. Due to quality problems and approval delays, only four vehicles had been delivered and accepted by the end the first half of 2014. The diesel-powered network in Cologne has therefore been operated with replacement vehicles since December 2013.

DEVELOPMENT IN THE FIRST HALF OF 2014

The economic development of the business unit DB Bahn Regional was characterized by the positive development of the rail line of business in the first half of 2014. Declining numbers of passengers and increasing competition continue to slow the business development of the bus line of business.

Positive punctuality development

Punctuality passenger transport (rail) [%]	H1 2014	2013	H1 2013
DB Bahn Regional	96.0	94.6	95.2
Regional trains	94.5	92.5	93.4
S-Bahn (metro) d.c.	96.3	95.1	95.8
S-Bahn (metro) a.c.	98.0	97.6	97.8

In rail transport, punctuality increased to 96.0 % due to favorable weather conditions during the period under review. However, DB Bahn Regional was also strongly affected by the impact of ***storm Ela*** [page 43].

Positive business development

DB Bahn Regional Selected key figures [€ million]	H1 2014	H1 2013	Change absolute	Change %
Passengers (million)	1,284	1,293	- 9	- 0.7
Volume sold (million pkm)	25,503	25,437	+ 66	+ 0.3
Total revenues	4,438	4,380	+ 58	+ 1.3
External revenues	4,386	4,333	+ 53	+ 1.2
Concession fees (rail)	2,116	2,117	- 1	-
EBITDA adjusted	776	709	+ 67	+ 9.4
EBIT adjusted	485	433	+ 52	+ 12.0
Gross capital expenditures	707	469	+ 238	+ 50.7
Employees as of Jun 30 (FTE)	36,842	36,948	- 106	- 0.3

The development of volume sold was stable in the first half of 2014. The decline in the bus line of business (–3.3%) was offset by an increase in the rail line of business (+0.9%).

The development of the higher revenue and higher performance rail line of business particularly affected the economic development of the DB Bahn Regional business unit. Revenue growth also had a positive effect on profits for the business unit. This led to an increase in adjusted EBITDA by € 67 million to € 776 million and the adjusted EBIT by € 52 million to € 485 million.

Gross capital expenditures increased significantly due to higher vehicle capital expenditures in the rail line of business.

Employee numbers (–0.3%) fell slightly in comparison to June 30, 2013. The growth in the bus line of business was more than offset by a decline in the rail line of business.

RAIL LINE OF BUSINESS

Overall, economic development in the rail line of business was positive as a result of increased performance development as well as the reduced cost of energy due to the mild winter and energy efficiency enhancement measures.

Rail line of business Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Passengers (million)	967.5	956.5	11.0	+1.2
Volume sold (million pkm)	21,826	21,634	+192	+0.9
Volume produced (million train-path km)	242.1	241.0	+1.1	+0.5
Total revenues	3,963	3,899	+64	+1.6
External revenues	3,774	3,720	+54	+1.5
Concession fees (rail)	2,116	2,117	-1	-
EBITDA adjusted	704	631	+73	+11.6
EBIT adjusted	444	388	+56	+14.4
Gross capital expenditures	674	456	+218	+47.8
Employees as of Jun 30 (FTE)	28,300	28,590	-290	-1.0

Performance development in the rail line of business was characterized by an increase in volume sold (+0.9%) and volume produced (+0.5%). Performance losses, especially in the Bayern region, were offset by growth in the Northeast, Southeast and Berlin regions. The number of passengers also developed positively (+1.2%).

Total revenues increased as a result of volume and price effects. Both the overall revenues (+1.6%) and external revenues (+1.5%) increased. The concession fees remain virtually unchanged. Other operating income decreased due to the non-recurrence of the substitution traffic for the ODEG performed in the same period last year and the reversal of provisions that also took place in the previous year.

Higher expenses for the use of infrastructure due to price increases and higher volume sold were nearly offset by lower expenditures on energy and maintenance. This led to a reduction in the cost of materials (–1.1%). The declining number of employees led to lower personnel expenses (–1.0%). Other operating expenses (–3.4%) decreased, primarily due to lower expenses for leased rolling stock. Depreciation (+7.2%) increased year on year due to vehicle acquisitions and lower reversals of impairments on property, plant and equipment.

As a result, higher revenues in conjunction with in particular a fall in the cost of materials led to an increase of € 73 million in adjusted EBITDA to € 704 million, and a € 56 million rise in adjusted EBIT to € 444 million.

The gross capital expenditures (+47.8%) were significantly higher than in the first half of 2013. This was the result of the acquisition of trains in the EMU 430 series.

The number of employees (–1.0%) decreased as of June 30, 2014 due to staff departures related to realized and foreseeable performance losses.

BUS LINE OF BUSINESS

Declining numbers of passengers and increasing competition continued to slow the business development of the bus line of business. The continued optimization of the business portfolio had positive effects.

Bus line of business Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Passengers (million)	316.3	336.6	-20.3	-6.0
Volume sold (million pkm)	3,678	3,803	-125	-3.3
Volume produced (million bus km)	279.9	283.8	-3.9	-1.4
Total revenues	657	658	-1	-0.2
External revenues	613	613	-	-
EBITDA adjusted	73	78	-5	-6.4
EBIT adjusted	41	45	-4	-8.9
Gross capital expenditures	33	12	+21	+175
Employees as of Jun 30 (FTE)	8,542	8,358	+184	+2.2

The first half of 2014 saw a decline in performance in bus transport. The number of passengers (–6.0%) and volume sold (–3.3%) declined. This was mainly due to declining passenger numbers. Performance losses in the Hesse region could not be offset by newly won services, resulting in a decline in volume produced (−1.4 %), too.

Total revenues and external revenues were virtually unchanged. In the case of the total revenues, fewer rail replacement services led to a decline (−0.2 %).

Low diesel prices generally resulted in a decline in the cost of materials by 1.0 %. Personnel expenses rose (+3.5 %) as a result of higher wages and volumes. Depreciation declined. Effects of vehicle capital expenditures already made will not come into effect until the second half of the year.

As a result of increased production costs (particularly personnel expenses), the adjusted EBITDA decreased by € 5 million to € 73 million and the adjusted EBIT by € 4 million to € 41 million.

The bus acquisitions made in the first half of 2014 for newly won traffic and accelerated capital expenditures into vehicles led to a strong increase in the gross capital expenditures (+175 %).

The number of employees increased as of June 30, 2014, mainly due to new traffic gained in the Rhine-Neckar region, as well as the withdrawal of contractor services.

DB Arriva business unit

EVENTS IN THE FIRST HALF OF 2014

Expansion of the European network

- DB Arriva requested additional independent commercial services on the East Coast and West Coast Line in Great Britain.
- DB Arriva took over *Cup Tour* *[page 5]* for the further expansion of business activities in the Czech Republic.
- In January 2014, DB Arriva sold its shares in *Arriva Malta* *[page 5]*.

DEVELOPMENT IN THE FIRST HALF OF 2014

In the first half of 2014, development in the DB Arriva business unit was driven by significant improvements in the Mainland Europe line of business as a result of the first-time full inclusion of Veolia Eastern Europe (consolidated since May 1, 2013), in particular. Increased competitive pressure has curbed growth in the bus business in Great Britain.

Punctuality slightly lower

Punctuality passenger transport [%]	H1 2014	2013	H1 2013
DB Arriva (rail)	92.0	91.7	92.8

The punctuality figures for our rail passenger transport in Europe (Great Britain, Denmark, Sweden, the Netherlands and Poland) has declined slightly compared to the first half of 2013 due to the impact of bad weather in Great Britain on our rail business during the first quarter of 2014.

Slightly positive business development

DB Arriva Selected key figures [€ million]	H1 2014	H1 2013	Change absolute	Change %
Passengers (million)	823.4	792.7	+30.7	+3.9
Volume sold (million pkm)	4,196	4,080	+116	+2.8
Volume produced (million train-path km)	64.3	66.5	-2.2	-3.3
Volume produced (million bus km)	498.3	460.3	+38.0	+8.3
Total revenues	2,210	2,031	+179	+8.8
External revenues	2,208	2,028	+180	+8.9
EBITDA adjusted	219	202	+17	+8.4
EBIT adjusted	104	94	+10	+10.6
Gross capital expenditures	75	158	-83	-52.5
Employees as of Jun 30 (FTE)	45,814	46,216	-402	-0.9

The DB Arriva business unit generally developed positively in the first half of 2014. The increase in revenues (+8.8 %) largely resulted from the acquisition of Veolia Eastern Europe, higher revenue support payments for the CrossCountry franchise and the bus business in Great Britain. Exchange rate effects also had a positive impact.

The increased cost of materials (+4.5 %) as a result of higher energy and maintenance costs can largely be traced back to the acquisition of Veolia Eastern Europe. Personnel expenses (+6.1 %) rose as a result of rising employee numbers due to the expansion of our business activities.

Higher revenues and expenses that increased at a disproportionately low level led to an increase of € 17 million in adjusted EBITDA to € 219 million, as well as a € 10 million increase in adjusted EBIT to € 104 million.

The development of gross capital expenditures (−52.5 %) was shaped by the development in the Netherlands and Sweden. Higher capital expenditures have been made here in previous years due to the tenders won there in 2012. Capital expenditures in the UK bus line of business have also declined. The focus of capital expenditures in the first half of 2014 was on the procurement of rolling stock and buses, mainly in Great Britain, the Netherlands and Italy.

The number of employees decreased (–0.9%) due to the sale of *Arriva Malta* [page 5].

UK BUS LINE OF BUSINESS

The climate for the UK Bus line of business remained challenging in the first half of 2014. The cuts in public funding for mass transit were offset to a large extent by measures to improve efficiency.

UK Bus Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Passengers (million)	371.7	359.0	+12.7	+3.5
Volume produced (million bus km)	195.3	198.9	-3.6	-1.8
Total revenues	651	588	+63	+10.7
External revenues	634	575	+59	+10.3
EBITDA adjusted	92	96	-4	-4.2
EBIT adjusted	48	57	-9	-15.8
Gross capital expenditures	35	80	-45	-56.3
Employees as of Jun 30 (FTE)	17,857	17,749	+108	+0.6

Performance development in the UK Bus line of business was negative in the period under review. Increasing competition has curbed growth. This led to a decline in volume produced (–1.8%). The number of passengers increased by 3.5% as a result of economic growth in Great Britain.

Overall, increased revenues were recorded due to positive exchange rate effects (€ +22 million), the growth of DB Arriva Transport Solutions (€ +10 million) and the acquisition of Centrebus in September 2013 (€ +9 million). Total and external revenues increased (+10.7% and +10.3% respectively).

An increase in maintenance and energy costs led to a rise in the cost of materials. Personnel expenses also increased significantly. This was the result of negative exchange rate effects, among other things.

In total, the UK Bus line of business recorded a declining operating profit performance as a result of increased expenses. Adjusted EBITDA fell by € 4 million to € 92 million and adjusted EBIT decreased by € 9 million to € 48 million.

Gross capital expenditures were significantly lower (–56.3%) year on year. The reasons for this significant decline are capital expenditures made in hybrid buses in 2013 and measures aimed at ensuring accessibility for people with disabilities in the previous year.

The number of employees increased slightly by 0.6% as of June 30, 2014, mainly as the result of the growth of DB Arriva Transport Solutions and the acquisition of Centrebus.

UK TRAINS LINE OF BUSINESS

The economic development of the UK Trains line of business was particularly affected by increased farebox revenues and higher revenue support payments for the CrossCountry franchise that, however, did not offset the increased expenses.

UK Trains Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Passengers (million)	61.2	59.8	+1.4	+2.3
Volume sold (million pkm)	3,055	3,007	+48	+1.6
Volume produced (million train-path km)	36.9	37.9	-1.0	-2.6
Total revenues	711	653	+58	+8.9
External revenues	699	642	+57	+8.9
EBITDA adjusted	23	32	-9	-28.1
EBIT adjusted	11	21	-10	-47.6
Gross capital expenditures	5	6	-1	-16.7
Employees as of Jun 30 (FTE)	5,485	5,350	+135	+2.5

Performance development varied in the period under review. While volume produced decreased (–2.6%), volume sold improved slightly (+1.6%).

In terms of revenues, positive effects resulted from higher revenue support payments for the CrossCountry franchise (€ +32 million) and exchange rate effects (€ +24 million). Overall, total and external revenues increased by around 9%.

In terms of expenses, the cost of materials decreased by 2.0%. The effects of lower train-path utilization fees were offset by higher energy and maintenance costs. Personnel expenses (+10.1%) rose due to volume and wage increases. Negative exchange rate effects also impacted the expense items.

Overall, increases in revenues could not fully compensate for increased expenses. Adjusted EBITDA fell by € 9 million to € 23 million and adjusted EBIT decreased by € 10 million to € 11 million.

Gross capital expenditures remained nearly unchanged at a low level.

The number of employees as of June 30, 2014, increased by 2.5% as a result of new staff recruitment.

MAINLAND EUROPE LINE OF BUSINESS

Revenues and profits developed positively in the Mainland Europe line of business, primarily due to the acquisition of Veolia Eastern Europe and contracts won in Denmark.

Mainland Europe Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Passengers rail (million)	50.2	50.7	- 0.5	-1.0
Passengers bus (million)	340.2	323.2	+17.0	+5.3
Volume sold rail (million pkm)	1,142	1,073	+69	+6.4
Volume produced rail (million train-path km)	27.4	28.6	-1.2	- 4.2
Volume produced bus (million bus km)	303.0	261.4	+41.6	+15.9
Total revenues	905	841	+64	+7.6
External revenues	875	811	+64	+7.9
EBITDA adjusted	116	86	+30	+34.9
EBIT adjusted	55	26	+29	+112
Gross capital expenditures	35	71	-36	- 50.7
Employees as of Jun 30 (FTE)	22,298	22,951	- 653	-2.8

The performance development was disparate in the first half of 2014. Volume produced in rail transport declined as a result of the abandonment of unprofitable services in Sweden. In contrast, volume produced in bus transport increased as a result of the acquisition of Veolia Eastern Europe.

Overall, revenues developed positively in the Mainland Europe line of business. Total revenues increased by 7.6%, while external revenues improved by 7.9%. The first-time full inclusion of Veolia Eastern Europe also had a notably positive effect (€ +96 million), partially dampened by the sale of Arriva Malta (€ −15 million).

The expansion of business activities also led to a rise in the cost of materials (+1.3%) and personnel expenses (+3.6%).

Higher revenues accompanied by expenses that increased at a disproportionately low level led to an increase of € 30 million in adjusted EBITDA to € 116 million, as well as a € 29 million increase in adjusted EBIT to € 55 million.

Gross capital expenditures in the period under review were significantly below the level of the first half of 2013 due to the non-recurrence of vehicle capital expenditures for services won in Sweden and the Netherlands.

The number of employees decreased (−2.8%) as compared to June 30, 2013, due to the sale of Arriva Malta.

TRANSPORT AND LOGISTICS

DB Schenker Rail business unit

EVENTS IN THE FIRST HALF OF 2014

Successful implementation of network rail project

The network rail project to improve the efficiency of the trains and respectively to create a more reliable transportation timetable for customers is proceeding successfully. Savings of at least 3.7 million train km with a stable volume is expected in 2014.

Switchover to whisper brakes

The freight wagons are being refitted with ***whisper brakes*** *[page 26]* according to plan. Since the end of June 2014, a total of around 11,000 quiet wagons have been in use, including more than 3,000 upgraded wagons.

Action plan for Germany plus makes important contribution to earnings

The action plan for Germany, which has been implemented since 2012, will be continued and expanded to include further structural measures in order to address factor cost increases and challenges faced by DB Schenker Rail with regard to business operations in Germany. As in the previous year, the measures taken within the scope of the action plan again made an important contribution to earnings during the period under review.

The measures of the action plan for Germany plus aim to increase the efficiency of the business while also improving quality.

In addition to the measures already initiated in the action plan for Germany to sustainably optimize the control of our freight wagon fleet and the maintenance of freight wagons and locomotives, further efficiency optimizations are being developed in the action plan for Germany plus, such as an increase in the energy and operational efficiency of our resources, targeted increases in utilization capacity and process optimizations.

FURTHER DEVELOPMENTS

- The European Operations Center (EOC) – the European control center for 5,000 freight trains in Europe – has successfully started its work. Around 200 dispatchers at the DB Schenker headquarters in Frankfurt am Main control the international rail transport of DB Schenker Rail in 15 countries.

- The last of the 130 low-emissions shunting locomotives Gravita BB has been delivered and put into operation. This is an important step towards the eco-friendly renovation of the diesel locomotive fleet.
- DB Schenker Rail is expanding its services in the growth market of Turkey. Since June 2014, DB Schenker Rail has been solely operating around 95 % of the route between Germany and Turkey for the Turkish carrier Ulusoy.
- A new three-year contract has been concluded with Novelis Germany regarding the rail transportation of aluminum ingots and coils between Germany and England. Around 300 trains will be used each year.
- We have concluded a five-year contract with BASF for all full-load traffic in Europe. The contract covers an annual volume of 600,000 tons, which corresponds to about 30,000 tank wagons.
- DB Schenker Rail is expanding its network in the East. The train service between Germany, the Czech Republic and Central Poland was launched in early 2014.

DEVELOPMENT IN THE FIRST HALF OF 2014

The performance of the DB Schenker Rail business unit was largely influenced by developments in the region Central, which makes the largest contribution to revenues in the business unit on account of its operations in Germany. The improved economic environment, increased transport distances and growing demand for coal in the UK have, among other things, had a positive effect on performance. This was offset by operational restrictions in France and more intense competition along with a decline in the Polish coal market.

Improved punctuality

Punctuality rail freight transport [%]	H1 2014	2013	H1 2013
Punctuality (15 minutes) in Europe	69.8	68.3	68.3

The punctuality of DB Schenker Rail's rail transport also improved. This improvement is due in part to favorable weather conditions and measures to improve quality.

Positive business development

DB Schenker Rail Selected key figures [€ million]	H1 2014	H1 2013	Change absolute	Change %
Freight carried (million t)	189.9	196.7	- 6.8	- 3.5
Volume sold (million tkm)	52,116	51,627	+ 489	+ 0.9
Volume produced (million train-path km)	97.1	98.0	- 0.9	- 0.9
Capacity utilization (t per train)	536.8	526.6	+ 10.2	+ 1.9
Total revenues	2,452	2,410	+ 42	+ 1.7
External revenues	2,292	2,254	+ 38	+ 1.7
EBITDA adjusted	157	136	+ 21	+ 15.4
EBIT adjusted	9	- 6	+ 15	-
Gross capital expenditures	78	66	+ 12	+ 18.2
Employees as of Jun 30 (FTE)	31,219	31,536	- 317	- 1.0

The economic environm ent and the market situation in Europe remained challenging for rail transport in the first half of 2014. Volume sold (+ 0.9 %) increased in the period under review as a result of increased transport distances, an increase in automotive and intermodal traffic in Poland and positive developments in Hungary and Romania. The increased volume produced (– 0.9 %) and volume of freight carried (– 3.5 %) fell. The negative effects of **storm Ela** [page 43] were noticeable in this area.

Total revenues increased by 1.7 %. This was the result of price effects in Germany, increased transport distances and growth in Great Britain due to operational developments and positive exchange rate effects. External revenues developed positively (+ 1.7 %). Other operating income declined, partly as a result of lower scrapping income. This was offset by asset sales in Great Britain and proceeds from the joint venture with Etihad Rail in the United Arab Emirates.

Cost of materials decreased slightly due to lower energy costs and lower volume produced. Personnel expenses rose (+ 3.2 %). This was the result of recruitment in the region West.

Overall, the adjusted EBITDA increased by € 21 million to € 157 million and adjusted EBIT by € 15 million to € 9 million. The main reasons for this were the positive effects from the further implementation of the **action plan for Germany plus program** [page 35] and the **network rail project** [page 35].

Gross capital expenditures (+18.2%) recorded a significant increase compared to the same period last year, in particular due to the purchase of Vektron locomotives in Poland. The focus of capital expenditures were in locomotive and car purchases in Germany.

The number of employees had decreased (−1.0%) as of June 30, 2014. This fall resulted from the development in Poland and Germany.

REGION CENTRAL

The economic performance of the region Central was characterized by an improving economic environment in addition to price and structural effects which led to increases in revenues. **Storm Ela** *[page 43]* partially curbed this performance.

Region Central Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Freight carried (million t)	131.3	134.3	-3.0	-2.2
Volume sold (million tkm)	41,274	40,669	+605	+1.5
Volume produced (million train-path km)	76.4	77.7	-1.3	-1.7
Total revenues	2,383	2,326	+57	+2.5
External revenues	1,810	1,795	+15	+0.8
EBITDA adjusted	131	109	+22	+20.2
EBIT adjusted	19	-3	+22	-
Gross capital expenditures	49	48	+1	+2.1
Employees as of Jun 30 (FTE)	20,223	20,901	-678	-3.2

The performance development was inconsistent in the first half of 2014 due to structural effects in transports. The positive effects of the improving economic growth were more than offset by storm Ela. As a result, volume sold rose due to higher transport distances (+1.5%), while volume of freight carried (−2.2%) and volume produced (−1.7%) declined.

The development of revenues were positive. In addition to price effects, increased transport distances also had an effect in this area. The effects of storm Ela, which were slightly more severe than the consequences of the floods last year, had a curbing effect on revenues.

Other operating income declined, partly as a result of lower scrapping income.

The cost of materials (+1.1%) increased slightly in the period under review. This was primarily due to higher purchased transportation services. This increase was slightly offset by lower maintenance expenses. Personnel expenses (−0.8%) decreased due to the declining number of employees.

Revenue growth and the successful implementation of the network rail and the action plan for Germany plus programs led to improved operating profit figures (adjusted EBITDA € +22 million to € 131 million, adjusted EBIT € +22 million to € 19 million).

Gross capital expenditures (+2.1%) were higher than the value for the first half of 2013. This is in particular due to higher capital expenditures by DB Schenker Rail Automotive.

The number of employees (−3.2%) was below that of June 30, 2013.

REGION WEST

Performance in the region West remained restrained in the period under review. The declining performance development was more than offset in the revenue development. Operational restrictions in France had a curbing effect. Revenues in Great Britain developed positively.

Region West Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Freight carried (million t)	48.0	48.9	-0.9	-1.8
Volume sold (million tkm)	8,771	9,148	-377	-4.1
Volume produced (million train-path km)	17.2	17.5	-0.3	-1.7
Total revenues	457	435	+22	+5.1
External revenues	398	381	+17	+4.5
EBITDA adjusted	34	48	-14	-29.2
EBIT adjusted	6	20	-14	-70.0
Gross capital expenditures	16	11	+5	+45.5
Employees as of Jun 30 (FTE)	5,539	5,069	+470	+9.3

Volume of freight carried (−1.8%), volume sold (−4.1%) and volume produced (−1.7%) in the region East reported some considerable losses. The decline in volume sold is mainly attributable to production bottlenecks. Volume produced (−1.7%) fell as a result of the decline in volume and product mix effects (more coal transport).

The good performance of the building materials and coal sector in the UK and positive exchange rate effects were evident in the development of revenues, whereby the effects of the decline in performance were more than offset. Total and external revenues rose (+5.1% to € 457 million and +4.5%). Other operating income increased, partially due to locomotive sales in Great Britain.

The cost of materials increased (+8.0%) in the period under review. Higher external services and train-path costs exceeded declining energy costs. Personnel expenses (+19.9%) increased due to growing staff numbers in Great Britain and France and as a result of wage increases. Higher costs for purchased transport services in France led to an increase in other operating expenses. Depreciation decreased due to asset sales.

Overall expenses grew stronger than revenues, so adjusted EBITDA fell by € 14 million to € 34 million and adjusted EBIT decreased by € 14 million to € 6 million.

More capital expenditures in locomotive and car procurements led to an increase in gross capital expenditures.

The number of employees increased as of June 30, 2014, (+7.3% and +7.7%) as a result of hiring activities in France and Great Britain.

REGION EAST

During the first half of 2014, the region East was in particular challenged by the effects of a notable increase in competition, as well as the simultaneous decline of the coal market in Poland. The performance of business activities in Southeastern Europe had a positive effect during the period under review.

Region East Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Freight carried (million t)	30.8	31.4	-0.6	-1.9
Volume sold (million tkm)	2,071	1,811	+260	+14.4
Volume produced (million train-path km)	3.5	2.8	+0.7	+25.0
Total revenues	117	109	+8	+7.3
External revenues	84	78	+6	+7.7
EBITDA adjusted	11	5	+6	+120
EBIT adjusted	2	3	-1	-33.3
Gross capital expenditures	13	8	+5	+62.5
Employees as of Jun 30 (FTE)	4,419	4,713	-294	-6.2

The significant increase in volume sold and volume produced (+14.4% and +25.0% respectively) were in particular due to an increase in automotive and intermodal transport and the positive development of the transport business in Hungary and Romania. Volume of freight carried decreased, however, primarily due to volume declines in the rail link business in Poland (−1.8%).

The positive performance development was reflected in the revenues figures. Both total and external revenues rose (+7.3% and 7.7% respectively). This resulted from an increase in the Polish transport sector due to a higher volume of traffic resulting from growth of automotive and intermodal transport as well as the positive business development in Southeast Europe. Other operating income decreased partially as a result of the one-off effect of asset sales in 2013.

The cost of materials went up slightly (+7.3%) in the period under review. Lower costs for energy and train-path utilization fees were offset by higher purchased transportation services and maintenance expenses resulting from an accident in Bulgaria. The decrease in personnel expenses resulted from a lower workforce in Poland. Other operating expenses decreased year on year, partially due to the nonrecurrence of losses from the sales of assets from the previous year.

Overall, adjusted EBITDA increased by € 6 million to € 11 million. Depreciation increased significantly due to the nonrecurrence of a one-off effect from the previous year. Adjusted EBIT therefore decreased by € 1 million to € 2 million.

Gross capital expenditures increased year on year as a result of the procurement of locomotives in Poland.

The number of employees declined as of June 30, 2014, primarily due to a reduction in personnel in Poland by 6.2%.

DB Schenker Logistics business unit

EVENTS IN THE FIRST HALF OF 2014

Expanion of the global network

LOGISTICS CENTERS

- Two new logistics centers in Ilsfeld and Nuremberg were opened in Germany. Capital expenditures volume totaled € 50 million.
- Covering approximately 38,500 m², the new logistics center in Pfungen, Switzerland, unifies land, air and ocean freight, contract logistics and customs services under one roof. Total capital expenditures were approximately € 33 million.
- A new logistics center was opened in Sydney for global customers in the textile industry. DB Schenker Logistics invested approximately € 15 million.
- A logistics center was built in Singapore covering approximately 54,500 m². The center was constructed to meet the latest ecological standards and has been awarded the "Green Mark Platinum Certificate." The total capital expenditures volume is approximately € 71 million.

Other events

- DB Schenker Logistics won the order to manage aircraft manufacturer Embraer's replacement parts for Europe, the Middle East and Africa. A 6,000 m² logistics center designed for the aeronautics industry was created at the Charles de Gaulle airport in Paris, France.
- DB Schenker Logistics supplies almost 700 stores in Europe with approximately 3.5 million parcels each year for the Norwegian textile manufacturer Varner. The European distribution center is located in Oslo.
- DB Schenker now operates a new Central European logistics center in Slovakia for Viessmann, a leading manufacturer of heating, cooling and air-conditioning technology.
- A new 12,000 m² logistics center near Porto illustrates DB Schenker Logistics commitment to improve national service quality, and contract logistics in Portugal.

PERFORMANCE IN THE FIRST HALF OF 2014

The general trends from the previous year continued at DB Schenker Logistics. However, performance was characterized by intense competition and an improvement in the global economy. This can also be seen in performance development. Development was strongest in contract logistics.

Economic performance improved

DB Schenker Logistics Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Shipments in European land transport (thousand)	48,985	47,276	+1,709	+3.6
Air freight volume (export) (thousand t)	540.0	526.2	+13.8	+2.6
Ocean freight volume (export) (thousand TEU)	988.1	911.0	+77.1	+8.5
Total revenues	7,407	7,405	+2	-
External revenues	7,385	7,386	-1	-
Gross profit margin (%)	32.8	32.0	-	-
EBITDA adjusted	240	227	+13	+5.7
EBIT adjusted	148	136	+12	+8.8
EBIT margin (adjusted) (%)	2.0	1.8	-	-
Gross capital expenditures	88	104	-16	-15.4
Employees as of Jun 30 (FTE)	64,441	64,129	+312	+0.5

Volume trends in the individual lines of business varied in the first half of 2014, but were pronounced overall:

- Volume of shipments in European land transport increased by 3.6%. Drivers were the growth in system and direct traffic, which compensated for the slight weakening in the parcel business.
- Air freight volume increased by 2.6%. The most important factors were transatlantic traffic along with the development on the Asia-Europe trade lanes and in the Middle East. By contrast, volume development on the transatlantic and transpacific routes, as well as traffic to and from Latin America, declined.
- Ocean freight volume increased by 8.5%. Particularly the inner-Asian, the transpacific trade lanes and the Asia-Europe routes performed positively.

The performance-based increases in revenues were almost completely offset by negative exchange rate effects (€ −270 million). When adjusted for currency exchange rate effects revenues increased by 4.4%.

Costs of materials fell in the first half of 2014. The drop was the result of lower energy expenses along with a reduction in the transport services purchased. Personnel expenses remained at the previous year level.

The development of the expense items was positively affected by exchange rate effects.

Thanks to the relatively lower expenses for purchased services, the gross profit margin in the first half of 2014 rose from 32.0% to 32.8%.

The adjusted EBITDA increased by € 13 million to € 240 million and the adjusted EBIT by € 12 million to € 148 million.

Gross capital expenditures (– 15.4 %) were lower than in the previous year. They remained focused on Europe. Overall new construction projects and expansions of forwarding facilities and terminals in Germany, China, Finland, Sweden, Singapore and Austria bear mentioning. Other substantial capital expenditures include projects to implement new IT systems.

The increased business activity in contract logistics was reflected in the slight increase in the number of employees as of June 30, 2014 (+ 0.5 %).

EUROPEAN LAND TRANSPORT LINE OF BUSINESS

The European land transport market was positive in the first half of 2014, but market growth generally remained at a low level. Against the backdrop of a constantly very competitive market environment, only limited price increases could be implemented. Our focus was on further expansion and improvement of our network and increased productivity. We also focused on our core products, system and direct traffic.

European land transport Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Shipments in European land transport (thousand)	48,985	47,276	+1,709	+ 3.6
Total revenues	3,216	3,182	+ 34	+ 1.1
External revenues	3,197	3,165	+ 32	+ 1.0
EBITDA adjusted	100	93	+ 7	+ 7.5
EBIT adjusted	53	45	+ 8	+ 17.8
Employees as of Jun 30 (FTE)	24,720	24,770	- 50	- 0.2

Increased volume (+ 3.6 %) generated increases in total (+ 1.1 %) and external revenues (+ 1.0 %). The number of shipments in the parcel business fell by 2.4 %, which was more than compensated by the trends in system and direct traffic (+ 7.1 %). Negative currency exchange rates dampened revenue growth.

On the other hand, the currency exchange rates had a positive impact on expenses, keeping costs of material stable. Adjusted for exchange rate effects, increased volume led to higher expenses for purchased transport services, particularly in system and direct traffic. Personnel expenses also increased slightly due to increased wages when adjusted for currency exchange rate effects.

Driven by the positive revenue development and the stable expenses development, the operating income improved. The adjusted EBITDA increased by € 7 million to € 100 million and the adjusted EBIT by € 8 million to € 53 million. When adjusted for currency exchange rate effects, the operating income was slightly better.

The number of employees fell slightly as of June 30, 2014 (– 0.2 %).

AIR AND OCEAN FREIGHT LINE OF BUSINESS

The air and ocean freight line of business performed well in the first half of 2014, maintaining the level from the first half of 2013 and when adjusted for currency exchange rate effects, performing even better than in the first half of 2013. The improvements in the world economy were reflected in the air freight market. The rates stabilized at a relatively low level. Growth in supply and demand was relatively balanced in the first half of 2014. On the other hand, the volatility of freight rates on the ocean freight market increased, as carriers attempted to increase prices. But a higher price level could not be maintained over a longer term.

To secure the sustained success of our global air and ocean freight activities, we have launched additional programs to increase productivity.

Air and ocean freight Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Air freight volume (export) (thousand t)	540.0	526.2	+ 13.8	+ 2.6
Ocean freight volume (export) (thousand TEU)	988.1	911.0	+ 77.1	+ 8.5
Total revenues	3,225	3,323	- 98	- 2.9
External revenues	3,223	3,321	- 98	- 3.0
EBITDA adjusted	98	99	- 1	- 1.0
EBIT adjusted	82	82	–	–
Employees as of Jun 30 (FTE)	20,669	20,850	- 181	- 0.9

The individual products in the air and ocean freight line of business performed well in the first half of 2014. Volume in air (+2.6%) and ocean freight (+8.5%) increased relative to the first half of 2013 and thus their contributions to revenues. This was negated by negative currency exchange rate effects, causing revenues in the line of business to decline. Adjusted for exchange rate effects, both air and ocean freight recorded slight revenue increases when compared to the first half of 2013.

By contrast, the currency exchange rates had a positive impact on expenses, meaning that costs for purchased transport services were generally lower than in the first half of 2013. While the expenses for air freight remained constant even when adjusted for currency exchange rate effects, they rose for ocean freight. The personnel expenses also fell due to currency exchange rate effects. On an adjusted basis they rose slightly due a general increase in wages.

Overall, the adjusted EBITDA and EBIT were more or less stable. When adjusted for currency exchange rates, development was positive, particularly in air freight.

The number of employees as of June 30, 2014, was slightly below the previous year level as of June 30, 2013 (–0.9%).

CONTRACT LOGISTICS/SCM LINE OF BUSINESS

Growth remained strong in contract logistics in the first half of 2014. The developments for both existing and new customers were very good. We are focusing on expanding our capacity in this high growth line of business. We are expanding our warehouse and distribution processing capacity further.

Contract logistics/SCM Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Total revenues	966	887	+79	+8.9
External revenues	965	887	+78	+8.8
EBITDA adjusted	54	45	+9	+20.0
EBIT adjusted	29	23	+6	+26.1
Employees as of Jun 30 (FTE)	18,514	18,007	+507	+2.8

Revenues in the contract logistics/SCM line of business remained positive in the first half of 2014. Good performance could be found in business with new customers and existing ones. Total revenues (+8.9%) and external revenues (+8.8%) were thus very satisfactory. However, negative currency exchange effects could also be found here. When adjusted for currency exchange rates, growth in the line of business was even stronger.

The expansion of the business brought with it increases in cost of materials and personnel expenses.

Operating income development was positive, the adjusted EBITDA increased in the first half of 2014 by € 9 million to € 54 million, the adjusted EBIT increased by € 6 million to € 29 million.

The continued strong growth was also reflected in the further increase in the number of employees as of June 30, 2014 (+2.8%).

SERVICES

DB Services business unit

EVENTS IN THE FIRST HALF OF 2014

Success in orders for DB Vehicle Maintenance

DB Vehicle Maintenance signed agreements with Bombardier to maintain vehicle components, which will last from 2014 to 2022. DB Vehicle Maintenance will thus be responsible for maintaining brake components, wheel sets and bogies for 220 double-decker wagons and 37 locomotives.

In addition, DB Vehicle Maintenance also won a contract to inspect 78 diesel locomotives.

PERFORMANCE IN THE FIRST HALF OF 2014

Economic development restrained

DB Services Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Total revenues	1,507	1,523	-16	-1.1
External revenues	120	132	-12	-9.1
EBITDA adjusted	119	90	+29	+32.2
EBIT adjusted	28	4	+24	-
Gross capital expenditures	106	104	+2	+1.9
Employees as of Jun 30 (FTE)	26,103	26,430	-327	-1.2

The development of the DB Services business unit is dominated by the support provided to DB Group customers. The internal revenues of € 1,387 million represented the majority of revenues. The amount is roughly equivalent to the levels from the first half of 2013 (– 0.3 %). Price effects and higher demand in the area of telecommunication and IT services were almost completely offset by the decline in demand and the structural effects from maintaining rail vehicles.

Cost of materials (– 9.9 %) fell at a higher rate than total revenues. This development was primarily the result of the decline in performance as well as the structural effects of the product mix for rail vehicle maintenance, lower purchased external winter services due to the mild weather, as well as the expansion of the internal fleet lowering rental costs for vehicles. Personnel expenses only increased slightly (+1.5 %), as the wage increases were offset by a lower headcount. Depreciation was higher than for the first half of 2013 and was primarily related to IT and vehicles.

In general, lower costs of materials resulted in an increased EBITDA (€ +29 million) and adjusted EBIT (€ +24 million) of € 119 million or € 28 million.

Gross capital expenditures increased due to greater vehicle acquisitions at DB Fleet Management (+1.9 %).

The number of employees as of June 30, 2014, fell slightly compared with the previous year. Adjustments to the declining number of orders were offset by new hiring in the IT services segment.

INFRASTRUCTURE

New rules for infrastructure financing still in negotiation

Based on the coalition agreement concluded in November 2013 between the German CDU, CSU and SPD political parties, DB Group is currently negotiating the follow-up agreement to the performance and financing agreement (Leistungs- und Finanzierungsvereinbarung; LuFV) for the existing network with the Federal Ministry for Transport and Digital Infrastructure (BMVI) and the Federal Ministry of Finance (BMF). The original agreement (LuFV I) was limited until December 31, 2013 and was extended for 2014 with an option to extend to 2015. The negotiations for the extension of the agreement (LuFV II) will be completed this year, so that it can come into force by January 1, 2015.

Progress on the Stuttgart-Ulm project

40 % of the construction volume has been contracted for the Stuttgart-Ulm project and has been submitted for planning approval with the exception of the holding sidings. Planning approvals from the Federal Railway Authority are expected in the coming months or over the course of 2015.

The preparation work for the “feeder routes,” the underground rail system for the new main station, are generally completed: the work on the tunnel towards Untertürkheim began on December 4, 2013. The tunnels to and from Bad Cannstatt and the Filder Tunnel are now under construction.

The main work on the newly built line between Wendlingen and Ulm is now also underway. In total preparation work for more than 6,000 meters of tunnel has already been completed. Together with the Steinbühl Tunnel, the Boßler Tunnel, the Albabsteig Tunnel, and the Widerstall Tunnel, four tunnels are now under construction.

DB Netze Track business unit

EVENTS IN THE FIRST HALF OF 2014

Lawsuits against members of the track cartel pending

The Federal Cartel Office (Bundeskartellamt) fined the companies Voestalpine, Vossloh and Moravia Steel a total of € 134.5 million in 2012 and 2013 for anti-competitive practices when supply-ing tracks to DB Group.

In December 2012, DB Group sued for price fixing damages at the State Court in Frankfurt am Main. The suit against Vossloh, Moravia Steel and the former owner of the Vossloh subidiary Stahlberg Roensch GmbH are still pending before the State Court of Frankfurt am Main.

Alternatives to “Y-line” developed

At the request of the BMVI, we have examined five alternatives and one upgrade construction variant to the Bremen/Hamburg – Hannover, the “Y-line.” The focus was on expanding capacity on the tracks for both passenger and freight traffic. Noise and environmental protection played a key role. In addition feasibility, costs, reduced travel time and capacity effects were examined. The variants created were based on a traffic projection for 2025 and take into account infrastructure measures in planning or implementation.

The German Federal Government will make an overall economic assessment of the variants using the latest traffic projections for 2030. The preferred solution will then be detailed in regional planning procedures in the State of Lower Saxony.

Positive result for noise-based train-path pricing system after one year

Since June 1, 2013, the noise-based train-path pricing system at DB Netz AG has charged a surcharge for noisy freight trains starting at 1.0 % (starting December 14, 2014: 2.0 %) in addition to the regular fee. In the ramp-up period of eight years, the surcharge will be successively increased. Volume of the increase is based on the respective valid list of fees for lines, additional and auxiliary services from DB Netz AG. After the first year almost 8 % of freight train train-path kilometers are "quiet." In addition, the first year of the noise-based train-path pricing system for loud freight trains generated a total of € 3.7 million. The money is used to benefit rail companies which have equipped their freight trains with quiet brake technology such as LL or K shoes. A total of 1,820 bonus requests were submitted to DB Netz AG for 2012/2013. The payment of the bonus will be completed by September 2014 after the requests are audited. The planned initial increase of the noise-based surcharge on the train-path prices started on June 1, 2014, right on schedule.

Ela causes tens of millions of euros damage

The storm Ela hit parts of Germany on the Monday of the spring long holiday weekend in 2014 and severely damaged the rail infrastructure in North Rhine-Westphalia (NRW). Almost a third of the rail network in NRW needed to be shut down. Approximately 2,200 km of overhead lines were damaged or destroyed. Over 600 employees from all over Germany and 60 heavy removal and repair vehicles helped with the clean-up work. The costs for DB Group total a mid-double-digit million euro amount.

Progress in new construction and expansion projects

CONSTRUCTION WORK STARTS ON THE FALKENBERG TUNNEL

A symbolic explosion in March 2014 kicked off construction work on the 2.5 km Falkenberg Tunnel as part of the upgrade of the Hanau – Nantenbach (Würzburg) line. The new tunnel with two tubes will replace the Schwarzkopf Tunnel starting in 2017. The new section is approximately 8 km long and deviates by no more than 500 m from the existing route. The tunnels allow for flat grades and an increase in the maximum speed to 150 km/h. The tunnel also helps reduce noise along the route.

Other events

- DB Netze Track acquired five emergency crane trains. The capital expenditure volume is approximately € 35 million.
- Over € 230 million was spent to modernize Europe's large train formation facility in Maschen near Hamburg. More than 120 km of track and the control system have been upgraded since 2009.
- With the launch of the Berlin – Rostock route after a track upgrade, ICE trains can now travel up to 160 km/h since June 15, 2014, and need only 1 hour and 59 minutes (previously 2 hours and 54 minutes). The higher axle load of 25 tons is important for freight traffic.

PERFORMANCE IN THE FIRST HALF OF 2014

Performance at the DB Netz Track business unit in the first half of 2014 was below that of the same period for the previous year. The significant rise in expenses from maintenance/construction (primarily from repairing storm damage) and for personnel (mainly from new hires in operations) could only be partially compensated through higher revenues. The mild winter was a positive factor. Capital expenditures remained at a high level.

Improved punctuality

Product quality of rail infrastructure [%]	H1 2014	2013	H1 2013
Total punctuality [1] in Germany	95.3	93.8	94.4

[1] Non-DB Group and DB Group train operating companies.

The product quality indicator for rail infrastructure improved in the period under review compared to the first half of 2013 thanks to improved weather conditions. The total punctuality of DB Group and non-DB Group train operating companies in Germany averaged 95.3% (in the first half of 2013: 94.4%). Our ***customer and quality initiative*** *[page 13]* also had a positive effect on the development of punctuality.

Economic performance below H1 2013

DB Netze Track Selected key figures [€ million]	H1 2014	H1 2013	Change absolute	Change %
Train kilometers on track infrastructure (million train-path km)	516.6	511.1	+ 5.5	+ 1.1
thereof non-Group customers	127.2	120.3	+ 6.9	+ 5.7
share of non-Group customers (%)	24.6	23.5	-	-
Total revenues	2,425	2,344	+ 81	+ 3.5
External revenues	534	492	+ 42	+ 8.5
share of total revenues (%)	22.0	21.0	-	-
EBITDA adjusted	731	755	- 24	- 3.2
EBIT adjusted	267	292	- 25	- 8.6
Operating profit after taxes	64	92	- 28	- 30.4
ROCE (%)	3.0	3.3	-	-
Capital employed as of Jun 30	17,687	17,764	- 77	- 0.4
Net financial debt as of Jun 30	10,241	10,258	- 17	- 0.2
Redemption coverage (%)	10.3	10.8	-	-
Gross capital expenditures	1,987	1,993	- 6	- 0.3
Net capital expenditures	578	485	+ 93	+ 19.2
Employees as of Jun 30 (FTE)	43,320	42,191	+ 1,129	+ 2.7

In the first half of 2014, train kilometers on track infrastructure increased by 1.1% due to a higher demand from regional and freight traffic customers.

Total revenues increased by 3.5% in the first half of 2014 thanks to positive price effects and higher demand. In addition to price effects, external revenues reflect the increased demand from non-Group railways, due to winning additional regional transport contracts as well as growth in rail freight transport. Other operating income fell by 6.5%. The main reasons were significantly lower income from Federal compensation for grade crossings resulting from changes to the compensation system.

Cost of materials (– 0.5%) fell slightly. Increased costs for maintenance/construction stem primarily from storm damage caused by Ela and were almost completely compensated by lower winter services and energy costs. The increased personnel expenses (+ 3.5%) were primarily the result of the increased headcount as well as increased wages. The increase in other operating expenses (+ 6.7%) is primarily the result of personnel-related expenses due to the higher headcount. Depreciation (+ 0.3%) was the same as in the first half of 2013.

In total, the increase in expenses exceeded the increase in revenues causing the adjusted EBITDA to fall by € 24 million to € 731 million and the adjusted EBIT to drop € 25 million to € 267 million. As the net operating interest income remained roughly the same, operating income after interest sank by € 28 million to € 64 million.

Since adjusted EBIT was negative and the capital employed was only slightly reduced, the ROCE fell slightly from 3.3% to 3.0%.

The net financial debt remained at the level of the end of the previous year (– 0.2%). The redemption coverage fell slightly due to an income-related decline in the operational cash flow accompanied by a roughly stable adjusted net financial debt figure and was 10.3% as of June 30, 2014.

Gross capital expenditures (– 0.3%) was roughly the same as in the first half of 2013 due to sustained high levels of capital expenditures in the existing network. Net capital expenditures rose sharply (+ 19.2%). Additional capital expenditures were made in the new tracks and upgrades as well as noise abatement construction along the tracks. Construction included large projects such as the German Unity Transport Projects (VDE) No. 8.1 Nuremberg – Erfurt, No. 8.2 Erfurt – Halle/Leipzig and No. 9 Leipzig – Dresden, Stuttgart 21, the upgrade/new tracks Stuttgart – Augsburg, the upgrade Hanau – Nantenbach and the track reinforcement Berlin – Rostock.

The number of employees (+2.7%) increased as of June 30, 2014, primarily from new hires in operations and maintenance as well as the greater product range for rail track services.

DB Netze Stations business unit

EVENTS IN THE FIRST HALF OF 2014

First long-distance bus station built in Germany

At the Berlin Südkreuz train station, DB Station & Service built its first long-distance bus station in Germany and offers access to all long-distance bus operators on a non-discriminatory basis. More than 60 long-distance buses stop there every day. The number is growing. Three thousand long-distance buses had stopped in Berlin Südkreuz by June 2014. By the end of 2014, 15,000 are expected and 25,000 are planned for 2015. The next long-distance bus station at Kassel-Wilhelmshöhe will begin operations in summer 2014.

Expansion of WiFi technology in train stations

Since the end of 2013, visitors to approximately 125 train stations have 30 minutes of free WiFi access a day. To improve coverage and speed, we are upgrading the WiFi technology in the 24 most popular train stations.

PERFORMANCE IN THE FIRST HALF OF 2014

The performance of DB Netze Stations was dominated by growing demand and the expansion of the rental business in the first half of 2014. The disproportionate increase in revenues generated positive profit development. Capital expenditures fell due to completion of the City Tunnel Leipzig project and the end of the infrastructure acceleration program.

Product quality stable

Product quality of DB Netze Stations [grade]	H1 2014	2013	H1 2013
Facilities quality	3.03	3.03	3.03

The assessment of facility quality (Bewertung Anlagenqualität; BAQ) was locally recorded and determined using a detailed calculation and weighting algorithm. The value was unchanged.

Economic performance stable

DB Netze Stations Selected key figures [€ million]	H1 2014	H1 2013	Change absolute	Change %
Station stops (million)	72.3	71.0	+1.3	+1.8
thereof non-Group customers	14.1	13.4	+0.7	+5.2
Total revenues	589	567	+22	+3.9
thereof station revenues	387	375	+12	+3.2
External revenues	238	224	+14	+6.3
EBITDA adjusted	202	183	+19	+10.4
EBIT adjusted	136	117	+19	+16.2
ROCE (%)	9.4	7.9	-	-
Capital employed as of Jun 30	2,887	2,963	-76	-2.6
Net financial debt as of Jun 30	1,270	1,372	-102	-7.4
Redemption coverage (%)	26.1	21.7	-	-
Gross capital expenditures	194	241	-47	-19.5
Net capital expenditures	62	103	-41	-39.8
Employees as of Jun 30 (FTE)	4,915	4,896	+19	+0.4

The number of station stops (+1.8%) increased slightly in the first half of 2014. The increase was primarily due to the City Tunnel Leipzig opening in December 2013.

The increase in total revenues (+3.9%) was due to higher demand and price-related increases in station revenues as well as increased revenues from rentals and leases. With regard to rental income the expansion of the rental business was particularly important. This was one of the key drivers of the increase in external revenues (+6.3%). The higher number of station stops by non-Group railways were supportive as well. The far lower other operating income was the result of less government support for projects.

Cost of materials (+0.4%) increased slightly due to higher maintenance costs. This was countered by lower energy costs. Personnel expenses (+1.3%) increased as the result of collective bargaining agreements. Depreciation (+0.8%) remained roughly at the first half of 2013 level.

In general, the disproportionate increase in revenues was able to clearly compensate for the increased costs. As a result the adjusted EBITDA (€ +19 million to € 202 million) rose sharply along with the adjusted EBIT (€ +19 million to € 136 million). The positive EBIT development accompanied by a reduction in capital employed, led to a significant improvement in the ROCE to 9.4% from 7.9% in the first half of 2013. The reduction in the capital employed was the result of a reduction in property, plant and equipment.

Net financial debt (−7.4 %) fell significantly due to the increased operational cash flow and lower net capital expenditures. This had an positive effect on the redemption coverage as well, which increased significantly as of June 30, 2014 to 26.1 %.

Both gross capital expenditures (−19.5 %) and net capital expenditures (− 41 %) fell due to reduced construction activities compared to the first half of 2013. The capital expenditures in the existing network dominated at 88 %, with the majority invested in improving the functionality of station platforms and/or upgrades or new construction. The largest individual projects were in connection and expansion work at the Berlin Gesundbrunnen concourse building, the Stuttgart 21 project and the work associated with the Stadtbahn Heilbronn Nord.

The number of employees (+ 0.4 %) as of June 30, 2014, was slightly higher due to new hires, mainly in operations.

DB Netze Energy business unit

EVENTS IN THE FIRST HALF OF 2014

Opening the railway electricity grid

DB Netze Energy is the first rail infrastructure company to actually open its network to alternative energy suppliers. In addition DB Netze Energy implemented new access rules to the railway energy grid on July 1, 2014, allowing train operating companies and energy suppliers a free choice of power suppliers in keeping with economic and railway operating rules. It is a temporary solution, where each individual process step needs to be performed manually. Only after the solution has been finalized can the entire process be automated.

Additional expenses from the Renewable Energy Sources Act

In contrast with previous practice, all traction current will be fully subject to the surcharges defined in the Renewable Energy Sources Act (EEG), i.e. also the 16.7 Hz power produced in traction current plants. The amendments to the EEG by the Bundestag on July 11, 2014 mean that the levy charged to DB Group will also increase significantly. The new law also contains a change to the “special compensation rules” for railways. Starting in 2015 the previous fixed EEG minimum surcharge (€ 0.5/MWh) will be replaced with a variable rate of 20 % of the full EEG surcharge. The resulting additional costs for DB Group from the EEG amendments will total a mid tens of millions of euros amount.

New traction current pricing system

In December 2013, the EU cartel proceedings against the traction current pricing system (Bahnstrompreissystem; BPS) ceased due to a “commitment” between the EU and DB Group on the part of the EU Commission. The commitment foresees a waiving of quantity and term rebates currently offered under the BPS. The requirements of the commitment were implemented in the new BPS in place since July 1, 2014. At the same time according to the new BPS the published fees for using the traction current network will be transferred one-to-one to the train operating companies based on their individual usage structure. A back-up supply will continue to be on offer. This is relevant for all train operating companies that do not have a written supply contract with DB Netze Energy or some other traction current supplier, where an agreement is concluded by implicit conduct of using traction current from an overhead line.

Other events

- In April 2014, DB Netze Energy concluded four years of construction to update the main control center, significantly improving IT security, grid stability, and power plant controls. The new construction costs were € 10 million.

PERFORMANCE IN THE FIRST HALF OF 2014

DB Netze Energy also faced low demand in the first half of 2014 resulting from energy efficiency measures and mild weather, the implementation of regulatory requirements and other structural changes on the German electricity market. The resulting profit charges were mostly compensated.

Product quality still very high

Product quality of DB Netze Energy [%]	H1 2014	2013	H1 2013
Supply reliability	99.99	99.99	99.99

It was possible to maintain excellent supply security from DB Netze Energy once again.

Economic development slightly negative

DB Netze Energy Selected key figures [€ million]	H1		Change	
	2014	2013	absolute	%
Traction current (16.7 Hz and direct current) (GWh)	5,114	5,186	-72	-1.4
Stationary energy (50 Hz and 16.7 Hz) (GWh)	5,624	4,577	+1,047	+22.9
Diesel fuel (million l)	218.9	229.5	-10.6	-4.6
Total revenues	1,416	1,393	+23	+1.7
External revenues	533	453	+80	+17.7
EBITDA adjusted	66	77	-11	-14.3
EBIT adjusted	34	35	-1	-2.9
ROCE (%)	7.8	7.9	-	-
Capital employed as of Jun 30	868	879	-11	-1.3
Net financial debt as of Jun 30	126	211	-85	-40.3
Redemption coverage (%)	32.4	33.5	-	-
Gross capital expenditures	44	32	+12	+37.5
Net capital expenditures	20	18	+2	+11.1
Employees as of Jun 30 (FTE)	1,770	1,652	+118	+7.1

Demand for traction current (−1.4%) and diesel (−4.6%) was dominated by the decline in demand from DB Group customers in passenger and freight traffic, which could only be partially compensated through demand from non-Group railways. Increased energy efficiency also contributed to the decline in traction current consumption. In the stationary energy segment (+22.9%) sales to non-Group customers increased significantly.

Increased demand from non-Group customers also dominated revenues. In terms of total revenues (+1.7%) the decline in internal demand had a dampening effect. The other operating income (+47.1%) increased due to additional network operating services following the takeover of the traction power supply facilities of the S-Bahn (metro) in Berlin.

Costs of materials (+2.5%) increased due to demand-driven higher expenses for energy procurement. These were countered by lower diesel expenses.

Personnel and other operating expenses were influenced by tariff increases and higher expenses due to the takeover of the traction power supply facilities of the S-Bahn (metro) in Berlin. A regulatory adjustment of the life of selected power plants to comply with Electricity Network Fee Regulation Ordinance (Stromnetzentgeltverordnung; StromNEV) meant that depreciation declined sharply.

The higher increase in expenses compared to the revenues caused the adjusted EBITDA to decline (€ −11 million to € 66 million). Due to lower depreciation, the adjusted EBIT fell only slightly (€ −1 million to € 34 million). Accompanied by a slight decline in capital employed, the ROCE decreased slightly to 7.8%.

The net financial debt (−40.3%) fell sharply due to positive working capital effects. This was among others due to the obligatory reverse charging of tax for energy deliveries within Germany which has applied since January 2014.

The redemption coverage sank to 32.4% as a result of lower profits.

Capital expenditures increased due to takeover of the traction power supply facilities of the S-Bahn (metro) in Berlin. The focus was on renewing the traction current lines, traction current switches and central converters throughout the country.

The number of employees increased by 7.1% as of June 30, 2014. The reason was the integration of employees from DB Netz AG and the implementation of requirements under energy industry law.

Other/consolidation

The Other item primarily includes the management holdings DB AG and DB ML AG along with other companies that cannot be assigned to a specific business unit. The increase in total revenues (€ +39 million or € +5.3%) resulted primarily from growth at DB ProjektBau and DB International. The consolidation effects also increased slightly due to higher internal revenues (€ +37 million or +0.7%).

The change in adjusted EBITDA (€ +4 million or −1.6% to € −241 million) and the adjusted EBIT (€ +8 million or −3.1% to € −246 million) resulted from the improved profit development at DB ProjektBau.

Additional information

Awards for infrastructure and vehicle capital expenditures

Combating cartel-related damages

Investigations at DB International

SIGNIFICANT CONTRACT AWARDS

Infrastructure

- We awarded contracts to the value of around € 59 million for construction services (expanding the existing two-track section to four tracks) on the track section between Zapfendorf and the already completed Eierberge Tunnel (VDE 8.1).
- We awarded contracts to the value of around € 50 million for construction services (underground construction, track laying and catenary systems) linking the new Erfurt–Halle/Leipzig track (VDE 8.2) and the Halle/Leipzig–Berlin expansion line (VDE 8.3) to the Halle hub.
- We awarded contracts to the value of over € 33.6 million for construction services at the Horka freight yard.
- We awarded contracts to the value of around € 27 million for engineering works and construction services (new tracks, noise barriers, concrete supporting walls and catenary systems) as part of the reconstruction of Berlin Ostkreuz.

Vehicles

- We awarded contracts to Bombardier for the supply of 88 DoIC double-deck railway carriages and of 17 TRAXX electric locomotives for long-distance services. The capital expenditures volume totals approximately € 284 million.
- We awarded a contract to Bombardier for the supply of 29 Talent 2 electric multiple units for regional services. The capital expenditure volume totals around € 146 million.
- We awarded a contract to Polish manufacturer Pojazdy Szynowe PESA Bydgoszcz Spółka Akcyjna for the supply of nine Link diesel-powered multiple units for our regional services. The capital expenditures volume totals over € 30 million.
- We signed a contract with Bombardier for the supply of 89 double-decker multiple units. The capital expenditures volume totals around € 247 million.
- We placed an order with Bombardier for the supply of seven Bombardier TRAXX diesel locomotives with multi-motor drives. The capital expenditures volume totals around € 27 million.

ADDITIONAL ISSUES RELATED TO OPERATIONS AND BUSINESS OPERATIONS

Preventing and combating cartel-related damages

DB Group has introduced a cartel-prevention system. Its objective is to reduce the risk of cartel-related detriment from the outset. Following a risk-based approach, the concept includes the identification of risks, the allocation of business partners to risk groups, and various risk-prevention mechanisms. In addition, we offer our business partners seminars on cartel law and the prevention of corruption. We also offer e-learning.

Furthermore, a team of specialists in the legal department of DB Group systematically reviews and monitors DB Group's claims against suppliers participating in cartels. This has already enabled compensation claims amounting to hundreds of millions of euros to be successfully lodged.

Other legal issues

INVESTIGATIONS AT DB INTERNATIONAL

Against the backdrop of the investigative proceedings against DB International GmbH (DB International) by the Frankfurt am Main public prosecutor's office, which are expected to culminate in 2014 in a fine and a forfeit of profit, compensation claims have been lodged against former managers. These proceedings have since reached a conclusion.

Opportunity and risk report

Integrated risk management ensures transparency
Significant risks in the areas of regulation, markets as well as legal and contracts
Portfolio without any risks to DB Group as a going concern

Our business activities are associated with risks as well as opportunities. Our business policy therefore aims to take advantage of opportunities through our opportunity management system, while also actively managing those risks identified within the framework of our risk management system. The information processing necessary for this purpose is carried out in our integrated risk management system, which is based on the requirements of the Corporate Sector Supervision and Transparency Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich; KonTraG). It is continuously refined. There were no significant changes to DB Group's ***risk management system*** *[2013 Annual Report, page 183 f.]* in the first half of 2014.

Nor were there any changes to DB Group's significant ***opportunities and risks*** *[2013 Annual Report, page 183 ff.]*. No major changes have occurred compared with the details set out in the 2013 Annual Report.

MANAGEMENT ASSESSMENT OF THE RISK SITUATION

The current risk situation is assessed on the basis of our risk management system. During the 2014 financial year DB Group's principal risks lay in the areas of regulation, markets, and legal and contracts. In comparison with the assessment in the 2013 Annual Report, a slight reduction in the overall risk position for the 2014 financial year took place in the first half of 2014.

For our ***forecast of developments in the 2014 financial year*** *[page 50 ff.]*, taking account of countermeasures, risks totalling € 0.8 billion exist, of which € 0.3 billion is very likely (vl). Most of these risks emanate from the areas of regulation (€ 0.3 billion, vl: € 0.0 billion), markets (€ 0.2 billion, vl: € 0.2 billion), and legal and contracts (€ 0.2 billion, vl: € 0.1 billion). In addition there is an impairment risk in consequence of low capital returns on infrastructure, and the danger of structural underfinancing in the existing network. An impairment would also affect the dividend distribution capability of DB AG. Regulations on ***infrastructure funding*** *[page 42]* do not yet exist. A further risk arises from the progress of the wage negotiations with the EVG and the GDL that begin in summer 2014. Industrial action in this connection cannot be ruled out.

Third-party evaluation is an important indicator for overall risk assessment. In addition to internal risk assessment, DB Group's credit standing and its aggregated default risk is also assessed by the three ***rating agencies*** *[page 17]* Moody's, S&P and Fitch. Their external assessments of DB Group's overall risk position are reflected in their positive ratings.

Our analyses of risks, countermeasures, hedging and precautionary measures, together with the opinion of the Group Management Board based on the current risk assessment and our medium-term planning, indicate that there are no risks that, individually or jointly, could have an impact on the net assets, financial or earnings position of DB Group and would pose a threat to the Group as a going concern.

In terms of organization, we have created all of the conditions necessary to enable the early identification of possible risks. Our continuous risk management system and the active management of key risk categories help limit risks within DB Group.

Events after the balance sheet date

Restructuring of maintenance continues

Additional bond issued

RESTRUCTURING CONTINUES AT MAINTENANCE

DB Services sold 100 % of its shares in WBN Waggonbau Niesky GmbH in July 2014. Waggonbau Niesky is no longer expected to be included in DB Group's consolidated financial statements as of August 1, 2014.

ADDITIONAL BOND ISSUED

In July 2014, we issued an additional bond with a total volume of € 300 million through DB Finance. The bond has a term of six years and carries a variable interest rate. It was placed mainly with institutional investors in Europe.

Outlook

Improved economic growth in 2014

2014 profits expected to reach at least previous year's level

Outlook remains encumbered with uncertainty

FUTURE DIRECTION OF DB GROUP

The future direction of DB Group is described on page 194 of the 2013 Annual Report. It has not changed during the period under review.

ECONOMIC OUTLOOK

Anticipated development [%]	2013	2014 (outlook Mar)	2014 (outlook Jul)
GDP World	+ 2.2	< + 3.0	~ + 3.0
World trade [1]	+ 2.8	~ + 5.0	~ + 4.0
GDP Eurozone	– 0.4	~ + 1.0	~ + 1.0
GDP Germany	+ 0.5	> + 1.5	~ + 2.0

[1] Trade in goods only.
Expectations for 2014 are rounded off to the nearest half percentage point.
Source: Oxford Economics.

Our estimates of economic developments in 2014 have been largely vindicated during the year to date. We have given them more concrete form in our updated forecast.

The global economy can be expected to grow a little more strongly overall in 2014 than in the previous year, and also more strongly than was previously expected. The contribution to growth made by newly industrializing countries will remain positive, but will be less significant in comparison with the previous year. The reasons for this are many and diverse. In China, an amended economic policy is restricting economic expansion. Most growth stimuli for the global economy come from the Western industrialized countries, which will continue to recover from the recession of past years. Global trade will be particularly impaired by slower industrial and foreign trade growth in China, the world's largest trading nation.

The trend in the USA is supported by positive fundamental data such as the continuing recovery in the labor market, the improved asset and income situation of private households, and increased industrial competitiveness. Rising production in the energy sector will be one of the factors gradually bringing down the foreign trade deficit. Growth lost in early 2014 owing to the severe winter may be partly recouped over the course of the year. But this effect will result in growth in GDP in 2014 being weaker than in the previous year.

The Eurozone will maintain its recovery throughout the year as a whole, though sovereign debt is continuing to increase, and unemployment is at historic highs in parts of the Eurozone – limiting growth prospects and seriously threatening future economic performance. In France, the Netherlands and Italy in particular, growth rates are still low. Modest domestic demand, unutilized production capacities and the strong euro have been generating persistent price pressure during the year to date. The success of the economic recovery process is under threat from the risk of deflation. Against this backdrop the ECB decided to use monetary policy mechanisms to stimulate the real economy. No strong positive stimuli can be expected of this monetary policy, however, because of feeble demand for credit in the private sector. The risk of deflation cannot therefore be expected to go away.

Germany will retain its role as the Eurozone's growth driver in 2014. A stable labor market is underpinning income trends and private sector consumer demand. Recovering import demand from the Eurozone is especially important because of the size and the purchasing power of the European market. In addition, rising capital investment shows that having come through the euro crisis, companies now have increasing faith in future economic performance. This trend can be expected to persist throughout the year, helping the revival in the business climate to continue.

ANTICIPATED DEVELOPMENT OF THE RELEVANT MARKETS

Passenger Transport

Anticipated development [%]	2013	2014 (outlook Mar)	2014 (outlook Jul)
German passenger transport market (based on pkm)	+1.1	≤ +1.0 to 1.5	+1.5

Expectations for 2014 are rounded off to the nearest half percentage point.

We continue to expect the German passenger transport market as a whole to grow in 2014. But we expect long-distance passenger rail services to experience a significant decline in volume sold because of intense intermodal competition.

Taking account of developments during the year to date, and given the persistently difficult economic situation in some European countries, we continue to expect rail passenger transport in Europe to undergo a slight decline in volume sold.

Transport and Logistics

Anticipated market development [%]	2013	2014 (outlook Mar)	2014 (outlook Jul)
German freight transport (based on tkm)	+2.1	+3.0 to 3.5	~ +3.0
European rail freight transport (based on tkm)	- 0.5	+1.0 to 2.0	+2.5
European land transport (based on revenues)	+ 0.8	+3.0 to 3.5	+2.0 - 2.5
Global air freight (based on t)	+1.0	~ +2.0	+2.5
Global ocean freight (based on TEU)	+2.0	+3.0 to 4.0	+3.5
Global contract logistics (based on revenues)	+5.5	~ +7.0	~ +7.0

Expectations for 2014 are rounded off to the nearest half percentage point.

The outlook for the German freight transport market is little changed from previous expectations, with an expected rise in output of around 3%.

But in light of the structural problems that still exist in the Eurozone, the outlook remains encumbered with uncertainty. Despite a gradual market recovery, the expectation of rising factor costs and continuing (price) competition, 2014 will continue to be a challenging year for market participants.

Against the backdrop of the positive economic situation we think the rail freight market in Europe will perform rather more positively in full-year 2014 than has recently been the case.

The European land transport market is expected to post solid growth in the second half of 2014, too. In consequence of the gloomy economic situation in parts of Eastern Europe, however, this will be rather weaker than recent forecasts have suggested. Prospects for maritime freight have improved. We expect it to generate growth that will probably exceed the previous year's growth rates. We believe air freight will increase volume by some 2.5%. The contract logistics market is expected to maintain its highly dynamic development.

Infrastructure

We expect the trend towards rising demand for train paths to be maintained in the second half of 2014. We also think the number of station stops will continue its positive development in 2014 as compared with previous years. Damage due to the *storm Ela* [page 43] and the associated train cancellations is likely to cause a slight reduction in the increase that was previously expected.

ANTICIPATED DEVELOPMENT OF THE PROCUREMENT AND FINANCIAL MARKETS

We continue to stand by the forecast that we published about procurement markets in March 2014 in the 2013 Annual Report.

The global financial markets remain strongly under the influence of monetary policy decisions taken by the world's largest central banks. The influx of liquidity created in past years is driving the upward trend in the financial markets. This trend is expected to continue throughout 2014 in a less dynamic form.

Interest rates in the Eurozone will remain at their current very low levels for the foreseeable future. The ECB is not expected to increase rates before 2016. This will keep the rise in the rate curve for fixed-interest sovereign and corporate bonds largely unchanged through to the end of 2014.

ANTICIPATED DEVELOPMENT OF DB GROUP

The development set out below is based on our updated estimates of development in the 2014 financial year, on the basis of the assumptions made in our medium-term planning about expected market, competitive and environmental developments as well as the successful implementation of planned measures.

Key non-financial figures

Anticipated performance development	2013	2014 (outlook Mar)	2014 (outlook Jul)
Volume sold rail passenger transport (Germany) (million pkm)	80,244	+1.5 to 2 %	~ – 0.5 %
Volume sold rail freight transport (million tkm)	104,259	~ + 4 %	~ + 3 %
Train kilometers on track infrastructure (million train-path km)	1,035	~ + 0.5 %	~ +1 %
Shipments in European land transport (thousand)	95,543	+ 3 to 4 %	+ 3 to 4 %
Air freight volume (export) (thousand t)	1,092	+ 5 to 6 %	+ 5 to 6 %
Ocean freight volume (thousand TEU)	1,891	+7 to 8 %	+7 to 8 %

Our expectations about performance in full-year 2014 are largely unchanged. The principal exception is the result of poorer-than-expected performance at the DB Bahn Long-Distance business unit, with effects on the development of volume sold in German passenger rail transport. In the area of freight services we have slightly lowered our expectations in light of the trend in the first half of 2014.

We stand by our estimates of the punctuality performance of rail transport in Germany, of employee satisfaction, and of the further reduction of CO_2 emissions. Increased construction activity during the rest of the year, however, is expected to have a negative effect on punctuality in comparison with the first half of 2014.

Financial position

DB GROUP

Anticipated development [€ million]	2013	2014 (outlook Mar)	2014 (outlook Jul)
Revenues adjusted	39,119	~ 41,000	~ 40,500
EBIT adjusted	2,236	~ 2,200	> 2,200
ROCE (%)	6.8	6.0 to 6.5	6.0 to 6.5
Redemption coverage (%)	20.5	~ 20.0	~ 20.0

Our estimates of our economical performance in full-year 2014 are more or less unchanged. In consequence of the strength of the euro and weaker performance by DB Bahn Long-Distance we have slightly lowered our revenue forecast. On the basis of the trend in the first half of 2014 we have slightly increased our operating profit forecast. We now expect to achieve at least the same level as last year.

BUSINESS UNITS

Anticipated development [€ million]	Revenues adjusted		EBIT adjusted	
	2013	2014	2013	2014
DB Bahn Long-Distance	4,083	→	323	↘
DB Bahn Regional	8,839	↗	777	↗
DB Arriva	4,180	↗	245	→
DB Schenker Rail	4,843	↗	57	↗
DB Schenker Logistics	14,857	↗	335	↗
DB Services	3,184	→	29	↗
DB Netze Tracks	4,769	↗	665	↘
DB Netze Stations	1,119	↗	229	→
DB Netze Energy	2,775	↗	71	↘

↗ above previous year's figure
→ at previous year's level
↘ below previous year's figure

We have adjusted our expectations for two business units. At DB Bahn Long-Distance, in the light of the trend in the first half of 2014 we also expect weaker full-year revenues and profits than previously expected. At DB Bahn Regional, conversely, we have raised our revenue expectations in the light of the rise in the first half of 2014.

ANTICIPATED CAPITAL EXPENDITURES

Anticipated development [€ million]	2013	2014
Gross capital expenditures	8,224	~ 9,500
Net capital expenditures	3,412	~ 4,500

Our estimates with regard to capital expenditure in full-year 2014 are unchanged.

ANTICIPATED FINANCIAL POSITION

Anticipated development [€ billion]	2013	2014 (outlook Mar)	2014 (outlook Jul)
Maturities	1.5	1.2	1.2
Bond emissions	2.4	~ 2.0	~ 2.0
Cash and cash equivalents as of Dec 31	2.9	2.9	2.9
Net financial debt as of Dec 31	16.4	17.0 to 17.5	17.0 to 17.5

Even our expectations for the development of financial position are unchanged. Some capital expenditures have been postponed, and there will be an inflow of funds from a sale of real estate. We accordingly now expect net financial debt as of December 31, 2014, to be rather at the lower end of the forecast range.

OVERALL STATEMENT OF THE MANAGEMENT BOARD REGARDING THE ECONOMIC DEVELOPMENT OF DB GROUP

Following the previous year's decline in performance, the Management Board of DB AG expects the development of DB Group in the 2014 financial year to be generally stable. The increase in revenues can be expected to be largely offset by higher expenses in the infrastructure and increases in personnel expenses.

We expect to continue to have excellent access to the capital market in the second half of the 2014 financial year.

Our activities are exposed to various risks, which are presented in the *Risk report* [page 49 and 2013 Annual Report, page 187 ff.]. In the 2014 financial year we see particular risks in the areas of regulation, markets, and legal and contracts. In addition, there is an impairment risk in consequence of low capital returns on infrastructure, and the danger of structural underfinancing in the existing network. Also the direction of the upcoming collective bargaining cannot be foreseen.

The Management Board believes that DB Group has taken all necessary measures to protect itself against existing risks. We want to further expand our market position and implement our strategy *DB2020*. On the whole our assessment of DB Group's medium-term prospects is therefore positive.

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 made based on information that was available at the current time. Actual developments and results may diverge from the current expectations as a result of the non-materialization of the assumptions upon which our forecasts are based or the materialization of risks such as those presented in the Risk report.

DB Group does not assume any obligation to update the statements made within this management report.

Consolidated interim financial statements (unaudited)

Consolidated statement of income

[€ million]	H1 2014	H1 2013	2013
Revenues	19,741	19,373	39,107
Inventory changes and internally produced and capitalized assets	1,244	1,218	2,649
Overall performance	20,985	20,591	41,756
Other operating income	1,056	1,087	2,853
Cost of materials	-9,919	-9,974	-20,414
Personnel expenses	-7,270	-7,037	-14,383
Depreciation	-1,513	-1,486	-3,228
Other operating expenses	-2,326	-2,212	-4,817
Operating profit (EBIT)	**1,013**	**969**	**1,767**
Result from investments accounted for using the equity method	6	8	3
Net interest income	-444	-437	-879
Other financial result	-5	9	-15
Financial result	**-443**	**-420**	**-891**
Profit before taxes on income	**570**	**549**	**876**
Taxes on income	72	5	-227
Net profit	**642**	**554**	**649**
Net profit attributable to:			
Shareholder of Deutsche Bahn AG	627	550	657
Minority interests	15	4	-8
Earnings per share (€ per share)			
undiluted	1.46	1.28	1.53
diluted	1.46	1.28	1.53

RECONCILIATION OF CONSOLIDATED COMPREHENSIVE INCOME

[€ million]	H1 2014	H1 2013	2013
Net profit	642	554	649
Changes due to the revaluation of defined benefit plans	-241	131	23
Changes in items recognized directly in equity which are not reclassified to the income statement	-241	131	23
Changes resulting from currency translation	58	-78	-131
Changes resulting from market valuation of securities	-5	-4	-3
Changes resulting from market valuation of cash flow hedges	-44	19	-21
Changes in items recognized directly in equity which are reclassified to the income statement	9	-63	-155
Balance of result items covered directly in equity (before taxes)	**-232**	**68**	**-132**
Revaluation of defined benefit plans	28	29	16
Changes in deferred taxes on result items recognized directly in equity, which are not reclassified to the income statement	**28**	**29**	**16**
Deferred taxes relating to the change in the market valuation of cash flow hedges	2	-45	-41
Changes in deferred taxes on result items recognized directly in equity, which are reclassified to the income statement	**2**	**-45**	**-41**
Balance of result items recognized directly in equity (after taxes)	**-202**	**52**	**-157**
Comprehensive income	**440**	**606**	**492**
Comprehensive income attributable to:			
Shareholder of Deutsche Bahn AG	424	604	505
Minority interests	16	2	-13

Consolidated balance sheet

ASSETS

[€ million]	Jun 30, 2014	Dec 31, 2013	Jun 30, 2013
NON-CURRENT ASSETS			
Property, plant and equipment	38,067	37,696	37,783
Intangible assets	4,124	4,115	4,095
Investments accounted for using the equity method	514	511	522
Available-for-sale financial assets	11	11	11
Receivables and other assets	110	138	112
Derivative financial instruments	82	74	106
Deferred tax assets	1,493	1,404	1,568
	44,401	**43,949**	**44,197**
CURRENT ASSETS			
Inventories	1,001	948	988
Available-for-sale financial assets	5	5	4
Trade receivables	4,505	4,113	4,420
Other receivables and assets	1,039	889	983
Income tax receivables	81	112	72
Derivative financial instruments	8	12	15
Cash and cash equivalents	3,557	2,861	1,895
Assets held for sale	0	5	0
	10,196	**8,945**	**8,377**
Total assets	**54,597**	**52,894**	**52,574**

EQUITY AND LIABILITIES

[€ million]	Jun 30, 2014	Dec 31, 2013	Jun 30, 2013
EQUITY			
Subscribed capital	2,150	2,150	2,150
Reserves	3,988	4,190	4,396
Retained earnings	8,872	8,446	8,341
Equity attributable to shareholder of Deutsche Bahn AG	**15,010**	**14,786**	**14,887**
Minority interests	137	126	135
	15,147	**14,912**	**15,022**
NON-CURRENT LIABILITIES			
Financial debt	18,931	18,066	17,169
Other liabilities	255	271	314
Derivative financial instruments	349	343	273
Pension obligations	3,433	3,164	2,989
Other provisions	2,778	2,828	2,916
Deferred items	1,326	1,389	1,436
Deferred tax liabilities	162	223	227
	27,234	**26,284**	**25,324**
CURRENT LIABILITIES			
Financial debt	1,290	1,247	1,797
Trade liabilities	4,454	4,379	4,251
Other liabilities	3,387	3,019	3,135
Income tax liabilities	163	147	156
Derivative financial instruments	55	99	83
Other provisions	2,080	2,055	2,027
Deferred items	787	752	779
	12,216	**11,698**	**12,228**
Total assets	**54,597**	**52,894**	**52,574**

Consolidated statement of cash flows

	H1		
[€ million]	2014	2013	2013
Profit before taxes on income	570	549	876
Depreciation on property, plant and equipment and intangible assets	1,513	1,486	3,228
Write-ups/write-downs on non-current financial assets	0	0	7
Result on disposal of property, plant and equipment and intangible assets	-16	10	-38
Result on disposal of financial assets	0	-1	-11
Result on sale of consolidated companies	6	0	0
Interest and dividend income	-42	-30	-56
Interest expense	485	467	935
Foreign currency result	3	-12	-5
Result of investments accounted for using the equity method	-6	-8	-3
Other non-cash expenses and income	341	212	721
Changes in inventories, receivables and other assets	-649	-255	188
Changes in liabilities, provisions and deferred items	-43	-558	-1,287
Cash generated from operating activities	2,162	1,860	4,555
Interest received	29	20	32
Dividends and capital distribution received	1	0	1
Interest paid	-324	-294	-639
Paid (-)/reimbursed (+) taxes on income	-3	-92	-219
Cash flow from operating activities	**1,865**	**1,494**	**3,730**
Proceeds from the disposal of property, plant and equipment and intangible assets	104	120	318
Payments for capital expenditures in property, plant and equipment and intangible assets	-3,367	-3,645	-8,634
Proceeds from investment grants	1,567	1,665	4,812
Payments for repaid investment grants	-15	-62	-74
Proceeds from sale of financial assets	0	7	4
Proceeds from sale of shares in consolidated companies less net cash and cash equivalents sold	1	0	0
Payments for acquisitions of consolidated companies less net cash and cash equivalents acquired	-2	-134	-142
Proceeds from disposal of investments accounted for using the equity method	1	0	0
Cash flow from investing activities	**-1,711**	**-2,049**	**-3,716**
Proceeds from additions to capital	-	-	5
Distribution of profits to shareholder	-200	-525	-525
Distribution of profits to minority interests	-5	-5	-6
Payments for finance lease transactions	-49	-58	-99
Proceeds from issue of bonds	1,051	550	2,413
Payments for redemption of bonds	-64	-	-750
Payments for the redemption and repayment of interest-free loans	-220	-	-220
Proceeds from borrowings and commercial paper	25	417	1
Payments for the redemption of borrowings and commercial paper	-5	-89	-114
Cash flow from financing activities	**533**	**290**	**705**
Net changes in cash and cash equivalents	**687**	**-265**	**719**
Cash and cash equivalents as of Jan 1	2,861	2,175	2,175
Changes in cash and cash equivalents due to changes in scope of consolidation	-1	0	0
Changes in cash and cash equivalents due to changes in exchange rates	10	-15	-33
Cash and cash equivalents as of Dec 31	**3,557**	**1,895**	**2,861**

Consolidated statement of changes in equity

[€ million]	Subscribed capital	Reserves							Retained earnings	**Equity attributable to shareholders of Deutsche Bahn AG**	Minority interests	**Total equity**
		Capital reserves	Currency translation	Fair value valuation of securities [1]	Fair value valuation of cash flow hedges [1]	Revaluation of pensions	Other movements	**Total reserves**				
As of Jan 1, 2013	2,150	5,310	60	6	-119	-903	-12	**4,342**	8,356	**14,848**	130	**14,978**
+ Capital increase	–	–	–	–	–	–	–	**–**	–	**–**	–	**–**
– Dividend payments	–	–	–	–	–	–	–	**–**	-525	**-525**	-5	**-530**
± Other changes	–	–	–	–	–	–	–	**–**	-40	**-40**	8	**-32**
± Comprehensive income	–	–	-76	-4	-26	160	–	**54**	550	**604**	2	**606**
thereof net profit	–	–	–	–	–	–	–	**–**	550	**550**	4	**554**
thereof currency effects	–	–	-76	–	–	–	–	**-76**	–	**-76**	-2	**-78**
thereof deferred taxes	–	–	–	–	-45	29	–	**-16**	–	**-16**	–	**-16**
thereof market valuation	–	–	–	-4	19	–	–	**15**	–	**15**	–	**15**
thereof revaluation of defined benefit plans	–	–	–	–	–	131	–	**131**	–	**131**	–	**131**
thereof share of items not recognized in the income statement from investments accounted for using the equity method	–	–	–	–	–	–	–	**–**	–	**–**	–	**–**
As of Jun 30, 2013	**2,150**	**5,310**	**-16**	**2**	**-145**	**-743**	**-12**	**4,396**	**8,341**	**14,887**	**135**	**15,022**

[€ million]	Subscribed capital	Reserves							Retained earnings	**Equity attributable to shareholders of Deutsche Bahn AG**	Minority interests	**Total equity**
		Capital reserves	Currency translation	Fair value valuation of securities [1]	Fair value valuation of cash flow hedges [1]	Revaluation of pensions	Other movements	**Total reserves**				
As of Jan 1, 2014	2,150	5,310	-66	3	-181	-864	-12	**4,190**	8,446	**14,786**	126	**14,912**
+ Capital increase	–	–	–	–	–	–	–	**–**	–	**–**	1	**1**
– Dividend payments	–	–	–	–	–	–	–	**–**	-200	**-200**	-5	**-205**
± Other changes	–	–	–	–	–	–	1	**1**	-1	**–**	-1	**-1**
± Comprehensive income	–	–	57	-5	-42	-213	–	**-203**	627	**424**	16	**440**
thereof net profit	–	–	–	–	–	–	–	**–**	627	**627**	15	**642**
thereof currency effects	–	–	57	–	–	–	–	**57**	–	**57**	1	**58**
thereof deferred taxes	–	–	–	–	2	28	–	**30**	–	**30**	–	**30**
thereof market valuation	–	–	–	-5	-44	–	–	**-49**	–	**-49**	–	**-49**
thereof revaluation of defined benefit plans	–	–	–	–	–	-241	–	**-241**	–	**-241**	–	**-241**
thereof share of items not recognized in the income statement from investments accounted for using the equity method	–	–	–	–	–	–	–	**–**	–	**–**	–	**–**
As of Jun 30, 2014	**2,150**	**5,310**	**-9**	**-2**	**-223**	**-1,077**	**-11**	**3,988**	**8,872**	**15,010**	**137**	**15,147**

[1] Equity capital includes deferred taxes.

Segment information according to segments

Jan 1 through Jun 30 [€ million]	DB Bahn Long-Distance 2014	DB Bahn Long-Distance 2013	DB Bahn Regional 2014	DB Bahn Regional 2013	DB Arriva 2014	DB Arriva 2013	DB Schenker Rail 2014	DB Schenker Rail 2013	DB Schenker Logistics 2014	DB Schenker Logistics 2013
External revenues	1,904	1,934	4,386	4,333	2,208	2,028	2,292	2,254	7,385	7,386
Internal revenues	75	77	52	47	2	3	160	156	22	19
Total revenues	1,979	2,011	4,438	4,380	2,210	2,031	2,452	2,410	7,407	7,405
Other external income	77	59	97	139	87	85	114	118	102	110
Other internal income	18	24	56	53	0	0	17	17	2	3
Changes in inventories and other capitalized own work	3	3	33	19	0	4	10	7	3	4
Total income	2,077	2,097	4,624	4,591	2,297	2,120	2,593	2,552	7,514	7,522
Cost of materials	-1,139	-1,128	-2,656	-2,686	-738	-706	-1,282	-1,286	-5,039	-5,095
Personnel expenses	-435	-419	-926	-924	-932	-878	-797	-772	-1,375	-1,376
Other operating expenses	-218	-225	-266	-272	-408	-334	-357	-358	-860	-824
EBITDA	285	325	776	709	219	202	157	136	240	227
Scheduled depreciation [1]	-162	-158	-288	-278	-115	-108	-149	-148	-91	-90
Impairment losses recognized/reversed [1]	0	0	-3	2	0	0	1	6	-1	-1
EBIT (operating profit)	123	167	485	433	104	94	9	-6	148	136
Net operating interest income [2]	0	1	-23	-19	-17	-23	-45	-44	-21	-20
Operating income after interest [2]	123	168	462	414	87	71	-36	-50	127	116
Property, plant and equipment	1,517	1,638	5,752	5,286	1,982	2,024	3,045	3,133	1,449	1,402
+ Intangible assets	0	0	11	10	1,969	1,956	511	506	1,320	1,303
thereof goodwill	0	0	6	5	1,457	1,368	461	452	1,075	1,105
+ Inventories	68	68	140	140	77	69	99	85	48	45
+ Trade receivables	183	143	470	482	284	299	597	584	2,682	2,584
+ Receivables and other assets	1,681	1,609	316	79	852	1,082	81	91	664	1,037
– Receivables from financing	-1,666	-1,592	-219	0	-578	-804	-7	-6	-426	-795
+ Income tax receivables	–	–	0	1	7	8	0	1	24	24
+ Available-for-sale assets	–	–	–	–	0	0	–	–	–	–
– Trade liabilities	-213	-245	-820	-746	-370	-319	-496	-533	-1,762	-1,833
– Miscellaneous and other liabilities	-280	-269	-372	-433	-335	-327	-416	-413	-666	-647
– Income tax liabilities	–	–	0	0	-91	-98	-9	-11	-50	-42
– Other provisions	-70	-77	-1,030	-988	-199	-203	-127	-186	-291	-295
– Deferred items	-371	-366	-134	-123	-133	-121	-10	-14	-14	-18
Capital employed [3]	849	909	4,114	3,708	3,465	3,566	3,268	3,237	2,978	2,765
Net financial debt	-1,545	-1,461	1,585	1,267	926	1,304	1,731	1,892	469	-4
Investments accounted for using the equity method	0	0	5	5	133	144	22	31	15	11
Result from investments accounted for using the equity method	0	0	0	0	-2	3	0	-1	4	1
Gross capital expenditures	116	75	707	469	75	158	78	66	88	104
Investment grants received	0	–	-1	-2	-1	-3	–	–	–	–
Net capital expenditures	116	75	706	467	74	155	78	66	88	104
Additions to the scope of consolidation	–	–	–	–	2	185	–	–	–	9
Employees [4]	16,844	16,449	36,842	36,948	45,814	46,216	31,219	31,536	64,441	64,129

1) The non-cash items are included in the segment result shown.
2) Key figure from internal reporting, no external figures.
3) Profit transfer agreements were not assigned to segment assets or liabilities.

DB Services		DB Netze Track		DB Netze Stations		Subsidiaries/ other		**Sum of segments**		Consolidation		**DB Group adjusted**		Reconciliation [5]		**DB Group**	
2014	2013	2014	2013	2014	2013	2014	2013	**2014**	**2013**	2014	2013	**2014**	**2013**	2014	2013	**2014**	**2013**
120	132	534	492	238	224	667	590	**19,734**	**19,373**	–	–	**19,734**	**19,373**	7	–	**19,741**	**19,373**
1,387	1,391	1,891	1,852	351	343	1,527	1,542	**5,467**	**5,430**	-5,467	-5,430	**–**	**–**	–	–	**–**	**–**
1,507	1,523	2,425	2,344	589	567	2,194	2,132	**25,201**	**24,803**	-5,467	-5,430	**19,734**	**19,373**	7	–	**19,741**	**19,373**
34	32	286	303	43	48	215	190	**1,055**	**1,084**	–	–	**1,055**	**1,084**	1	3	**1,056**	**1,087**
12	27	89	99	9	10	589	554	**792**	**787**	-792	-787	**–**	**–**	–	–	**–**	**–**
316	357	336	351	11	10	8	8	**720**	**763**	514	455	**1,234**	**1,218**	10	–	**1,244**	**1,218**
1,869	1,939	3,136	3,097	652	635	3,006	2,884	**27,768**	**27,437**	-5,745	-5,762	**22,023**	**21,675**	18	3	**22,041**	**21,678**
-911	-1,012	-813	-817	-238	-237	-1,635	-1,588	**-14,451**	**-14,555**	4,555	4,588	**-9,896**	**-9,967**	-23	-7	**-9,919**	**-9,974**
-664	-654	-1,151	-1,113	-125	-123	-857	-778	**-7,262**	**-7,037**	-3	0	**-7,265**	**-7,037**	-5	–	**-7,270**	**-7,037**
-175	-183	-441	-412	-87	-92	-690	-690	**-3,502**	**-3,390**	1,194	1,179	**-2,308**	**-2,211**	-18	-1	**-2,326**	**-2,212**
119	90	731	755	202	183	-176	-172	**2,553**	**2,455**	1	5	**2,554**	**2,460**	-28	-5	**2,526**	**2,455**
-91	-86	-464	-463	-66	-66	-58	-72	**-1,484**	**-1,469**	21	20	**-1,463**	**-1,449**	-47	-44	**-1,510**	**-1,493**
0	0	0	0	0	0	0	0	**-3**	**7**	–	–	**-3**	**7**	–	–	**-3**	**7**
28	4	267	292	136	117	-234	-244	**1,066**	**993**	22	25	**1,088**	**1,018**	-75	-49	**1,013**	**969**
-6	-5	-203	-200	-25	-24	-74	-86	**-414**	**-420**	–	–	**-414**	**-420**	–	–	**–**	**–**
22	-1	64	92	111	93	-308	-330	**652**	**573**	22	25	**674**	**598**	–	–	**–**	**–**
663	661	19,927	19,915	3,234	3,264	1,170	1,128	**38,739**	**38,451**	-672	-668	**38,067**	**37,783**	–	–	**38,067**	**37,783**
31	33	179	195	1	0	102	92	**4,124**	**4,095**	–	–	**4,124**	**4,095**	–	–	**4,124**	**4,095**
0	0	0	0	0	0	14	14	**3,013**	**2,944**	–	–	**3,013**	**2,944**	–	–	**3,013**	**2,944**
310	327	195	202	–	–	64	52	**1,001**	**988**	–	–	**1,001**	**988**	–	–	**1,001**	**988**
232	251	344	424	23	85	730	721	**5,545**	**5,573**	-1,040	-1,153	**4,505**	**4,420**	–	–	**4,505**	**4,420**
244	170	119	68	8	8	18,669	18,395	**22,634**	**22,539**	-21,485	-21,444	**1,149**	**1,095**	–	–	**1,149**	**1,095**
-170	-90	0	0	–	–	-17,953	-17,700	**-21,019**	**-20,987**	20,926	20,898	**-93**	**-89**	–	–	**-93**	**-89**
0	0	0	0	–	–	50	38	**81**	**72**	–	–	**81**	**72**	–	–	**81**	**72**
–	–	–	–	–	–	–	–	**0**	**0**	–	–	**0**	**0**	–	–	**0**	**0**
-184	-190	-699	-654	-94	-111	-851	-771	**-5,489**	**-5,402**	1,035	1,151	**-4,454**	**-4,251**	–	–	**-4,454**	**-4,251**
-155	-144	-940	-810	-91	-94	-948	-854	**-4,203**	**-3,991**	561	542	**-3,642**	**-3,449**	–	–	**-3,642**	**-3,449**
-1	0	0	–	0	0	-23	-14	**-174**	**-165**	11	9	**-163**	**-156**	–	–	**-163**	**-156**
-98	-76	-280	-296	-49	-44	-2,711	-2,778	**-4,855**	**-4,943**	-3	0	**-4,858**	**-4,943**	–	–	**-4,858**	**-4,943**
-27	-28	-1,158	-1,280	-145	-145	-124	-126	**-2,116**	**-2,221**	3	6	**-2,113**	**-2,215**	–	–	**-2,113**	**-2,215**
845	914	17,687	17,764	2,887	2,963	-1,825	-1,817	**34,268**	**34,009**	-664	-659	**33,604**	**33,350**	–	–	**33,604**	**33,350**
196	284	10,241	10,258	1,269	1,372	1,699	2,070	**16,571**	**16,982**	–	–	**16,571**	**16,982**	–	–	**16,571**	**16,982**
–	–	2	1	–	–	337	330	**514**	**522**	–	–	**514**	**522**	–	–	**514**	**522**
–	–	0	0	–	–	4	5	**6**	**8**	–	–	**6**	**8**	–	–	**6**	**8**
106	104	1,987	1,993	194	241	58	45	**3,409**	**3,255**	5	8	**3,414**	**3,263**	–	–	**3,414**	**3,263**
0	0	-1,409	-1,508	-132	-138	-24	-14	**-1,567**	**-1,665**	–	–	**-1,567**	**-1,665**	–	–	**-1,567**	**-1,665**
106	104	578	485	62	103	34	31	**1,842**	**1,590**	5	8	**1,847**	**1,598**	–	–	**1,847**	**1,598**
–	–	–	–	–	–	5	–	**7**	**194**	–	–	**7**	**194**	–	–	**7**	**194**
26,103	26,430	43,320	42,191	4,915	4,896	27,399	26,939	**296,897**	**295,734**	–	–	**296,897**	**295,734**	–	–	**296,897**	**295,734**

[4] The number of employees comprises the workforce, excl. trainees, at the end of the reporting period (part-time employees have been converted to full-time equivalents).

[5] Relating to special items and reclassification PPA amortization of customer contracts.

INFORMATION BY REGIONS

	External revenues		Non-current assets [1]		Capital employed [1]		Gross capital expenditures		Net capital expenditures		Employees [1]	
Jan 1 through Jun 30 [€ million]	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Germany	11,468	11,249	35,522	35,219	27,245	27,034	3,239	3,006	1,673	1,343	189,202	188,094
Europe (excluding Germany)	6,123	5,927	6,481	6,482	6,055	6,089	146	228	145	226	84,107	83,872
Asia/Pacific	1,188	1,211	712	682	747	694	16	13	16	13	13,762	13,808
North America	704	727	185	192	200	186	6	6	6	6	7,269	7,390
Rest of world	251	259	28	28	35	17	2	2	2	2	2,557	2,570
Consolidation	–	–	- 642	- 635	- 678	- 670	5	8	5	8	–	–
DB Group adjusted	**19,734**	**19,373**	**42,286**	**41,968**	**33,604**	**33,350**	**3,414**	**3,263**	**1,847**	**1,598**	**296,897**	**295,734**
Consolidation	7	–	–	–	–	–	–	–	–	–	–	–
DB Group	**19,741**	**19,373**	**42,286**	**41,968**	**33,604**	**33,350**	**3,414**	**3,263**	**1,847**	**1,598**	**296,897**	**295,734**

[1] Statement as of December 31.

Notes to the consolidated interim financial statements

BASIC PRINCIPLES AND METHODS

The unaudited short-form interim financial statements for the period ending June 30, 2014 are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). The requirements of IAS 34 (Interim Financial Reporting) have been followed. The accounting policies underlying the consolidated financial statements 2013 have been consistently applied for these interim financial statements.

The following new standards, interpretations and amendments of the IAS/IFRS standards are the subject of mandatory adoption within the reporting period. With regard to the explanations, please refer to the section "Principles of preparing financial statements" in the 2013 Annual Report.

- IAS 27: Separate Financial Statements (published May 2011; applicable for reporting periods starting January 1, 2014[1])
- IAS 28: Investments in Associates and Joint Ventures (published May 2011; applicable for reporting periods starting January 1, 2014[1])
- IAS 32: Amendment of IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (published December 2011; applicable for reporting periods starting January 1, 2014)
- IAS 36: Amendment of IAS 36 "Impairment of Assets: Details of the Recoverable Amount of Non-Financial Assets" (published May 2013; applicable for reporting periods starting January 1, 2014)
- IAS 39: Amendment of IAS 39 "Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Accounting Treatment for Hedge Relationships" (published June 2013; applicable for reporting periods starting January 1, 2014)
- IFRS 10: Consolidated Financial Statements (published May 2011; applicable for reporting periods starting January 1, 2014[1])
- IFRS 11: Joint Arrangements (published May 2011; applicable for reporting periods starting January 1, 2014[1])
- IFRS 12: Disclosure of Interests in Other Entities (published May 2011; applicable for reporting periods starting January 1, 2014[1])
- IFRS 10, IFRS 11 and IFRS 12: Amendment of IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities: Transition Guidance" (published October 2012; applicable for reporting periods starting January 1, 2014)
- IFRS 10, IFRS 12 and IAS 27: Amendment of IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements: Investment Entities" (published June 2012; applicable for reporting periods starting January 1, 2014)
- IFRIC 21: Levies (published May 2013; applicable for reporting periods starting January 1, 2014)

[1] In December 2012, the European Commission postponed the time at which this was due to come into force from January 1, 2013 to January 1, 2014.

CHANGES IN DB GROUP

Movements in the group of fully consolidated companies of DB Group are detailed in the following:

[Numbers]	German Jun 30, 2014	Foreign Jun 30, 2014	Total Jun 30, 2014	Total Jun 30, 2013	Total Dec 31, 2013
FULLY CONSOLIDATED SUBSIDIARIES					
As of Jan 1	132	529	661	749	749
Additions	2	4	6	24	37
Additions due to changes in type of inclusion	0	0	0	1	2
Disposals	0	23	23	98	127
Disposals due to changes in type of inclusion	0	2	2	0	0
Total	**134**	**508**	**642**	**676**	**661**

Additions of companies and parts of companies

The additions to the scope of consolidation consists of four new companies established in the period under review, the acquisition of 100 % of the shares in CUP TOUR bus, s.r.o. (Cup Tour), Příbram/Czech Republic and the acquisition of 100 % of the shares in Barnsdale Cartel Damage Solution AG (Barnsdale).

The transactions are detailed in the following:

- With the agreement of February 11, 2014 (closing February 28, 2014), DB Group acquired all shares in Cup Tour. This company operates 17 buses primarily on the local service route from Příbram to Prague. Since March 1, 2014, the company has been included in segment reporting in the DB Arriva segment.
- With the agreement of May 13, 2014 (closing May 13, 2014), DB ML AG acquired all shares in Barnsdale. Since June 1, 2014, this company has been included in segment reporting in the Subsidiaries/Other segment. No business operation exists as defined by IFRS 3; a business combination in the sense of IFRS 3 does not exist in this case.

The costs of purchase and the fair value of the acquired net assets are shown in the following (cumulatively) for all changes in the scope of consolidation as far as they are included in the scope of IFRS 3. All purchase price allocations for acquisitions in the period under review are consistent with IFRS 3. Goodwill is to a large extent substantiated by the synergy effects expected for the period after the acquisition. In addition, a considerable proportion of goodwill is attributable to assets which are not eligible for recognition under IFRS 3, and in particular the employee base, market access and the future revenue potential.

The goodwill is calculated as follows:

[€ million]	2014	thereof Cup Tour
PURCHASE PRICE		
Payments	1	1
+ Outstanding payments	–	–
Total compensation	**1**	**1**
+ Fair value of share in equity capital held before acquisition	–	–
– Fair value of net assets acquired	1	1
Goodwill	**0**	**0**

With this acquisition, we do not expect that any part of the goodwill is deductible for income tax purposes.

PURCHASE PRICE ALLOCATION CUP TOUR

The acquired net assets are broken down as follows:

[€ million]	Carrying amount	Adjust-ment	Fair value
Property, plant and equipment	0	–	0
Intangible assets	0	2	2
Trade receivables	0	–	0
Other receivables and assets	0	–	0
Cash and cash equivalents	0	–	0
Deferred tax assets	0	–	0
Assets	**0**	**2**	**2**
Liabilities	0	–	0
Other provisions	0	–	0
Deferred tax liabilities	0	1	1
Debt	**0**	**1**	**1**
thereof recognized contingent liabilities in accordance with IFRS 3	0	–	0
Share of third parties	0	–	0
Net assets acquired	**0**	**1**	**1**
Purchase price paid in cash and cash equivalents	1	–	1
Cash and cash equivalents acquired	0	–	0
Outflow of cash and cash equivalents through transaction	**1**	**–**	**1**

The fair value of the trade receivables is € 0 million; this figure does not include any impairments.

If Cup Tour had been included in the DB consolidated financial statements as of January 1, 2014, DB Group would have reported additional revenues of € 0 million and a net profit of € 0 million.

After being initially consolidated, Cup Tour has generated revenues of € 1 million and a net profit of € 0 million.

Disposals of companies and parts of companies

The disposals from the scope of consolidation relate to 14 mergers as well as seven liquidations and two sales. The sales have generated a cash inflow of € 1 million.

The disposals relating to the change in the type of incorporation comprise two companies which have been recognized at equity since the beginning of the reporting period.

The following table shows a summary of the major effects on the consolidated statement of income resulting from the changes in the scope of consolidation which have taken place compared with the respective previous year period:

[€ million]	H1 2014	thereof due to additions to the scope of consolidation	Amount due to disposals from the scope of consolidation
Revenues	19,741	118	- 27
Inventory changes and internally produced and capitalized assets	1,244	0	0
Overall performance	20,985	118	- 27
Other operating income	1,056	3	- 3
Cost of materials	- 9,919	- 52	11
Personnel expenses	- 7,270	- 40	10
Depreciation	- 1,513	- 10	2
Other operating expenses	- 2,326	- 11	10
Operating profit (EBIT)	**1,013**	**8**	**3**
Result from investments accounted for using the equity method	6	-	-
Net interest income	- 444	- 1	1
Other financial result	- 5	0	0
Financial result	**- 443**	**- 1**	**1**
Profit before taxes on income	**570**	**7**	**4**
Taxes on income	72	- 2	0
Net profit	**642**	**5**	**4**

Of the revenues of € 118 million resulting from additions to the scope of consolidation, € 96 million relate to Veolia Eastern Europe which was acquired in the course of the previous year, € 9 million relates to Centrebus which was acquired in the course of the previous year, € 5 million relates to Schenker Logistics L.L.C. which was acquired in the course of the previous year, € 4 million relates to Czech Bus which was acquired in the course of the previous year, € 3 million relates to Schenker Panama which was acquired in the course of the previous year and € 1 million relates to the acquisition of Cup Tour.

Of the figures shown for disposals from the scope of consolidation, revenues of € 15 million relate to Arriva Malta which was sold in the period under review.

CONTINGENT RECEIVABLES AND LIABILITIES, AND GUARANTEE OBLIGATIONS

Contingent receivables were stated as € 61 million as of June 30, 2014 (as of December 31, 2013: € 234 million; as of June 30, 2013: € 75 million), and comprise a claim for a refund regarding investment grants which had been paid; however, as of the balance sheet date, the extent and due date of the claim was not sufficiently certain.

The contingent liabilities are broken down as follows:

[€ million]	Jun 30, 2014	Dec 31, 2013	Jun 30, 2013
Contingent liabilities from			
Provision of warranties	-	-	1
Other contingent liabilities	328	454	90
Total	**328**	**454**	**91**

The other contingent liabilities mainly relate to potential tax litigation in Germany. They also comprise risks arising from litigation which had not been stated as provisions because the expected probability of occurrence is less than 50 %.

There are also contingencies of € 40 million from guarantees as of June 30, 2014 (€ 50 million as of December 31, 2013; € 70 million as of June 30, 2013). Property, plant and equipment with a carrying amount of € 18 million (as of December 31, 2013: € 46 million; as of June 30, 2013: € 70 million) were also used as security for loans. The reported figure essentially relates to rolling stock and buses which are used at the operating companies in the segments DB Arriva, DB Bahn Regional and DB Bahn Long-Distance.

Cartel authorities have been investigating companies in the freight forwarding sector worldwide since the autumn of 2007. In consequence, DB AG and Schenker/BAX have paid fines of € 35.9 million in Europe and USD 23.28 million in the USA in 2011 and 2012. Not all cartel authority proceedings are expected to be concluded before the end of 2014. The European Commission has also started proceedings against companies in the freight forwarding sector due to the suspicion of anti-competitive collusion in relation to rail freight forwarding services to and from Southeast Europe, and carried out house searches at the locations of DB Schenker in Vienna and Athens on June 18, 2013. The proceedings were commenced in June 2014.

DB Group acts as guarantor mainly for equity participations and joint ventures, and is subject to joint and several liability for all syndicates in which it is involved.

INFORMATION REGARDING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, trade receivables and other financial assets (€ 683 million) approximate the fair values as of the balance sheet date.

The carrying amounts of the trade liabilities, the miscellaneous and other financial liabilities (a total of € 6,058 million) as well as the current financial debt approximate the fair values as of the balance sheet date.

With regard to the following balance sheet items, the other financial assets and other financial liabilities are as follows:

	Jun 30, 2014			Dec 31, 2013			Jun 30, 2013		
		thereof			thereof			thereof	
[€ million]	**Carrying amount**	financial	non-financial	**Carrying amount**	financial	non-financial	**Carrying amount**	financial	non-financial
ASSETS									
Receivables and other assets	110	66	44	138	61	77	112	69	43
Other receivables and assets	1,039	617	422	889	545	344	983	569	414
Total	**1,149**	**683**	**466**	**1,027**	**606**	**421**	**1,095**	**638**	**457**
LIABILITIES									
Other liabilities	255	114	141	271	117	154	314	120	194
Trade liabilities and other liabilities	7,841	5,944	1,897	7,398	5,640	1,758	7,386	5,577	1,809
Total	**8,096**	**6,058**	**2,038**	**7,669**	**5,757**	**1,912**	**7,700**	**5,697**	**2,003**

The fair value of the non-current financial debt amounted to € 20,914 million as of June 30, 2014 (as of December 31, 2013: € 19,532 million; as of June 30, 2013: € 18,875 million).

The financial instruments recognized at fair value are classified under valuation level 2 and to a lesser extent under valuation level 1.

	Jun 30, 2014				Dec 31, 2013				Jun 30, 2013			
[€ million]	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
ASSETS												
Available-for-sale financial assets (securities at fair value)	6	–	–	**6**	7	–	–	7	5	–	–	**5**
Derivates – non-hedging	–	3	–	**3**	–	4	–	4	–	5	–	**5**
Derivates – hedging	–	87	–	**87**	–	82	–	82	–	116	–	**116**
Total	**6**	**90**	**–**	**96**	**7**	**86**	**–**	**93**	**5**	**121**	**–**	**126**
LIABILITIES												
Derivates – non-hedging	–	1	–	**1**	–	4	–	4	–	2	–	**2**
Derivates – hedging	–	403	–	**403**	–	438	–	438	–	354	–	**354**
Total	**–**	**404**	**–**	**404**	**–**	**442**	**–**	**442**	**–**	**356**	**–**	**356**

The other available-for-sale financial assets shown in the balance sheet (a total of € 10 million) comprise other investments and securities which are recognized at cost of purchase, because there is no corresponding price listed on an active market and because the fair value cannot be reliably determined. At present, there is essentially no intention to sell.

There have been no reclassifications between the valuation levels in the current reporting period.

For establishing the fair values of the derivative financial instruments, the contractually agreed or most probable cash flows are discounted using the appropriate market interest rate, whereby due consideration is given to the credit risk by means of credit spreads. No credit risk markdowns have been recognized in the case of secured exposures. The credit risk resulting from the derivative portfolio is treated on a net basis. Credit support annexes, which are subject to daily security settlement with a threshold value of € 0, are concluded to minimize the credit risk of long-term interest and cross-currency transactions as well as of energy-based derivatives.

OTHER FINANCIAL OBLIGATIONS

The other financial obligations amounted to a total € 22,293 million as of June 30, 2014 (as of December 31, 2013: € 21,827 million; as of June 30, 2013: € 20,729 million).

Capital expenditures in relation to which the company has entered into contractual obligations as of the balance sheet date, but for which no consideration has yet been received, are broken down as follows:

[€ million]	Jun 30, 2014	Dec 31, 2013	Jun 30, 2013
Committed capital expenditures			
Property, plant and equipment	16,631	16,083	14,741
Intangible assets	9	10	1
Outstanding contributions	387	383	381
Total	**17,027**	**16,476**	**15,123**

The slight increase in committed capital expenditures for property, plant and equipment is mainly attributable to the procurement of new rolling stock as well as an increase in the contracted volume of investments as a result of own construction work. In the case of some supply arrangements, there are independent admissions of guilt with regard to fulfilling the order commitment, these are opposed by claims of the same amount, backed by bank guarantees and insurance policies with maximum creditworthiness.

Of the figure shown for outstanding contributions, € 387 million relates to unclaimed outstanding contributions at EUROFIMA European Company for the Financing of Railroad Rolling Stock, Basel/Switzerland (as of December 31, 2013: € 383 million, as of June 30, 2013: € 381 million).

RELATED-PARTY DISCLOSURES

Major economic relations between DB Group and the Federal Republic of Germany relate to liabilities due to the Federal Republic of Germany arising from loans which have been extended (present value € 1,461 million, as of December 31, 2013: € 1,644 million; as of June 30, 2013: € 1,829 million). There are also relations arising from the fees paid to the Federal Republic of Germany within the framework of pro forma billing for the assigned civil servants as well as cost refunds for the secondment of service provision personnel as well as from investment grants which have been received. The guarantees received from the Federal Government primarily relate to the loans received from EUROFIMA as well as the outstanding contributions and liabilities arising from collective liability of DB AG at EUROFIMA.

Business relations with Deutsche Telekom and Deutsche Post regarding the use of telecommunications and postal services have taken place to the usual extent.

OTHER DISCLOSURES

Bond issues

As of June 30, 2014, the following bonds were issued by Deutsche Bahn Finance B.V. (DB Finance), Amsterdam/the Netherlands:

[volume of issue]	Term (years)	Coupon (%)	Placing
AUD 90 million (approximately € 59 million)	10	5.395	Private placing in Asia
SEK 1,250 million (approximately € 142 million), first tranche	7	2.875	Institutional investors in Scandinavia
SEK 350 million (approximately € 40 million), second tranche	7	3-month Stibor plus 53 basis points	Institutional investors in Scandinavia
CHF 300 million (approximately € 246 million)	10.5	1.5	Swiss investors
SGD 125 million (approximately € 73 million)	5	2.29	Institutional investors in Singapore
€ 500 million	15	2.75	Institutional investors in Europe and Asia

Dividend payment

Pursuant to the resolution of the Annual General Meeting of March 26, 2014, DB Group paid a dividend of € 200 million to the Federal Republic of Germany.

Number of issued shares

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

Events after the balance sheet date

On July 15, 2014, DB Finance issued another bond with a total volume of € 300 million. The six-year bond bears a variable coupon of 3M-EURIBOR + 30 bps percent and found the interest of institutional investors almost exclusively from Europe.

In July 2014 DB Group sold all its shares in WBN Waggonbau Niesky GmbH.

Berlin, July 18, 2014

Deutsche Bahn Aktiengesellschaft

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The Interim Report was published on July 24, 2014 (copy deadline: July 18, 2014) and is available on the Internet at www.db.de/zb-e.

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

CORPORATE COMMUNICATION

Corporate publications, the Competition Report and the Sustainability Report are available on the Internet or can be requested from Corporate Communications:
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DB SERVICE NUMBER

Our service number + 49-1806-99 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 20 ct/call. Charges from the German cell phone network cost 60 ct/call at most.

Financial calendar

March 19, 2015
Annual Results Press Conference,
Publication of the 2014 Integrated Report

July 29, 2015
Interim Results Press Conference,
Publication of the Interim Report January – June 2015

Imprint

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