Deutsche Bahn

Integrated Interim Report January – June 2019

Germany needs a strong rail system

MORE ROBUST, MORE POWERFUL, MORE MODERN

Germany needs a strong rail system more than ever before. This will enable DB Group to fully focus on making a strong rail system possible in Germany in the future.

Further Information 3 ff.

A strong rail system for our climate

[1]

A strong rail system for our climate means: a reduction in total CO_2 emissions by 10 million tons per year. This corresponds to the annual CO_2 footprint of one million people.

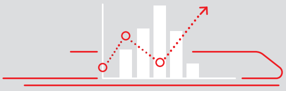
A strong rail system for the people

[2]

A strong rail system for the people means: twice as many rail passengers and five million car trips and 14,000 air flights less in Germany every day.

A strong rail system for the economy

[3]



A strong rail system for the economy means: increasing the rail freight transport market share in Germany to 25%. This corresponds to 13 million fewer truck trips per year on German roads.

A strong rail system for Europe

[4]

A strong rail system for Europe means: a joint implementation of European networking by means of a strong rail system, which is the decisive factor for achieving European climate protection targets and economic growth.

At a glance

Selected key figures	H1 2019	H1 2018	Change absolute	Change %
KEY FINANCIAL FIGURES (€ MILLION)				
Revenues adjusted	22,013	21,548	+ 465	+ 2.2
Revenues comparable	21,926	21,548	+ 378	+ 1.8
Profit before taxes on income	277	560	- 283	- 50.5
Net profit (after taxes)	205	562	- 357	- 63.5
EBITDA adjusted [1]	2,534	2,304	+ 230	+ 10.0
EBIT adjusted	757	974	- 217	- 22.3
Equity [1] as of Jun 30 / Dec 31	12,804	13,592	- 788	- 5.8
Net financial debt [1] as of Jun 30 / Dec 31	25,409	19,549	+ 5,860	+ 30.0
Balance sheet total [1] as of Jun 30 / Dec 31	63,790	58,527	+ 5,263	+ 9.0
Capital employed [1] as of Jun 30 / Dec 31	42,114	36,657	+ 5,457	+ 14.9
Return on capital employed (ROCE) [1] (%)	3.6	5.4	-	-
Redemption coverage [1] (%)	13.8	16.9	-	-
Gross capital expenditures [1]	4,825	4,217	+ 608	+ 14.4
Net capital expenditures [1]	2,350	1,925	+ 425	+ 22.1
Cash flow from operating activities	1,386	1,294	+ 92	+ 7.1
Free cash flow	- 655	- 329	- 326	+ 99.1
KEY PERFORMANCE FIGURES				
Passengers [2] (million)	2,456	2,332	+ 124	+ 5.3
RAIL PASSENGER TRANSPORT				
Punctuality DB passenger transport (rail) in Germany (%)	94.3	94.0	-	-
Punctuality DB Long-Distance (%)	77.2	77.4	-	-
Passengers (million)	1,293	1,287	+ 6	+ 0.5
thereof in Germany	1,049	1,031	+ 18	+ 1.7
thereof DB Long-Distance	71.8	70.9	+ 0.9	+ 1.3
Volume sold (million pkm)	47,250	47,575	- 325	- 0.7
Volume produced (million train-path km)	381.4	388.6	- 7.2	- 1.9
RAIL FREIGHT TRANSPORT				
Freight carried (million t)	122.4	129.4	- 7.0	- 5.4
Volume sold (million tkm)	43,738	44,534	- 796	- 1.8
TRACK INFRASTRUCTURE				
Punctuality (rail) in Germany [3] (%)	93.6	93.3	-	-
Punctuality DB Group (rail) in Germany (%)	94.2	93.9	-	-
Train kilometers on track infrastructure (million train-path km)	543.0	540.0	+ 3.0	+ 0.6
thereof non-Group railways	179.9	172.2	+ 7.7	+ 4.5
Share of non-Group railways (%)	33.1	31.9	-	-
Station stops (million)	77.7	76.7	+ 1.0	+ 1.3
thereof non-Group railways	19.5	18.3	+ 1.2	+ 6.6
BUS TRANSPORT				
Passengers [2] (million)	1,163	1,045	+ 118	+ 11.3
Volume sold [4] (million pkm)	3,368	3,516	- 148	- 4.2
Volume produced (million bus km)	795.5	802.8	- 7.3	- 0.9
FREIGHT FORWARDING AND LOGISTICS				
Shipments in land transport (thousand)	53,860	52,522	+ 1,338	+ 2.5
Air freight volume (export) (thousand t)	578.9	649.4	- 70.5	- 10.9
Ocean freight volume (export) (thousand TEU)	1,115	1,087	+ 28	+ 2.6
ADDITIONAL KEY FIGURES				
Order book for passenger transport as of Jun 30 / Dec 31 (€ billion)	90.5	91.0	- 0.5	- 0.5
Moody's / S&P Global ratings	Aa1 / AA-	Aa1 / AA-	-	-
Employees as of Jun 30 (FTE)	321,765	316,919	+ 4,846	+ 1.5

[1] Limited comparability with the value of H1 2018 / as of December 31, 2018 due to **IFRS 16 effects** **15 f.**

[2] H1 2018 figure adjusted.

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

[4] Excluding DB Arriva.

Contents

! COVER IMAGE: A STRONG RAIL SYSTEM FOR GERMANY

To transform rail transport in Germany into a powerful backbone of our economy and society is a big task. As Deutsche Bahn, we identify particularly strongly with this task and assume particular responsibility for achieving this goal. We need an expansion strategy in order to live up to the demands of the climate, people, the economy and Europe, and to be able to contribute to a strong rail system.

Our ambassador for Europe in long-distance transport is an ICE 3, which was solemnly baptized "Europa/Europe" in Brussels, and with its blue stripes travels the Frankfurt am Main – Cologne – Brussels route.

DR. RICHARD LUTZ
CEO and Chairman of the Management Board
of Deutsche Bahn AG

Ladies and gentlemen,

Why do we exist as Deutsche Bahn? What is our objective? What do we stand for? These are all questions which we have intensively focused on in the recent past.

Our response is strong and clear: our innermost concern is that Germany should have a strong rail system. This is what guides us, and this is what we will focus on with our new Strong Rail umbrella strategy. It is our compass for our path into the future. And we will propel Germany forward.

This has become particularly clear, specifically in relation to climate concerns: Germany will only be able to reach its climate targets with the help of a strong rail system. As Deutsche Bahn, we are Germany's biggest climate protector. And so we are setting for ourselves new, even more ambitious environmental targets: by no later than 2038, we plan to get our traction current fully from renewable energy. Our previous target for this was the year 2050.

But at the same time, it must be clear that all participants must make a huge effort to turn powerful rail into reality. We have a clear focus in this regard: we will put all our efforts into the expansion of our core business.

This means, for example, that we will double long-distance passenger numbers to 260 million, with new, faster and more frequent connections on numerous routes. We are planning to expand network capacity by 30 percent in close cooperation with the Federal Government, among other things by implementing Digital Rail for Germany, accelerating new construction and expansion and improving capacity management. After all, sufficient capacity in infrastructure is the key to growth, a shift in transport modes and good operational quality. More rail traffic will also require more employees and their tireless daily dedication. To achieve this, we are planning to hire 100,000 new employees in the next few years.

With this objective, we are continuing many projects under the Strong Rail umbrella that we had already initiated with the Agenda for a Better Railway. The first half of 2019 has shown that we are on a successful path here.

The trend of relocating more traffic to rail, for example, has continued. We see this, among other things, in the increased number of train-path kilometers. This is a noteworthy achievement, particularly in view of the active construction activities in our infrastructure.

We are planning to continue modernizing and expanding our long-distance fleet. From the Spanish manufacturer Talgo, for example, we have purchased new vehicles for cross-border transport. And we are providing better service on our existing fleet with our expanded comfort check-in and the gradual expansion of free WiFi, even on Intercity trains.

And, last but not least, we are also working hard on making our service offering viable in our freight transport and logistics divisions. This includes equipping the entire DB Cargo freight car fleet with cutting edge telematics and sensors. DB Schenker has put the first autonomous electric truck worldwide, the T-Pod, on the road in collaboration with the Swedish start-up Einride.

We are pleased to report that our business continues to grow, and we will therefore continue to vigorously invest in the growth and the future of rail. These increased future expenses are reflected in our capital expenditure lines and the current profit developments.

More robust, more powerful and more modern – this is the type of Deutsche Bahn that we are striving to become with our Strong Rail strategy. This is a monster of a project, and, yes, we are only just starting. But we are fully committed to this goal which will guide us into the year 2030 and beyond. With a Strong Rail. With it we will make a substantial contribution for a positive future for our country.

Best regards,

Dr. Richard Lutz
CEO and Chairman of the Management Board
of Deutsche Bahn AG

Germany needs a strong rail system

More train-paths, more trains, more employees …

… for more transport by rail.

+100,000

Recruitment of more than 100,000 employees

+100%

Expansion of the long-distance fleet (+100% in capacity)

+30%

Expansion and digitalization of the infrastructure (+30% capacity in the network)

40 million

Station capacity will be doubled for up to 40 million travelers per day

More connections: more than 30 large cities will be connected at 30-minute intervals

260 million

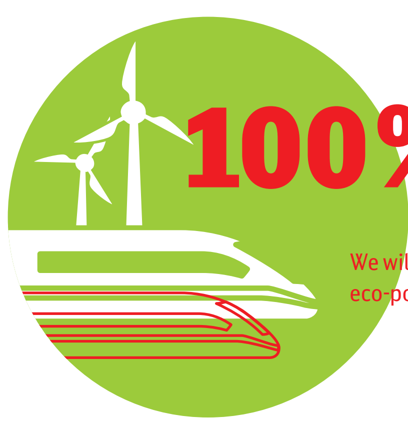
Doubling of long-distance passenger numbers to 260 million

+1 billion

Plus 1 billion local passengers

+70%

Increase in volume sold in freight transport by 70%



100%

Riding trains is active climate protection.

We will be using 100% eco-power as early as 2038

Interim Group Management Report

(unaudited)

Fundamentals

- Options for the sale of DB Arriva are being reviewed
- New Strong Rail strategy presented
- Master plan for rail freight transport in implementation

Changes in the executive bodies

There were no changes to the Management Board of Deutsche Bahn AG (DB AG) in the first half of 2019. The following changes have been made to the Supervisory Board of DB AG during the first half of 2019:

- Mr. Stefan Müller resigned from his position on the Supervisory Board of DB AG with effect from March 31, 2019. Mr. Christian Schmidt was elected as his successor and member of the Supervisory Board of DB AG during the Annual General Meeting on March 27, 2019 with effect from April 1, 2019.

Changes within DB Group

The Supervisory Board has instructed the Management Board of DB AG to drive ahead with different options for the sale of Arriva. The sale of up to 100% to one or several investors and an IPO are currently being considered. This is intended to limit DB Group's debt increase while at the same time allowing DB Arriva to generate further financial scope for growth.

New Strong Rail strategy

Germany can only achieve its self-imposed climate targets if it manages to shift large portions of transport to rail over the next decade. Furthermore, Germany will only continue to be an economically successful country if people and goods are less frequently stuck in traffic. In short, Germany needs a strong rail system. As part of our new Strong Rail umbrella strategy, we are concentrating on this endeavor: For the climate. For people. For the economy. For Europe.

Within the scope of our Agenda for a Better Railway, we started to implement measures in 2019 with the aim of creating additional capacity, improving product quality and increasing customer satisfaction. The development during the first half of 2019 shows that these measures are working and that we are on the right path: The **number of long-distance passengers** **27**, for example, has continued to increase. The higher numbers of DB Navigator users and customers show that we are also improving our customers' travel experience through digital innovations, such as the integration of composite tickets.

The modernization of high-speed lines is a crucial measure to provide our customers with a better product. We expect above-average punctuality figures on international and tourist routes, especially due to the use of **new vehicles** **26.**

We plan to continue this positive trend in the long term through the implementation of our new strategy. Three areas of development have been identified: more robust, more powerful and more modern.

- We want to become more robust and aim towards growth in passenger and freight transport within the scope of our new strategy. The required extensive expansion of our capacity is a key element in this strategy. Among other things, we are therefore investing billions into our infrastructure and new trains and are set to hire 100,000 new employees over the next few years. More trains, more train-paths and more employees will enable us to transport significantly more passengers and freight while also providing higher quality.

- We will also implement structural changes, in particular to achieve a high and sustainable level of performance. We will become more powerful by simplifying our organization. This will make us more customer-focused and help us to work more efficiently with our employees. We also plan to simplify processes and create clear responsibilities.
- Last but not least, we are becoming more modern by increasing the pace of innovation for our customers – including the introduction of Germany in sync (Deutschland-Takt), stronger networking and smarter services. By 2030, we will provide direct connections between about 30 large German cities which will run twice an hour. Using digital technologies, we will make it easy to switch between modes of transport and increase the attractiveness of our products. With the expansion of our activities in the area of new mobility (for example ioki, CleverShuttle and Mobimeo) we offer services that extend rail services basically to the front door of our customers and complement public transport connections in a useful way.

We have identified five key topics for each of the three areas of development. These are our building blocks. The central criterion for the selection of the building blocks is their significance across all business units to achieve our goal of a strong rail system. In total, this results in 15 building blocks relevant to DB Group. Within the scope of the strategy, they are supplemented by building blocks specific to each business unit.

NEW STRONG RAIL STRATEGY: BUILDING BLOCKS

MORE ROBUST	The building block **“Infrastructure expansion”**	The building block **“Digital Rail for Germany”**	The building block **“Network capacity management”**	The building block **“Fleet and depot expansion”**	The building block **“100,000 employees”**
MORE POWERFUL	The building block **“Strong line organization”**	The building block **“Integrated accountability”**	The building block **“Strong admin”**	The building block **“Stable processes”**	The building block **“15 building blocks of employees”**
MORE MODERN	The building block **“Germany in sync”**	The building block **“European corridors”**	The building block **“Digital platforms”**	The building block **“New forms of mobility”**	The building block **“Smart services”**

Everything we do as DB Group will be measured in terms of its contribution to a strong rail system. This will also affect our subsidiaries. Subsidiaries of strategic importance for a strong rail system, such as DB Schenker, will be continued as financial investment. Joint operational initiatives will focus on achieving synergies within the integrated network. Subsidiaries with no strategic relevance to a strong rail system will be reviewed.

New target system

Three targets are in the foreground for the sector in Germany:

- Doubling of passenger numbers in rail passenger transport,
- a market share of 25% of rail in freight transport, and
- to generate 100% of traction current from renewable energies by 2038.

We have therefore set ourselves the following goals in Germany:

- Doubling of passenger numbers in passenger transport. This corresponds to 260 million long-distance passengers and one billion more passengers in local transport.
- Increase in volume sold in rail freight transport by 70%.
- Increase in capacity on the rail network by 30%.
- Increase of customer satisfaction: >80 SI for DB Long-Distance, >75 SI for DB Regional and >70 SI for DB Cargo.
- Improvement of punctuality: >85% for DB Long-Distance, >95% for DB Regional and >77% for DB Cargo.
- Increase of employee satisfaction: >3.8 SI.
- Increase of share of renewable energies in the DB traction current mix: 100% by 2038.
- Generation of an adequate return on capital employed (ROCE of ≥7%). At the same time, it is important to ensure the necessary financial stability (redemption coverage ≥20%).

Anchoring the strategy

One of our main tasks is strategy implementation. Two topics are of central importance for this:

- Focus on the harmonization of business unit strategies and portfolios.
- Anchoring the **building blocks** **4** in mid-term planning with the corresponding adjustment of the target system.

We are adjusting our portfolio within the scope of the strategy implementation. We are transferring the programs of the Agenda for a Better Railway into the building blocks of the new strategy. DB Group will be managed in accordance with the strategic building blocks in the future. This aligns DB Group with the above-mentioned key goals.

Mobilization of employees

The mobilization of employees is a crucial factor in the success of the new strategy. We will only be able to achieve our targets with motivated employees and executives. In order for the mobilization to succeed, it is particularly important for us to successfully implement the strategic building blocks with the help of the building block "Fifteen building blocks of employees." This is a participatory concept that uses the knowledge and experience of our employees. DB employees will work on 15 of their own building blocks in employee forums and formats which will assist with the successful implementation of the new strategy. We will also rely on internal and external communication as a mobilization amplifier.

Legal and political issues

Legal issues

Proceedings regarding additional financing contributions for Stuttgart 21

We have filed a lawsuit against the project partners for further financing participation with the Stuttgart Administrative Court in order to avoid risks under the statute of limitations. After the partners filed their comprehensive response to the lawsuit, DB Group commented on the statement of defense of the project partners on June 21, 2019.

Civil proceedings on infrastructure usage fees

Following a ruling by the Federal Supreme Court (Bundesgerichtshof; BGH) in 2011, fees for the use of rail infrastructure could be reviewed by the civil courts for fairness under legislation prevailing before the entry into force of the Railway Regulation Act (Eisenbahnregulierungsgesetz; ERegG), according to the standard set out in section 315 of the Civil Code (Bürgerliches Gesetzbuch; BGB), even if BNetzA did not object to the fees and they were effective according to regulatory law. However, a number of legal disputes between DB Netz AG, DB Station & Service AG, and train operating companies (TOCs) or public transport authorities or Federal states continue to be based on the previous legal situation.

In a judgment of November 9, 2017, the European Court of Justice (ECJ) ruled that a fairness assessment of infrastructure charges by civil courts in accordance with Section 315 BGB is incompatible with European railway law. According to the judgment of the ECJ, a subsequent fairness assessment of the railway infrastructure charges is also excluded under the old legal situation. Several lower courts have now ruled in this sense, some of them legally binding. A judgment of the BGH is still pending. The BGH has temporarily suspended proceedings pending a final decision of the regulatory authority on subsequently filed applications for a retrospective review of charges.

Additional information can be found in the **2018 Integrated Report 61 and 174.**

Lawsuit by the Federal state of Saxony-Anhalt

The Federal state of Saxony-Anhalt has filed a lawsuit against DB Netz AG, DB Regio AG and DB AG claiming compensation for damages under antitrust law due to allegedly illegal train-path pricing by DB Netz AG through the levying of regional factors between 2005 and 2011. For its part, DB Regio AG is suing the Federal state of Saxony-Anhalt for reimbursement of outstanding transport contract-related receivables relating to increased infrastructure utilization costs between 2008 and 2014. By the ruling of November 8, 2018, the Frankfurt State Court entirely rejected the claim of the Federal state of Saxony-Anhalt. The Federal state has appealed. It is currently unclear when a decision will be made in the proceedings initiated by DB Regio AG.

Political environment

Regulatory and transport policy topics

Rail Future Alliance (rail pact)

On June 5, 2018, Federal Minister of Transport Andreas Scheuer announced the launch of the Rail Future Alliance, to swiftly address the targets and measures of the Federal Government with regard to rail policy. The Rail Future Alliance, under the management of the parliamentary Secretary of State Enak Ferlemann, began its work on October 9, 2018. The contents of the Rail Future Alliance were developed and discussed within five thematic working groups: introduce Germany in sync (Deutschland-Takt), expand capacities, strengthen the competitiveness of rail, reduce noise emissions, and digitalization, automation, and innovations; skilled rail worker demand. DB Group participates in all the working groups and in the steering committee. An interim report was presented at the Rail Summit on May 7, 2019 and the working groups are invited to present their top measures for an immediate action program by autumn 2019. A final report (Master Plan Rail 2020) should be available by the end of 2020 or at the latest in the spring of 2021. The intensive work of all working groups will continue.

Master plan for rail freight transport is being implemented further

The implementation of the master plan for rail freight transport will continue as per the procedure thus far in order to supplement the work of the Rail Future Alliance. The rail freight transport round table held another meeting with the key representatives of the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur; BMVI) and from the sector on September 25, 2018. The implementation and associated monitoring required for all ten areas of action with the 66 measures should be continued with the highest priority. The immediate measure of train-path price support was initiated on July 1, 2018 and has a term of five years. In 2018, funding of € 175 million was available, while in 2019, € 350 million is earmarked in the Federal budget. Immediate measures to be taken also include the Federal program Future of Rail Freight Transport, which seeks to strengthen innovation in the sector. A financial contribution of € 20 million per year is planned from 2020, but is subject to budgetary consultations. The notification of the funding guidelines by the EU Commission is also pending.

National platform future of mobility

The national platform future of mobility set up by the Federal Government began work on September 26, 2018 at the inaugural Steering Committee meeting. The objective of the mode of transport-oriented platform is the development of action recommendations. Working group 1 Climate Protection in Transport has prepared an interim report entitled “How to Meet the 2030 Climate Targets in the Transport Sector.” The steering committee approved the report on March 29, 2019. The Federal Government will continue to be able to consult working group 1, an expert panel for the in-depth analysis of issues that arise, for example, within the context of the work now being initiated by the Climate Cabinet. The work being performed by the other working groups and the cooperation between them will also continue. DB Group is represented in the steering committee and climate protection working groups on transport and digitalization.

Amendment of the railway regulatory framework in Germany

The Federal Government initiated an amendment to the railway regulatory framework on March 27, 2019 in order to implement the regulatory part of the Fourth EU Railway Package. As the Railway Regulation Act was negotiated in parallel to the Fourth Railway Package, the corresponding European specifications and evaluations had already largely been taken into account when the ERegG came into force in its original form. The need for amendments in Germany is therefore comparatively low.

5G frequency auction completed

The 5G auction ended on June 12, 2019. Immediately after the auction, attention is now focused on the specific implementation of the supply requirements imposed by the Federal Network Agency (Bundesnetzagentur; BNetzA). The requirements are expected to improve mobile communication services for rail passengers. The mobile network operators criticized the auction conditions and have filed suit against the decision. However, the mobile network operators were unsuccessful with their previously initiated temporary injunction proceedings. The coalition parliamentary groups passed a resolution regarding the establishment of a mobile radio infrastructure company (Mobilfunkinfrastrukturgesellschaften; MIG) to cover mobile service white spots on June 14, and it is still unclear what impact this will have on the fulfillment of the coverage requirements.

Europe-wide redefinition of the railway radio system by the end of 2020

In addition to the coverage of the railways by the mobile network operators, which is essential for the connectivity of railway customers, sufficient frequency equipment for railways is a key issue, as the current frequency allocations for railways throughout Europe are due to expire at the end of 2033. Working groups of the European Commission are currently preparing the technical and regulatory parameters for the reallocation of rail radio spectrum in Europe through a mandate from the European Conference of Postal and Telecommunications Administrations (CEPT). Sufficient frequency equipment is essential for the planned digitalization of rail operations in order to be able to carry out future applications such as Automated Train Operation (ATO). Through the member states represented in the CEPT, TOCs will have the opportunity to compile their own studies on the planned spectrum use to justify their own spectrum needs and usage until the end of 2019.

Mobility Package I: Ongoing political negotiations regarding competition and social standards in European road freight transport

Mobility Package I, which was presented on May 17, 2018, contains, among other legislative proposals, an initiative for the comprehensive revision of the competitive and social policy standards for European road freight transport. With regard to the relevant political negotiations in the European institutions, issues relating to labor and social standards and market access in particular lead to conflict between Western and Eastern European member states. Nevertheless, the Council, representing the European Member States, agreed on a position on December 3, 2018. The Members of the European Parliament also agreed on a common position on April 4, 2019: the parliamentarians have called, among other things, for the extension of the regulation to include light commercial vehicles. The European Parliament also wants to replace the existing restriction on the number of cabotage journeys with a period of three days and allow an unlimited number of journeys. The members also agreed on the driver's obligation to return to the member state at least every four weeks. Nights in the cab should be prohibited.

These positions taken by the Council and Parliament have set the course for the final negotiations with the European Commission.

Proposals for a multi-year EU financial framework

The Commission proposed a budget of € 1,279 billion for the new EU budget (MFF) for 2021 to 2027 on May 2, 2018. Investments in trans-European transport, digital and energy networks are expected to increase the Connecting Europe Facility (CEF) to € 42.3 billion, of which some € 31 billion will go to investment in transport networks. In the current financial framework, the budget for transport networks is around € 24 billion. This increase is due to a separate budget of € 6.5 billion for civil and military dual-use transport networks.

The European Parliament pushed for additional funding for the transport networks of € 7 billion in November 2018. The Council of the European Union has not yet taken a position on this. As the discussions about the CEF budget are embedded in the negotiations on the overall EU financial framework, no results are expected before the beginning of 2020.

Customer and quality

- Slight improvement in punctuality
- Comprehensive measures to improve punctuality being implemented
- Continued drive for innovative solutions
- Expansion of security measures

Focus on punctuality

Slightly improved development

Punctuality (%)	**H1 2019**	2018	H1 2018
Rail in Germany [1]	93.6	92.9	93.3
DB Group (rail) in Germany	94.2	93.4	93.9
DB rail passenger transport in Germany	94.3	93.5	94.0
DB Long-Distance	77.2	74.9	77.4
DB Regional	94.7	94.0	94.4
DB Cargo (Germany)	73.1	72.9	73.6
DB Arriva (rail: Great Britain, Denmark, Sweden, the Netherlands and Poland)	92.3	89.8	91.2
DB Regional (bus)	91.5	91.0	91.6
DB Cargo (Europe)	73.8	72.8	73.5

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

Punctuality of non-Group and DB Group TOCs showed slightly positive development overall in the first half of 2019. The upswing is a result of increased punctuality in passenger transport, and would have been more marked without the weather which caused difficulties in June 2019.

In long-distance transport, the level from the first half of 2018 was not quite reached due to the series of strong storms and record heat in June 2019. The series of storms at the beginning of June 2019 led to massive track closures due to lightning strikes, undercutting and fallen trees. Many construction measures had to be rescheduled starting in the second half of June due to the hot summer temperatures and record heat, which restricted line availability. This, combined with more than 50 embankment fires, resulted in a drop in punctuality.

A number of measures from the Agenda for a Better Railway contributed to improvements in punctuality. These include, among other things, the emergency program focused on command and control technology/railroad crossings, ICE 1 modernization and ICE 3 redesign, the expansion of vehicle maintenance capacities and the inclusion of larger time buffers for runs in major bottlenecks by reducing the scheduled times for stops and driving direction changes in Cologne, Frankfurt am Main and Stuttgart.

Focus of PlanStart activities

The PlanStart teams ensure that trains leave at their scheduled times. The PlanStart activities were extended across Germany and, alongside on-schedule departures, they also focus on hub exits and adherence to stopping times at selected stations.

In the first half of 2019, one focus of activity was Frankfurt and Berlin and the sustainable optimization of the deployment processes to achieve improvements in scheduled starting times.

In addition to the pilot corridor West (Dortmund—Cologne), the second corridor Middle (Fulda—Mannheim) was implemented in the first half of 2019. In addition, conceptualizing the inception of corridors South (Würzburg—Nuremberg) and North (Hamburg and feeder lines) was begun, with start-up of operations scheduled for the second half of 2019.

To reduce excess stopping times due to increased numbers of bicycles being transported on trains in the summer months, bicycle assistants have been deployed in Berlin who direct travelers to the location of bicycle cars, pre-sort bicycles on the platform according to parking spot numbers in the train, and actively assist bicycle riders when loading bicycles onto the train.

The Punctuality Management Center continues its work

The Punctuality Management Center established in the Infrastructure Board division in 2018 successfully continued its work across business units in the first half of 2019. The management center acts as an active management unit to ensure achievement of punctuality targets. The focus of the management center's work was on the development of PlanRadar, an early warning system for punctuality discrepancies across business units and the analysis of repeated punctuality drops in the fall.

The Construction Management Center continues its work

The importance of the Construction Management Center increased in the first half of 2019 due to the increase in construction activities. The goal is to deal with construction sites in the best possible capacity-preserving and customer-friendly manner. To reduce the need for track closures, construction measures are bundled by time and location, construction process planning and logistics are optimized, and the use of high-performance machinery is increased. As an additional measure, the PlanRadar early warning system was supplemented with a function that permits early identification of risky construction measures.

Vegetation management further developed

In the past years, extreme weather events with impact on operating processes and punctuality have noticeably increased. In addition to maintaining the proven 6 m zone to the left and right of the tracks, the approach also involves the removal of trees at risk of falling during a storm in the adjacent areas. The approach was further developed in the first half of 2019. Specifically, the concept aims at stabilizing the entire rail network through the targeted removal or support of trees. For a sustainable, storm-proof forest base, we are planning to additionally invest about € 160 million in the period between 2019 and 2024.

Driving innovative solutions

New products and service concepts

- We are equipping the Intercity fleet with free Internet access. Testing of the first WiFi-equipped Intercity cars has been underway since mid-March 2019.
- New service available in the travel information on bahn.de and in the DB Navigator app: a digital display shows the likely capacity utilization for every long-distance train for the next 28 days. This is to make it easier for customers to shift their reservation to a train that is less in demand or to reserve seats early.
- The S-Bahn (metro) in Stuttgart is developing the new Park+Ride app in cooperation with the start-up AIPARK. Through forecasts regarding parking space capacity utilization, the app shows whether it makes sense to leave the car at a certain location and provides navigation to empty parking spots with a seamless connection to local public transport.
- The S-Bahn (metro) in Stuttgart is starting day trip and event service “car-free leisure time” together with naturtrip. The S-Bahn (metro) plans to make the attractive offers provided by the local public transport during off-peak hours more visible with this cooperation.

Digitalization in rail operations

- We have tested the future **5G mobile phone technology** **7** for application in railway operations for the first time – with the new Advanced TrainLab.
- In Warnemünde, the second digital interlocking is being tested which is to commence operations in fall 2019.
- With the Click & Ride app, TOCs will be able to apply for tracks via mouse-click in the future. Thanks to the automatic schedule preparation, it takes no more than three minutes from the request to an offer, instead of several hours. This means less effort for all participants and a better capacity utilization of the railway network. The first phase of Click & Ride successfully commenced at the end of June 2019 with five customers in rail freight transport on a partial rail network – on June 26, 2019, the first train-path schedule was fully automatically prepared and booked. In the future, it is planned that all freight transport customers will be able to use Click & Ride for the entire network.

Digitalization in station management

- In January 2019, testing of Holoplot GmbH’s innovative sound system started, which had developed a novel public address system for stations in top acoustic quality as part of DB Group’s start-up support program. Customers of the subterranean Frankfurt am Main central station S-Bahn (metro) platform now receive only messages that are relevant to them and benefit from significantly better audible and comprehensible announcements. This ensures easier orientation and generally less background noise.
- Test of the specially developed speaking AI robot head SEMMI – first at Frankfurt Airport, then at Tokyo Station (Japan) and, since June 2019, at the travel center of the central station in Berlin.

Expansion of security measures

Use of additional bodycams

- Security personnel of DB Group using bodycams have been deployed in ten cities and 13 stations in North Rhine-Westphalia since the beginning of 2019. This means that bodycams are now part of the equipment of DB Group's security personnel.

Video technology further developed

- DB Group is expanding video monitoring at stations. Modern video technology secures important evidence, supports the German Federal police in their investigations and increases the feeling of safety among passengers. Since 2012, DB Group has increased, and thus almost tripled, the number of video cameras in regional and S-Bahn (metro) trains to more than 32,000. Currently, DB Group operates 7,400 video cameras at 1,100 stations. Only the Federal police record the images and use the recordings during investigations of criminal activities. This process complies with the provisions of data protection authorities in this process.
- Innovative video technology is to improve reliability and punctuality of rail operations and reduce any adverse effects on the customers. DB Group will test the respective technical options together with the Federal police between mid-June until the end of 2019 at the Berlin Südkreuz station. The goal is to check whether image analyzing software is able to unequivocally detect situations that might have an adverse effect on the quality, reliability and safety of rail operations. The test is carried out in compliance with the provisions of the data protection authorities.

Differentiated development in crime rates in 2018

Crime rates in trains and stations remained nearly stable in 2018 – despite increasing passenger numbers – and are significantly below those in other public spaces. We recorded a decrease overall in bag and hand luggage theft by about 25%; compared to 2015, the number is almost half. Graffiti-related crime has increased noticeably in 2018, with 20,660 offenses (+14%) and a damage amount of about € 13.1 million (+30%). The increase in trespassing incidents, with 11,140 (+20%) cases and/or criminal complaints, resulted from a stronger presence and a stricter approach against troublemakers at large train stations.

Environmental

- For a climate-friendly rail transport
- Highly frequented stations supplied with eco-power
- Comprehensive noise remediation program approach published
- Assessment of alternatives to glyphosate

For a strong and climate-friendly rail transport

As a globally active mobility and logistics company, DB Group accepts its special responsibility in terms of climate protection:

- By 2050, we will be CO_2-free. Important intermediate targets on this path are:
  - By 2038, traction current will have been fully converted to eco-power.
  - By 2030, we will have at least halved specific CO_2 emissions compared to 2006 and, at the same time, we will have increased the share of renewable energies to 80%.

DB Group is already experiencing the consequences of climate change: hotter summers and fiercer storms are just some of the new challenges for the rail infrastructure and vehicles. We therefore approach climate-change effects holistically:

- The first pillar in our concept is our clear and ambitious climate-protection strategy.
- By creating living spaces for endangered species, dedicating ourselves to the promotion of biodiversity and using resources sparingly, we are making an active contribution to environmental protection in the second pillar. A healthy ecosystem is a precondition for sustainable economic management as part of climate protection.

- But more passengers and more freight traffic for a strong and climate-friendly rail system also means increasing acceptance among residents. Noise protection measures therefore also contribute to the environmental impact. For this reason, our strategy for more noise protection forms the third pillar of DB Group's environmental strategy, alongside climate and nature conservation.

23rd Environmental Forum held with association and company representatives

At the annual Environmental Forum, the DB Management discusses with representatives from politics, business, science and environmental associations. This year's theme was "Mobility in Times of Climate Change." In a discussion with Prof. Dr. Kai Niebert (President of the German Nature Conservation Union), DB CEO Dr. Richard Lutz emphasized that DB Group recognizes its responsibility for environmental and, in particular, climate protection and attaining Germany's climate targets. DB's board member for Digitalization and Technology, Prof. Dr. Sabina Jeschke, talked with the Federal Environment Minister Svenja Schulze about the contribution that politics and the economy need to make in the area of climate protection. Michael Odenwald, the Supervisory Board Chairman of DB AG, Peter Tschentscher, the first Mayor of Hamburg and Markus Lewe, President of the German Association of Cities and Towns, also spoke to the about 200 participants.

Progress in climate protection

Eco-power at the 15 largest railway stations

Since 1 January 2019, the 15 largest stations in Germany have been supplied with 100% eco-power. About 70 GWh has been replaced by "green" electricity. This corresponds to about 20% of the total annual electricity consumption of all stations in Germany. On an annual basis, we save about 35,000 t CO_2 through the use of renewable energies when supplying the stations. In total, these include six stations in Berlin, the main stations in Hamburg, Hanover, Dusseldorf, Cologne, Frankfurt, Nuremberg and Stuttgart, along with three stations in Munich.

Indications of more climate protection in freight transport

Noah's Train, the longest mobile art work in the world, began its journey across Europe on December 14, 2018 in Katowice, the host city of the 2018 World Climate Change Conference. This train highlights European rail freight companies' commitment to climate protection and aims to generate support for shifting more traffic to the environmentally friendly rail. The aim of the Rail Freight Forward joint initiative of the European rail freight industry is to increase the share of rail freight transport in Europe from 18% to 30% by 2030. DB Group is therefore working with its European partners to build the transport mix of the future in the direction of climate protection.

Rail freight transport by DB Cargo saves about 5 million t CO_2 on an annual basis. Over long distances, electric rail freight transport is the better, more economically and ecologically viable alternative to trucks. Rail's market share must therefore grow stronger in this area for us to meet the obligations of the Paris Climate Change Agreement.

Measures for noise reduction

Advances in freight car conversion

At the end of June 2019, more than 54,000 of the approximately 63,000 cars of DB Cargo Germany's active fleet were operating with reduced noise. By the end of 2020, the active rolling stock in Germany will be completely quiet. In this way, we ensure that it becomes quiet at the source.

Further expansion of the noise reduction program

In January 2019, the new overall concept of the noise reduction program was published, and the amended funding guidelines came into force. The result is better noise protection for more residents. The total lines to be upgraded will increase from 3,700 to about 6,500 kilometers. In the future, noise barriers in special areas can be made more complex. At the same time, residential buildings up to January 1, 2015 will be considered from January 1, 2019. The previous cut-off date regulation, which stated that only housing development before 1974 or 1990 was to be considered, has now been repealed.

Innovative freight cars successfully tested

In April 2019 the consortium DB Cargo/VTG presented to the BMVI the results of the research project Construction and Testing of Innovative Freight Cars. All project goals have been achieved – the project is complete. The project demonstrated that innovations in freight cars and their components can increase profitability and improve the environmental balance. Four types of vehicle have been developed for operational use, and various technologies (including the digital automatic coupler) have been tested at DB Cargo. DB Cargo has already invested in two types of vehicles since then. On the basis of the successful pilot, we will acquire more than 300 of these freight cars by the end of 2020. The first cars have already been delivered and are being used in customer transport.

Measuring stations in the Middle Rhine Valley provide transparency

Since December 2014, DB Group has operated two measuring stations in the Middle Rhine Valley, one in Osterspai and the other in Bad Salzig. In April 2019, about 30% of trains operating in the Middle Rhine Valley were using quiet cars. The proportion of quiet trains has almost doubled in the Middle Rhine Valley since 2015.

Recycling rate at a high level

Extension of 3D printing

Many components in our trains are unique. This means that spare parts need to be available in small quantities to meet requirements. We are increasingly relying on 3D printing in maintenance for this purpose. Over 7,000 (replacement) parts have already been printed by the end of 2018. This number is expected to rise to around 11,000 parts by the end of 2019. 3D printing offers many advantages, such as significantly reduced material usage, reduced transport distances due to lower storage requirements and the fact that our trains spend less time in the workshop. All of these effects contribute to resource conservation and also climate protection.

Microplastic-free soaps on our trains

Microplastic particles in personal care products pose a major ecological problem. Wastewater transports microscopic plastic components to rivers, lakes and seas, where they accumulate. Fish and other living things absorb them with their food, which passes the particles into the food chain. Hand soap has therefore been gradually replaced with microplastic-free alternatives on our trains since the beginning of 2019. The plan is to make microplastic-free products in other areas in the future as well.

Nature conservation

Research project on glyphosate alternatives

We hope to stop using glyphosate in the future. Working together with the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (Bundesministeriums für Umwelt, Naturschutz und nukleare Sicherheit; BMU) we intend to set up a research project to find effective ways to operate the 33,000 km track network without glyphosate in a way which is both environmentally friendly and safe.

So far, there is still no usable alternative to glyphosate which could be used nationwide. We will therefore intensify our search for and testing of alternative chemical and chemistry-free processes. The chemical sector is focusing on so-called bioherbicides. Three alternative methods are currently being evaluated for the chemistry-free processes in the areas of hot water, electric weed burners and UV-C light.

All procedures are to be considered in cooperation with regulatory agencies and universities in terms of their impact on plants and track infrastructure.

Social

- Number of employees continues to rise
- 2018/2019 collective bargaining round ended
- Recruitment campaign continues
- Strategic succession planning introduced

Number of employees continues to rise

Employees by business units	Full-time employees (FTE) Jun 30, 2019	Jun 30, 2018	Change absolute	Change %	Dec 31, 2018	Natural persons (NP) Jun 30, 2019	Jun 30, 2018	Change absolute	Change %	Dec 31, 2018
DB Long-Distance	16,938	16,432	+506	+3.1	16,548	18,018	17,518	+500	+2.9	17,626
DB Regional	36,362	35,876	+486	+1.4	35,881	38,450	37,855	+595	+1.6	37,879
DB Arriva	52,590	54,658	-2,068	-3.8	53,056	55,584	56,889	-1,305	-2.3	55,327
DB Cargo	29,198	28,709	+489	+1.7	28,842	29,660	29,228	+432	+1.5	29,311
DB Schenker	75,981	74,104	+1,877	+2.5	75,817	78,993	76,929	+2,064	+2.7	78,780
DB Netze Track	48,021	46,371	+1,650	+3.6	46,969	49,275	47,516	+1,759	+3.7	48,143
DB Netze Stations	6,002	5,649	+353	+6.2	5,804	6,351	5,964	+387	+6.5	6,187
DB Netze Energy	1,747	1,734	+13	+0.7	1,734	1,802	1,785	+17	+1.0	1,789
Other	54,926	53,386	+1,540	+2.9	53,877	57,550	55,925	+1,625	+2.9	56,526
DB Group	**321,765**	**316,919**	**+4,846**	**+1.5**	**318,528**	**335,683**	**329,609**	**+6,074**	**+1.8**	**331,568**
Effects from changes in the scope of consolidation	-1,283	-	-1,283	-	-	-1,359	-1	-1,358	-	-
DB Group – comparable	**320,482**	**316,919**	**+3,563**	**+1.1**	**-**	**334,324**	**329,608**	**+4,716**	**+1.4**	**-**

To guarantee better comparability, the number of employees is converted into full-time employees. Figures for part-time employees are measured in accordance with their share of the regular annual working time.

The number of DB Group employees increased as of 30 June 2019. And with that the recruitment offensive has continued. The reasons for this are the increase in the number of employees, particularly in the maintenance and construction project fields, the operation of DB Netze Track and additions at DB Schenker, especially in the Contract Logistics division. In the Other area, DB Systel in particular recorded a significant increase in the number of employees, among other things for the development of innovative subject areas.

Employees by regions (FTE)	Jun 30, 2019	Jun 30, 2018	Change absolute	Change %	Dec 31, 2018
Germany	199,830	194,057	+5,773	+3.0	193,334
Europe (excluding Germany)	92,413	94,118	-1,705	-1.8	92,336
Asia/Pacific	16,737	16,651	+86	+0.5	16,751
North America	9,396	8,970	+426	+4.7	9,736
Rest of world	3,389	3,123	+266	+8.5	3,371
DB Group	**321,765**	**316,919**	**+4,846**	**+1.5**	**318,528**

Employees by regions (NP)	Jun 30, 2019	Jun 30, 2018	Change absolute	Change %	Dec 31, 2018
Germany	208,718	202,528	+6,190	+3.1	205,041
Europe (excluding Germany)	97,257	98,144	-887	-0.9	96,465
Asia/Pacific	16,847	16,754	+93	+0.6	16,885
North America	9,470	9,049	+421	+4.7	9,798
Rest of world	3,391	3,134	+257	+8.2	3,379
DB Group	**335,683**	**329,609**	**+6,074**	**+1.8**	**331,568**

Both in Germany and worldwide, the number of employees increased. The reduction of employees in Europe (excluding Germany) results mainly from the termination of the Arriva Trains Wales franchise in October 2018. In addition to employee growth in Europe, DB Schenker also grew particularly in North America. As of 30 June 2019 the share of employees outside Germany was about 38% (as of 30 June 2018: about 39%).

Employment conditions have developed

- The 2018/2019 collective bargaining concluded with the agreement with the German Train Drivers' Union (Gewerkschaft Deutscher Lokomotivführer; GDL) at the beginning of January 2019. Among other things, this resulted in overall wage increases of 6.1% over a period of 29 months, improvements in working hours and higher allowances. The agreements arising from collective bargaining include a one-off payment of € 1,000, which was paid in February 2019, the extension of special legal protection for employees in contact with customers and improvements for junior staff.
- DB Group has expressed its commitment to respectful and tolerant cooperation, including the signing of a declaration opposing discrimination against people living with HIV at work. Along with 50 other companies and organizations, we are one of the first signatories of the declaration initiated by Deutsche Aidshilfe.
- Following the Group-wide employee survey in 2018, more than 6,000 team workshops were held during the first six months of 2019.
- We have modernized our idea management with the help of a new Web-based IT system. This can be used to assess and implement improvement initiatives from the employees more quickly. For example, ideas can be added using any device, and the employee can check the current location and phase of their idea and when it will be implemented.

The recruitment campaign continues: more employees for a strong rail system

For a strong rail system, DB Group is hiring about 22,000 new employees, trainees as well as career changers and professionally experienced employees in Germany alone this year. These include more than 2,000 train drivers and about 1,500 traffic controllers, as well as about 3,300 maintenance technicians and about 1,300 service personnel on the trains. A total of about 4,000 young people will begin their training at DB Group in September, 200 more than last year. With more employees, we aim to **become more robust** **3** and improve quality for our customers.

In order to attract new employees also from abroad, we are building a department for cross-border recruitment. Our goal is to attract up to 500 new employees from abroad each year. Engine drivers, bus drivers, electricians and engineers are particularly in demand.

To supplement DB Group's professional qualification programs for people with a refugee or migration background, a social and cultural integration (Soziale und kulturelle Integration; SUKI) project was launched in early June 2019. DB Group has initiated the new project together with the Railway and Transport Workers Union (Eisenbahn- und Verkehrsgewerkschaft; EVG), the BSW & EWH Foundation Family and the Social Security Fund. The integration support placements within the SUKI framework are implemented by the BSW & EWH Foundation Family and are supported by the Social Security Fund. The SUKI project team advises and assists in overcoming social and cultural obstacles and promotes cohesion and integration within DB Group. The service includes cultural training and workshops, the coordination of pilot networks, case studies and the provision of services and auxiliary offers.

Employee loyalty in focus

We are working hard to push ahead with integration and employee development. We have developed an onboarding kit in order to ensure the rapid deployment and emotional integration of new employees and support executives. The kit provides an overview of all the tools which can be used to assist with the integration of career starters. Welcome cards have been developed within the scope of the team integration of the new employees.

To make the organization more robust and reduce the risk of long-term staff vacancies, we introduced strategic succession planning. In the future, seamless transitions will be ensured in the event of personnel changes. We also aim to make successor risks transparent and enable the implementation of early countermeasures, giving executives and employees more orientation for individual professional development.

Business development

- Business development continues to be positive
- Profit development under pressure
- Financial position remains stable
- Capital expenditures increased significantly
- Ratings remain stable

Mixed environment for global and European transport markets

Political uncertainties dampen global trade

After high growth rates for the past two years, global trade is currently losing momentum at a considerable rate. In addition to the general deceleration of economic growth, political risks are particularly responsible for the decline in trade growth. US protectionist trade policies and Brexit uncertainties, among other things, are forcing companies to put their investments on hold, in turn putting a strain on demand for goods transport.

This is still being offset by positive conditions for passenger transport. Demand remains high, among other things due to rising incomes in Germany and Europe. The legal framework for companies operating in passenger transport remains very different in Europe despite progressing liberalization.

Global economic growth is weakening – domestic demand has a stabilizing effect in Europe

Global economic growth continued to weaken during the first half of 2019. The economy in both Asia and North America is developing less dynamically than previously, but remains solid. Among other things, the tariffs imposed by the US and China have had a noticeable effect in both regions, not only increasing the direct costs of trade in goods but also the uncertainty of companies.

The current uncertainty has also added to the upward pressure on the US dollar, exacerbating the financing problems of several emerging and developing economies. Their cost of servicing debt has increased, leaving fewer resources available for investments. This development has also contributed to the slowdown in economic growth and world trade.

Weak demand for capital goods is currently particularly affecting European industry, which has recorded much lower export growth than in previous years. Domestic demand, on the other hand, remains high. Continuing employment growth and rising wages have boosted strong private consumption. Investments by European companies remains solid.

A similar development can be observed in Germany: robust domestic demand and persistent growth in construction and services are supporting the economy. However, industrial production decreased in the first half of 2019. This is partially due to low demand from outside Europe and partially due to the fact that the German automotive industry is still burdened by the certification problems of the previous year. All in all, therefore, economic growth was slightly weaker than in the first half of 2018.

Profit situation remains tense

- Revenue increase as a result of performance gains, amongst other reasons.
- Extensive activities for capacity-building, quality improvements and further digitization.
- Rising factor costs, especially for personnel.
- Operating profit development under pressure.

Restrictions on the comparability with the first half of 2018

IFRS 16 effects (€ million)	H1 2019 (excluding IFRS 16)	IFRS 16 effects	H1 2019
EBITDA	2,075	+459	2,534
EBIT	737	+20	757
Net capital expenditures	1,906	+444	2,350
Net financial debt as of Jun 30, 2019	21,137	+4,272	25,409
Capital employed as of Jun 30, 2019	37,842	+4,272	42,114
ROCE (%)	3.9	-0.3[1]	3.6

[1] Percentage points.

Since the 2019 financial year DB Group has applied the new accounting standard **IFRS 16** **62 f.** The changes in the disclosure of obligations under leasing agreements influenced the earnings and financial position of DB Group and its business units in the first half of 2019 (IFRS 16 effects):

- The elimination of leasing expenses as operating expenses will result in higher operating income before depreciation and amortization (EBITDA).
- EBIT is positively influenced to a lesser extent as a result of additional depreciation on the leased assets.
- Capital expenditures have increased, as new leases are now included.
- ROCE has fallen to a lower level, as capital employed has increased disproportionately to EBIT. At the same time, the cost of capital also fell.
- Financial debt increased as of June 30, 2019 due to the inclusion of lease liabilities.
- Under the first-time application of IFRS 16, we have adjusted our target values for ROCE (≥7.0%) and redemption coverage (≥ 20.0%).

Changes in the scope of consolidation **60 f.** have not significantly affected income and expense development in the first half of 2019.

Revenues further increased

Revenues (€ million)	H1 2019	H1 2018	Change absolute	Change %
Revenues	22,014	21,555	+459	+2.1
± Special items	-1	-7	+6	-85.7
Revenues adjusted	**22,013**	**21,548**	**+465**	**+2.2**
± Changes in the scope of consolidation	-43	-	-43	-
± Exchange rate changes	-44	-	-44	-
Revenues comparable	**21,926**	**21,548**	**+378**	**+1.8**

Revenues continue to develop positively. The primarily price and performance-related increases were spread broadly across the business units.

On a comparable basis (adjusted for special items as well as changes in the scope of consolidation and exchange rate changes), revenues increased slightly less:

- The special items in the first half of 2019 were not significant. The decrease was mainly due to the lower revenue deductions related to ongoing infrastructure proceedings.
- The effects of changes in the scope of consolidation relate to DB Arriva (€ 40 million) and DB Cargo (€ 3 million).
- The effects of exchange rate changes applied to DB Schenker (€ 41 million) and DB Arriva (€ 3 million).

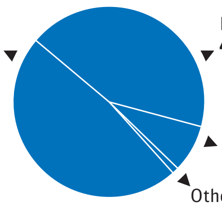
Predominantly positive revenue development of the business units

External revenues by business units (€ million)	H1 2019	H1 2018	Change absolute	Change %
DB Long-Distance	2,310	2,177	+133	+6.1
DB Regional	4,361	4,325	+36	+0.8
DB Arriva	2,687	2,702	-15	-0.6
DB Cargo	2,141	2,112	+29	+1.4
DB Schenker	8,491	8,301	+190	+2.3
DB Netze Track	812	754	+58	+7.7
DB Netze Stations	303	297	+6	+2.0
DB Netze Energy	640	628	+12	+1.9
Other	280	252	+28	+11.1
Consolidation	-12	-	-12	-
DB Group adjusted	**22,013**	**21,548**	**+465**	**+2.2**

The **revenue development of the business units** **24 f.** was positive, aside from DB Arriva. DB Schenker, DB Long-Distance and DB Netze Track had the greatest share of the growth.

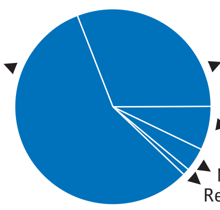
Revenue structure unchanged

External revenue structure by divisions (%) **H1 2019** / H1 2018



At the level of the business units, there were no significant changes in the revenue structure.

External revenues by regions (%) **H1 2019** / H1 2018



External revenues by regions (€ million)	H1 2019	H1 2018	Change absolute	Change %
Germany	12,457	12,204	+253	+2.1
Europe (excluding Germany)	6,836	6,745	+91	+1.3
Asia/Pacific	1,504	1,447	+57	+3.9
North America	947	885	+62	+7.0
Rest of world	269	267	+2	+0.7
DB Group adjusted	**22,013**	**21,458**	**+465**	**+2.2**

Revenue development in the individual regions was positive:

- In Germany, revenues increased noticeably. This in particular resulted from increases in DB Long-Distance and in the infrastructure. DB Regional and DB Cargo also grew.
- Revenues in Europe (excluding Germany) benefited from positive effects, including volume increases at DB Schenker and the omission of operating restrictions in the first half of 2018 at DB Arriva. Among other things, development in rail transport in Great Britain had a negative effect.
- Revenues in the Asia/Pacific and North America regions increased on account of exchange rate effects and as a result of the business development at DB Schenker.

	H1							Change				
		Reclassifications										
Transition to the adjusted statement of income (€ million)	**2019**	**IFRS compounding/discounting**	**Net investment income**	**PPA amortization**	**Adjustment for special items**	**2019 adjusted**	2018 adjusted	absolute	thereof due to changes in the scope of consolidation	thereof due to exchange-rate effects	thereof IFRS 16 effects	%
Revenues	22,014	–	–	–	-1	22,013	21,548	+2,128	+43	+44	–	+2.2
Inventory changes and other internally produced and capitalized assets	1,490	–	–	–	–	1,490	1,446	+44	–	+0	–	+3.0
Other operating income	1,118	–	–	–	-2	1,116	1,204	-88	+1	+0	–	-7.3
Cost of materials	-10,877	–	–	–	1	-10,876	-10,743	-133	-13	-18	–	+1.2
Personel expenses	-8,998	–	–	–	96	-8,902	-8,423	-479	-12	-18	–	+5.7
Other operating expenses	-2,309	–	–	–	2	-2,307	-2,728	+421	-2	-6	+459	-15.4
EBITDA/EBITDA adjusted	2,438	–	–	–	96	2,534	2,304	+230	+17	+2	+459	+10.0
Depreciation	-1,809	–	–	32	–	-1,777	-1,330	-447	-13	-1	-439	+33.6
Operating profit (EBIT) | EBIT adjusted	**629**	**–**	**–**	**32**	**96**	**757**	**974**	**-217**	**+4**	**+1**	**+20**	**-22.3**
Net interest income | Operating interest balance	-345	11	–	–	1	-333	-315	-18	-1	-0	-33	+5.7
Operating income after interest	**284**	**11**	**–**	**32**	**97**	**424**	**659**	**-235**	**+3**	**+1**	**-14**	**-35.7**
Result from investments accounted for using the equity method | Net investment income	-4	–	4	–	–	–	8	-8	–	–	–	-100
Other financial result	-3	-11	-4	–	–	-18	-13	-5	-3	-3	–	+38.5
PPA amortization of customer contracts	–	–	–	-32	–	-32	-30	-2	–	-0	–	+6.7
Extraordinary result	–	–	–	–	-97	-97	-64	-33	–	-0	–	+51.6
Profit before taxes on income	**277**	**–**	**–**	**–**	**–**	**277**	**560**	**-283**	**+0**	**-2**	**-14**	**-50.5**

Profit development under pressure

Transition to the adjusted statement of income

The transition to the adjusted statement takes place in two stages. The procedure for reclassification and adjustments **(2018 Integrated Report 97 ff.)** is unchanged.

Operating profit figures declined

The following presentation describes the changes in the key items on the statement of income, adjusted for special items. The effects of the changes in the scope of consolidation and exchange rate effects are presented in the above table and are not explained further in the following section.

Exchange rate effects in the first half of 2019 had a negligible boosting effect on income and expenses overall. Effects resulting from changes to the scope of consolidation were not significant.

Economic development remains challenging. Adjusted EBIT developed significantly weaker. Offsetting the burden of additional expenses for measures to expand capacity (especially personnel), improve quality and for digitalization and factor cost increases (especially in Germany) was only partly possible with revenue increases. The growth in adjusted EBITDA was influenced by effects from the first-time application of IFRS 16.

- The **revenue development 16 f.** remained positive.
- Other operating income was lower primarily as the result of lower income from the release of provisions, the drop in income from the sale of a building and lower compensation by the Federal Government for level crossings due to accounting factors. The effects of train-path price support for rail freight traffic (opposing effects in revenues) had a key positive influence.

On the expense side, there were noticeable additional strains, above all in the case of personnel expenses:

- Cost of materials increased slightly. Higher purchased transport services had an impact on this at DB Schenker and DB Cargo, among other things as a result of volume increases. In addition, higher infrastructure usage fees and maintenance expenses negatively impacted development.
- Personnel expenses increased significantly. In addition to tariff effects, especially in Germany, the higher number of employees also had an impact.
- Other operating expenses fell significantly in comparison. The main reason for this was the absence of leasing expenses as operating expenses through the first-time application of **IFRS 16** **15 f.** (opposite effect in depreciation).
- Depreciation increased, mainly due to the IFRS 16 effect. Higher depreciation on vehicles also had an effect.

The operating income after interest fell even more sharply due to the weaker net operating interest. This was mainly due to effects from higher interest rates for leases as a result of the capitalization of rental agreements previously treated as operate leases (IFRS 16). Interest effects from the valuation of pensions and effects from hedges partly offset each other.

The net investment income developed at a significantly weaker rate. The key factor here is GHT Mobility GmbH, which has been included in the consolidated financial statements since 2019 as an at-equity company.

The development in the other financial result resulted mainly from securities from hedging transactions.

The extraordinary charges rose significantly at a low level.

Extraordinary result (€ million)	H 1 **2019**	**thereof affecting EBIT**	2018	thereof affecting EBIT
DB Long-Distance	–	–	–	–
DB Regional	0	0	0	0
DB Arriva	-26	-26	1	1
DB Cargo	-2	-2	-3	-3
DB Schenker	-1	-1	0	0
DB Netze Track	-2	-1	-1	0
DB Netze Stations	3	3	7	7
DB Netze Energy	–	–	–	–
Other/consolidation	-69	-69	-68	-67
DB Group	**-97**	**-96**	**-64**	**-62**

The extraordinary result in the first half of 2019 consisted of the following special items, among other items:

- Expenses from the formation of provisions for employee contractual obligations (other).
- Effects of adjusting pension provisions as a result of the mandatory abolition of gender inequalities in guaranteed minimum pensions in Great Britain (DB Arriva).
- Effects arising from restructuring measures (DB Cargo, DB Arriva and DB Schenker).

The composition of the extraordinary result in the first half of 2018 is shown in the **2018 Integrated Interim Report** **17** shown.

Profit after taxes clearly strained

Excerpt from statement of income (€ million)	H 1 **2019**	2018	Change absolute	%
Income before taxes on income	277	560	-283	-50.5
Taxes on income	-72	2	-74	–
Actual taxes on income	-90	-99	+9	-9.1
Deferred tax income	18	101	-83	-82.2
Net profit (after taxes)	**205**	**562**	**-357**	**-63.5**
DB AG shareholders	198	554	-356	-64.3
Other shareholders (non-controlling interests)	7	8	-1	-12.5

The significant decline in profit before taxes on income was exacerbated by the development of the income tax position. The driver was the growth in deferred taxes. Better use of tax loss carryforwards was still expected for DB AG in the first half of 2018. Taxes on income therefore fell even more sharply.

Development of business units mostly strained

EBIT adjusted by business units (€ million)	H 1 **2019**	2018	Change absolute	%
DB Long-Distance	224	206	+18	+8.7
DB Regional	186	214	-28	-13.1
DB Arriva	101	106	-5	-4.7
DB Cargo	-132	-127	-5	+3.9
DB Schenker	238	216	+22	+10.2
DB Netze Track	379	483	-104	-21.5
DB Netze Stations	123	158	-35	-22.2
DB Netze Energy	23	12	+11	+91.7
Other/consolidation	-385	-294	-91	+31.0
DB Group	**757**	**974**	**-217**	**-22.3**

The development of the **adjusted profit figures varied between the business units** **24 ff.**, but was largely challenging. The business units in the integrated rail system declined significantly overall due to additional expenses for capacity and quality measures as well as factor cost increases. The division Other also recorded a noticeable decline due to higher expenses for Group projects to improve quality, high performance and safety, along with personnel expenses. The profit development of DB Schenker, DB Long-Distance and DB Netze Energy had a positive effect.

Stable financial position

- Seven bond transactions (total volume about € 2 billion).
- Ratings stable.

Interest rates fell slightly

German bunds (ten-year) (%)	H 1 2019	2018	Change in (percentage points)
Average yield	+ 0.01	+ 0.46	- 0.45
Highest yield	+ 0.28	+ 0.76	- 0.48
Lowest yield	- 0.34	+ 0.23	- 0.57
Yield as of Jun 30 / Dec 31	- 0.33	+ 0.25	- 0.58

Source: Thomson Reuters

In the first half of 2019, yields fell in the euro area and continued their downward trend. The interest rates of ten-year Federal bonds (bunds) were negative for the first time since October 2016. By the end of the first half of 2019, the yield had an absolute minus record.

Financial management stable

(€ billion)	Volume Jun 30, 2019	thereof utilized	Volume Dec 31, 2018	thereof utilized
European debt issuance program	25.0	20.8	25.0	20.1
Australian debt issuance program (AUD 5 billion)	3.1	0.8	3.1	0.7
Multi-currency commercial paper program	2.0	1.3	2.0	-
Guaranteed unutilized credit facilities	2.0	-	2.0	-

In addition to sustainably increasing the value of the company, the financial management of the DB Group also aims to maintain a capital structure that is appropriate for ensuring a very good credit rating. The key figures used for this purpose, redemption coverage and net debt/EBITDA, are explained in the section **key performance indicators** **20 f.**

- A European debt issuance program (EDIP) is available for long-term debt financing. In the first half of 2019, six bonds in euros, British pounds, Norwegian krone, Swiss francs and Swedish kroner were issued by DB Finance under the EDIP for a total of € 1,934 million with terms between seven and 20 years. Three bonds in euros, US dollars and Singapore dollars totaling € 1,259 million were redeemed. As a result, the utilization rate of the EDIP increased slightly to 83% as of June 30, 2019 (as of December 31, 2018: 80%).
- We also have access to an Australian debt issuance program (Kangaroo program). Under this program a bond of AUD 115 million (€ 71 million) was issued (term: ten years).
- In the area of short-term debt financing, a multi-currency commercial paper program is still available, with a volume of € 1,278 million as of June 30, 2019 (as of December 31, 2018: not utilized).
- As of June 30, 2019, we also had guaranteed unused credit facilities with a remaining term of 1 to 2 years and another guaranteed unused credit facility of € 0.1 billion (as of December 31, 2018: € 0.1 billion).
- In addition, we were able to draw on operating credit lines of € 2.5 billion (as of December 31, 2018: € 2.5 billion). These credit lines, which are made available to our subsidiaries around the world, include provision for financing working capital as well as sureties for payment.

Seven bond transactions executed

Bond issues H 1 2019/ISIN	Issuer	Currency	Volume (million)	Volume (€ million)	Coupon (%)	Maturity	Term (years)
XS1936139770	DB Finance	EUR	1,000	1,000	1.125	Dec 2028	9.9
XS1950499712	DB Finance	GBP	300	341	1.875	Feb 2026	7.0
XS1951373585[1]	DB Finance	NOK	1,000	103	2.705	Feb 2034	15.0
CH0479514272	DB Finance	CHF	350	310	0.100	Jun 2029	10.0
CH0479514280	DB Finance	CHF	150	133	0.500	Jun 2034	15.0
XS2007208577[1]	DB Finance	SEK	500	47	2.005	Jun 2039	20.0
AU3CB0264026[1]	DB Finance	AUD	115	71	2.518	Jun 2029	10.0

[1] Private placement.

In the first half of 2019, we issued seven new bonds via the Group financing company DB Finance with a value of about € 2.0 billion. The funds were raised to refinance maturing liabilities and ongoing general Group financing. All proceeds of bonds not issued in euros were swapped into euros.

Ratings stable

Ratings DB AG	First issued	Last publi-cation	Current ratings Short-term	Long-term	Outlook
S&P Global Ratings	May 16, 2000	Aug 21, 2018	A-1+	AA-	stable
Moody's	May 16, 2000	Mar 18, 2019	P-1	Aa1	stable

The creditworthiness of DB Group is constantly reviewed and assessed by the rating agencies S&P Global Ratings (S&P) and Moody's. In the first half of 2019, Moody's published an update on the assessments of DB AG, leaving the rating and outlook unchanged.

Further information on the topic **Rating (db.de/rating-e)** and the full analyses of the rating agencies for DB AG are available on our Investor Relations Web site.

Key performance indicators under pressure

- Operating profit development lowers ROCE, free cash flow and redemption coverage.
- Debt drives the development of net debt/EBITDA.

ROCE weaker

ROCE (€ million)	H1 2019	2018	Change absolute	thereof IFRS 16 effects	%
EBIT adjusted [1]	757	974	-217	+20	-22.3
⊘ Capital employed as of Jun 30	42,114	36,201	+5,913	+4,272	+16.3
ROCE (%)	**3.6**	**5.4**	**-**	**-0.3**	**-**
Target value (%)	≥7.0	≥8.0	-	-	-

[1] Figures extrapolated to the full year for calculation purposes.

The ROCE deteriorated by 1.8 percentage points as a result of the significant decline in adjusted EBIT and a simultaneous increase in capital employed. The significant increase in capital employed resulted primarily from the first-time application of **IFRS 16** **15 f.** As a result, ROCE has fundamentally shifted to a lower level. At the same time, however, the cost of capital also fell.

Free cash flow declined

(€ million)	H1 2019	2018	Change absolute	thereof IFRS 16 effects	%
Free cash flow	-655	-329	-326	-50	+99.1

Free cash flow declined significantly. This resulted from the decline in operating profit and the deterioration in the extraordinary result.

Redemption coverage declined

Redemption coverage (€ million)	H1 2019	2018	Change absolute	thereof IFRS 16 effects	%
EBITDA adjusted [1]	2,534	2,304	+230	+459	+10.0
⊕ Net operating interest [1]	-333	-315	-18	-33	+5.7
⊕ Depreciation share leasing rate [1]	–	553	-553	-553	-100
⊕ Actual taxes on income [1]	-90	-99	+9	–	-9.1
Operating cash flow after taxes	**2,111**	**2,443**	**-332**	**-127**	**-13.6**
Net financial debt as of Jun 30	25,409	19,704	+5,705	+4,272	+29.0
⊕ Present value operate leases as of Jun 30	–	4,875	-4,875	-4,875	-100
Adjusted net financial debt as of Jun 30	**25,409**	**24,579**	**+830**	**-603**	**+3.4**
⊕ Pension obligations as of Jun 30	5,270	4,269	+1,001	–	+23.4
⊘ **Adjusted net financial debt as of Jun 30**	**30,679**	**28,848**	**+1,831**	**-603**	**+6.3**
Redemption coverage (%)	**13.8**	**16.9**	**-**	**-**	**-**
Target value (%)	≥20.0	≥25.0	–	–	–

[1] Figures extrapolated to the full year for calculation purposes.

The redemption coverage declined as of June 30, 2019. Adjusted net debt increased as a result of an increase in pension obligations and adjusted net financial debt. At the same time, the adjusted operating cash flow after taxes declined due to the result.

Net debt/EBITDA deteriorated

Net debt/EBITDA (€ million)	H1 2019	2018	Change absolute	thereof IFRS 16 effects	%
Net financial debt as of Jun 30	25,409	19,704	+5,705	+4,272	+29.0
⊕ Present value operate leases as of Jun 30	–	4,875	-4,875	-4,875	-100
Adjusted net financial debt as of Jun 30	**25,409**	**24,579**	**+830**	**-603**	**+3.4**
⊕ Pension obligations as of Jun 30	5,270	4,269	+1,001	–	+23.4
Adjusted net debt as of Jun 30	**30,679**	**28,848**	**+1,831**	**-603**	**+6.3**
EBITDA [1]	2,534	2,304	+230	+459	+10.0
⊕ Lease rate [1]	–	625	-625	-625	-100
⊘ EBITDA (IFRS 16) [1),2)]	2,534	2,929	-395	-166	-13.5
Net debt/EBITDA (multiple)	**6.1**	**4.9**	**-**	**-**	**-**
Target value (multiple)	≤3.0	≤2.5	–	–	–

[1] Figures extrapolated to the full year for calculation purposes.

[2] Adjusted for pro rata leasing expenses of the present value operate leases.

The net debt/EBITDA ratio deteriorated due to the operating profit development. The increase in adjusted net financial debt and pension obligations also had a negative impact.

Cash and cash equivalents increased slightly

Summary statement of cash flows (€ million)	H1 2019	H1 2018	Change absolute	Change %
Cash flow from operating activities	1,386	1,294	+92	+7.1
Cash flow from investing activities	-1,857	-1,863	+6	-0.3
Cash flow from financing activities	584	850	-266	-31.3
Net change in cash and cash equivalents	119	276	-157	-56.9
Cash and cash equivalents as of Jun 30/Dec 31	3,663	3,544	+119	+3.4

From the first-time application of **IFRS 16** **15 f.**, changes also affect the statement of cash flows. The increase in depreciation caused by IFRS 16 resulted in a positive one-time effect on the cash flow from operating activities. On the other hand, there was an increase in the recognition of lease contract payments, which resulted in a negative one-time effect on the cash flow from financing activities.

- Adjusted for the IFRS 16 effect, the cash flow from operating activities declined due to the development of profits.
- The cash outflow from investing activities remained at the same level as in the first half of 2018, primarily driven by the development of the **net capital expenditures** **22**.
- Adjusted for the IFRS 16 effect, cash inflows from financing activities increased, driven by a higher net cash inflow from the issuance and redemption of **bonds** **19** (€ +672 million). This resulted from lower repayments in the first half of 2019.

  This was partly offset by the increased dividend payment (€ −200 million), the higher repayment of interest-free loans (€ −178 million), and the higher net cash outflow due to borrowing and the repayment of financial loans (€ −109 million).
- As of June 30, 2019, DB Group had a slightly higher level of cash and cash equivalents compared to the end of the previous year.

Asset situation stable

- Net financial debt increased mainly due to accounting effects and capital expenditures.
- In particular accounting effects and capital expenditures in infrastructure are driving capital expenditure growth.
- Equity ratio has declined.

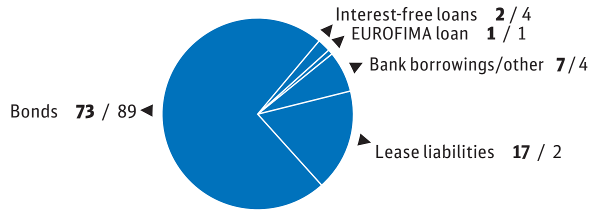
Net financial debt has increased

Net financial debt (€ million)	Jun 30, 2019	Dec 31, 2018	Change absolute	Change thereof IFRS16 effects	Change %
Interest-free loans	691	851	-160	–	-18.8
Lease liabilities	4,808	562	+4,246	+4,272	–
Other financial debts	23,821	21,831	+1,990	–	+9.1
thereof bonds	21,463	20,712	+751	–	+3.6
Financial debt	**29,320**	**23,244**	**+6,076**	**+4,272**	**+26.1**
⊖ Cash and cash equivalents and receivables from financing	-3,915	-3,718	-197	–	+5.3
⊖ Effects from currency hedges	4	23	-19	–	-82.6
Net financial debt	**25,409**	**19,549**	**+5,860**	**+4,272**	**+30.0**

Net financial debt increased significantly as of June 30, 2019. This resulted primarily from the inclusion of lease liabilities from leases previously treated as operate leases **(IFRS 16** **15 f.****)** and a net funding requirement, as the funding requirements for capital expenditures, working capital and capital costs could not be fully covered by internal financing.

- Financial debt increased noticeably:
  - Interest-free loans fell as a result of redemptions.
  - Leasing liabilities increased mainly due to the first-time application of IFRS 16. Damping effects among others due to continuous redemptions were not material.
  - Within other financial liabilities, liabilities from commercial paper increased significantly due to emissions (€ +1,263 million).
  - The euro value of **outstanding bonds** **19** was significantly higher due to emissions. Currency rate effects did not play a significant role in the development as a result of closed hedging transactions.
- Most of our foreign currency bonds are hedged against exchange rate through corresponding derivatives, with the result that the exchange rate effects are largely offset by the corresponding counterpart position of the hedge.
- Cash and cash equivalents rose slightly. The growth in financial debt was not substantially offset.

Composition of financial debt (%) **as of Jun 30, 2019** / as of Dec 31, 2018



The composition of financial debt has moved in the direction of lease liabilities, mainly as a result of the application of **IFRS 16 15 f.** As a result of the issue of commercial paper, there was also a structural increase in the item bank borrowings/other. The share of bonds and interest-free loans on financial debt declined in the opposite direction.

Capital expenditures increased significantly

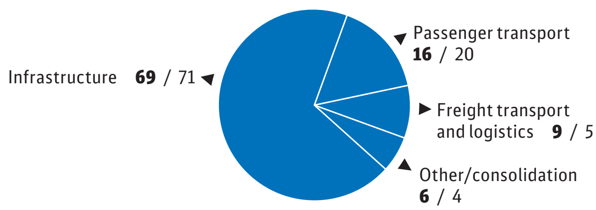
Capital expenditures (€ million)	H1 **2019**	H1 2018	Change absolute	Change thereof IFRS 16 effects	Change %
Gross capital expenditures	4,825	4,217	+608	+444	+14.4
− Investment grants	2,475	2,292	+183	–	+8.0
Net capital expenditures	**2,350**	**1,925**	**+425**	**+444**	**+22.1**

The increase in gross capital expenditures mainly resulted from the inclusion of finance leases due to the change in accounting for obligations under leases **(IFRS 16 15 f.).** Increased capital expenditures in rail infrastructure has also boosted capital expenditures.

Investment grants also increased significantly. They accounted for about 51% of gross capital expenditures (in the first half of 2018: around 54%).

Net capital expenditures increased as a result of IFRS 16 effects. The fall in capital expenditures in railway vehicles, in particular as a result of a **temporary cessation of the acceptance of 26** ICE 4 trains, had a dampening effect.

Gross capital expenditures by divisions (%) **H1 2019** / H1 2018



We continue to focus our capital expenditure activities on the business units of the integrated rail system, in particular measures to improve performance and efficiency in the area of rail infrastructure and vehicles. The structure of gross capital expenditures has changed slightly, mainly as a result of the first-time application of IFRS 16. The shares of the freight transport and logistics division and other in gross capital expenditures increased as a result. Capital expenditures in the vehicles were on the decline overall, mainly as a result of a **temporary cessation of acceptance 26** of ICE 4 trains.

Capital expenditures priorities unchanged in Germany

Gross capital expenditures by regions (€ million)	H1 **2019**	H1 2018	Change absolute	Change %
Germany	4,299	4,008	+291	+7.3
Europe (excluding Germany)	457	209	+248	+119
Asia/Pacific	53	16	+37	–
North America	28	5	+23	–
Rest of world	9	2	+7	–
Consolidation	–21	–23	+2	–8.7
DB Group	**4,825**	**4,217**	**+608**	**+14.4**

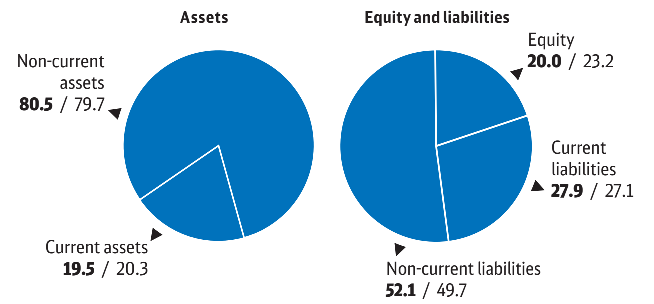
Net capital expenditures by regions (€ million)	H1 **2019**	H1 2018	Change absolute	Change %
Germany	1,831	1,716	+115	+6.7
Europe (excluding Germany)	450	209	+241	+115
Asia/Pacific	53	16	+37	–
North America	28	5	+23	–
Rest of world	9	2	+7	–
Consolidation	–21	–23	+2	–8.7
DB Group	**2,350**	**1,925**	**+425**	**+22.1**

In the regional breakdown of gross capital expenditures, the focus remained on Germany. In addition to the **IFRS 16 effects 15 f.,** the increase is also the result of capital expenditures in infrastructure at DB Netze Track and DB Netze Stations.

Equity ratio decreased

Balance sheet (€ million)	**Jun 30, 2019**	Jun 30, 2018	Change absolute	Change %
Total assets	63,790	58,527	+5,263	+9.0
ASSETS				
Non-current assets	51,367	46,646	+4,721	+10.1
Current assets	12,423	11,881	+542	+4.6
EQUITY AND LIABILITIES				
Equity	12,804	13,592	–788	–5.8
Non-current liabilities	33,217	29,104	+4,113	+14.1
Current liabilities	17,769	15,831	+1,938	+12.2

Balance sheet structure (%) **as of Jun 30, 2019** / as of Dec 31, 2018



The first-time application of the **IFRS 16 15 f.** also had a significant impact on the development of the balance sheet.

The balance sheet total increased significantly:

- Non-current assets increased. The main item was property, plant and equipment (€ +4,569 million). The main factor here was the activation of lease contracts previously treated as operate leases, in particular at DB Arriva, DB Cargo, DB Schenker, and in the division Other, as well as vehicle additions at DB Long-Distance. Deferred tax assets also increased (€ +113 million) due to higher temporary differences abroad.
- Current assets also increased. This was substantially due to higher other receivables and assets (€ +165 million), mainly from reporting date effects. Inventories (€ +133 million), mainly for maintenance, cash and cash equivalents (€ +119 million) and derivative financial instruments (€ +73 million) also increased.

Structurally, there was a slight shift on the asset side towards non-current assets.

On the equity and liabilities side, equity declined significantly. Key factors were dividend payment to the Federal Government (€ −650 million) and the decline in changes recognized in reserves in connection with the revaluation of pensions (€ −335 million) due to significantly lower interest rates in Great Britain. The key factor here was the generated net profit (€ +205 million).

Lower equity led to a decline in the equity ratio as total assets increased.

- Non-current liabilities increased significantly. In essence, this development was characterized by:
  - Higher non-current **financial debt 21 f.** (€ +3,823 million).
  - An increase in pension obligations (€ +447 million), mainly as a result of a decline in the revaluation rate.
  - The decline in deferred income (€ −92 million), partly as a result of reporting date effects and the repayment of interest-free loans, had a counteracting effect.
- Current liabilities also rose. This resulted mainly from:
  - Higher current financial debt (€ +2,253 million). The drivers were the increase in current lease liabilities (€ 1,159 million), especially as a result of the initial application of **IFRS 16 15 f.** as well as emissions-related higher liabilities from commercial paper (€ 1,263 million). Among other things, liabilities from current maturing bonds (€ −133 million) declined.
  - The decline in, for example, trade payables (€ −346 million), resulting from reporting date effects at DB Cargo, among others, partially compensated for this.

In the structure of the equity and liabilities side, the share of current liabilities in total assets rose slightly accordingly – the share of non-current liabilities increased even more.

Purchasing volume increased

The purchasing volume corresponds to the contractual obligations that DB Group has entered into with suppliers. If realized later, these become capital expenditures or expenses (mostly cost of materials and other operating expenses). The total purchasing volume for the first half of 2019 was € 18.1 billion (first half of 2018: € 16.7 billion).

- Freight and forwarding services rose slightly to € 5.4 billion (first half of 2018: € 5.2 billion).
- Industrial products also rose slightly to € 4.2 billion (first half of 2018: € 4.0 billion). The reason for this was the procurement of multiple units for the S-Bahn (metro) Stuttgart and trains for the Eurocity fleet for DB Long-Distance.
- Construction and engineering services increased, especially for price reasons, to € 3.9 billion (first half of 2018: € 3.2 billion).
- Third-party services grew significantly to € 3.2 billion (first half of 2018: € 2.8 billion). The need for IT services increased as a result of the digitalization initiative, among other things.
- Cable- and pipe-bound power and fuels fell slightly to € 1.4 billion (first half of 2018: € 1.5 billion).

Development of business units

- DB Long-Distance with sustained positive development
- Development at DB Cargo remains under pressure
- DB Schenker with positive development
- DB Regional troubled by bus business
- Infrastructure business units face additional expenses for quality measures

OVERVIEW OF BUSINESS UNITS

Revenues adjusted (€ million)	Total revenues				External revenues			
	H1		Change		H1		Change	
	2019	2018	absolute	%	2019	2018	absolute	%
DB Long-Distance	2,392	2,255	+137	+6.1	2,310	2,177	+133	+6.1
DB Regional	4,412	4,376	+36	+0.8	4,361	4,325	+36	+0.8
DB Arriva	2,690	2,706	-16	-0.6	2,687	2,702	-15	-0.6
DB Cargo	2,270	2,255	+15	+0.7	2,141	2,112	+29	+1.4
DB Schenker	8,525	8,333	+192	+2.3	8,491	8,301	+190	+2.3
DB Netze Track	2,803	2,720	+83	+3.1	812	754	+58	+7.7
DB Netze Stations	680	668	+12	+1.8	303	297	+6	+2.0
DB Netze Energy	1,410	1,383	+27	+2.0	640	628	+12	+1.9
Other	2,398	2,274	+124	+5.5	280	252	+28	+11.1
Consolidation	-5,567	-5,422	-145	+2.7	-12	–	-12	–
DB Group	**22,013**	**21,548**	**+465**	**+2.2**	**22,013**	**21,548**	**+465**	**+2.2**

Operating profit figures (€ million)	EBITDA adjusted					EBIT adjusted				
	H1		Change			H1		Change		
	2019	2018	absolute	thereof IFRS 16 effects	%	2019	2018	absolute	thereof IFRS 16 effects	%
DB Long-Distance	367	328	+39	+1	+11.9	224	206	+18	+0	+8.7
DB Regional	512	530	-18	+4	-3.4	186	214	-28	+0	-13.1
DB Arriva	326	243	+83	+87	+34.2	101	106	-5	+3	-4.7
DB Cargo	20	-1	+21	+42	–	-132	-127	-5	+3	+3.9
DB Schenker	499	314	+185	+188	+58.9	238	216	+22	+8	+10.2
DB Netze Track	708	815	-107	+2	-13.1	379	483	-104	+0	-21.5
DB Netze Stations	201	228	-27	+7	-11.8	123	158	-35	-1	-22.2
DB Netze Energy	65	47	+18	+10	+38.3	23	12	+11	-32	+91.7
Other/consolidation	-164	-200	+36	+118	-18.0	-385	-294	-91	-70	+31.0
DB Group	**2,534**	**2,304**	**+230**	**+459**	**+10.0**	**757**	**974**	**-217**	**+205**	**-22.3**
Margin (%)	11.5	10.7	–	–	–	3.4	4.5	–	–	–

Capital expenditures (€ million)	Gross capital expenditures					Net capital expenditures				
	H1		Change			H1		Change		
	2019	2018	absolute	thereof IFRS 16 effects	%	2019	2018	absolute	thereof IFRS 16 effects	%
DB Long-Distance	169	380	-211	+1	-55.5	169	380	-211	+1	-55.5
DB Regional	273	299	-26	+0	-8.7	269	294	-25	+0	-8.5
DB Arriva	323	153	+170	+159	+111	316	153	+163	+159	+107
DB Cargo	163	140	+23	+15	+16.4	163	139	+24	+15	+17.3
DB Schenker	261	78	+183	+154	–	261	78	+183	+154	–
DB Netze Track	2,875	2,634	+241	+1	+9.1	636	545	+91	+1	+16.7
DB Netze Stations	397	291	+106	+1	+36.4	216	138	+78	+1	+56.5
DB Netze Energy	67	81	-14	–	-17.3	23	40	-17	–	-42.5
Other/consolidation	297	161	+136	+113	+84.5	297	158	+139	+113	+88.0
DB Group	**4,825**	**4,217**	**+608**	**+444**	**+14.4**	**2,350**	**1,925**	**+425**	**+444**	**+22.1**
thereof investment grants	2,475	2,292	+183	–	+8.0	–	–	–	–	–

Passenger transport

Market developments

The developments described below are based on preliminary data and data which sometimes have different time horizons, so this report does not provide full information about developments in the first half of 2019 as at the time of writing.

German market experiences continuous growth

- The overall market showed a rise in volume sold at the beginning of 2019, following a slight decline in the same period of the previous year. This is supported by rising employment and disposable income. Key developments included:
  - Increase in volume sold of motorized individual transport with moderately rising fuel prices.
  - Visible year-on-year growth in domestic air transport due to significantly lower easyJet fares compared to those of the Lufthansa Group and previously those of Air Berlin.
  - Significant decline in long-distance bus transport due to the late Easter holidays compared to the previous year, and a proportional shift in demand from FlixBus to FlixTrain.
  - Moderately rising prices in motorized individual transport, relatively stable price development in long-distance bus transport, price drops in the flight segment, driven by intense competition in the low cost ticket segment and rising rail prices.

Rail passenger transport

- Volume sold increased moderately (+1.1%) in rail passenger transport in the first quarter compared to the same quarter of the previous year.
- Regional rail passenger transport showed robust growth in the first quarter (+1.2%) with continued intense competition, while DB Regional reported almost stable in performance (−0.3%).
- Long-distance passenger transport experienced similar growth in the first quarter (+1.0%), driven by the FlixTrain product expansions.
- Demand in DB Long-Distance transport at previous year's level (+0.1%).
- Commencement of operations of FlixTrain from Berlin to Cologne end of May.

Public road passenger transport

- Declining volume sold in public passenger transport in the first quarter (−1.0%).
- Long-distance bus transport shrank significantly more (−8.0%) than local bus transport (−0.3%).
- In the seventh year of the liberalization of the long-distance bus market, FlixBus remains the dominating service provider with a market share of over 95% and a static supply.
- Volume sold in the first quarter was significantly subdued year-on-year due to the supply optimization of FlixBus, the late Easter holidays and product expansions by FlixTrain.
- The French company BlaBlaCar launched its own long-distance bus service in June and pushed IC Bus out of third place.
- DB bus transport declined significantly (−1.8%) as a result of falling demand for rural scheduled services and an adjustment of the supply portfolio.

Europe-wide gains for trains and buses

There was robust development of the overall European market. This development is supported by positive conditions, increasing employment and rising incomes, although Italy and particularly Great Britian are weakening due to Brexit uncertainty. European railways recorded visible growth in the first quarter, led by Eastern European railways with above-average development, followed by Italy, Sweden and Norway.

New growth impulses in the European rail passenger transport have resulted from the following initiatives:

- Sweden plans to reintroduce night trains on the way to becoming the world's first "fossil-free welfare state."

- The French railway market is recovering after the discontinuation of last year's strike on rail reform (39 strike days).
- Independent cross-border activities of the TOCs are becoming increasingly visible:
  - SNCF prepares to enter Spain's rail passenger transport market.
  - Trenitalia's subsidiary Thello applies to French network operator SNCF Réseau for open access high-speed lines to Paris.
  - FlixTrain applies for routes in France and Sweden.
  - CzechLeo Express plans to expand into Poland up to the Ukrainian and Belarusian borders.
- Norwegian Railways (NSB) merges rail and bus companies in Norway and Sweden under a new brand Vy with the aim of strengthening its position as a mobility-as-a-service provider; Trenitalia introduces free now (formerly MyTaxi), a new intermodal door-to-door solution.
- European long-distance bus service continues its momentum thanks to FlixBus activities:
  - FlixBus is acquiring its smaller competitor Eurolines from the French Transdev Group, including the Isilines buses operating in France, expanding in Bulgaria and preparing to enter Russia.

Order book on the decline

Revenues that are directly connected with transport contracts or concessions are either independent of (secured revenues, primarily concession fees) or dependent on the number of passengers (unsecured revenues, primarily revenues from fares).

Order book in passenger transport (€ billion)	**Jun 30, 2019**	Dec 31, 2018	Change absolute	Change %
DB Regional	70.9	70.9	–	–
secured	53.5	52.7	+ 0.8	+1.5
unsecured	17.4	18.2	- 0.8	- 4.4
DB Arriva	19.6	20.1	- 0.5	- 2.5
secured	9.4	9.5	- 0.1	-1.1
unsecured	10.2	10.6	- 0.4	- 3.8
Total	**90.5**	**91.0**	**- 0.5**	**- 0.5**
secured	62.9	62.2	+ 0.7	+1.1
unsecured	27.6	28.8	-1.2	- 4.2

Overall, the order book declined slightly during the first half of 2019. The additions from won transport contracts of about € 5.9 billion were offset by disposals of about € 6.4 billion, mainly as a result of services rendered.

DB Long-Distance business unit

Events in the first half of 2019

Vehicle availability limited

Vehicle availability was strained in the first half of 2019. Among other things, individual events (personal and wildlife accidents), difficult weather conditions and the comprehensive modernization of the existing fleet have led to a major shortage of capacity and deteriorating vehicle condition, which also had a negative impact on punctuality.

The Intercity (IC) 2 is a stable part of the fleet and was also put into operation on lines 61 (Karlsruhe—Stuttgart—Nuremberg—Leipzig) and 28 (Nuremberg—Munich) following the timetable change.

The refitting of the ICE T fleet wheel sets will be completed in 2019 and is a prerequisite for the resumption of the tilting body operation (tilting technology).

The performance of the ICE 4 doors and drives, which was critical in the past, was significantly improved by implementing a large number of technical measures compared to existing series. The acceptance of further multiple units was suspended until mid-July 2019 due to manufacturing defects affecting the car bodies delivered by the manufacturer of the multiple unit trains. This resulted in a vehicle shortage compared to what was planned, and had an immediate impact on operations. It was then possible to resume acceptance of the trains.

Vehicle projects in long-distance transport

- The redesign of the ICE 3 was suspended in early 2019 due to quality defects and was resumed in June 2019. The quality deficiencies of the already completed multiple units should be remedied by October 2019 at the same time as this measure. Modernization will lead to a significant reduction of material and energy consumption and is much more economical compared to a new procurement.
- The modernization of the ICE 1 fleet began during the first half of 2019. Among other things, the trains will be equipped with new seat covers, carpets, a modern passenger information system and improved drive technology.

Digitalization and innovation

Extension of comfort check-in

Comfort check-in is our service for all customers who are traveling in Germany on ICE trains using a Flexpreis, Sparpreis or Super Sparpreis as a mobile device or online ticket. Our comfort check-in allows passengers to check their own tickets. Comfort Check-in allows travelers to check themselves in and move through ticket checkpoints without stopping. This was only possible until now if passengers had a seat reservation.

Development in the first half of 2019

- Positive momentum from the market and competitive environment as well as from timetable measures and expansion of supply.
- Punctuality at the level of the first half of 2018.
- Revenues and operating profit continue to improve.

	H1		Change	
DB Long-Distance	2019	2018	absolute	%
Punctuality (rail) (%)	77.2	77.4	–	–
Passengers (rail) (million)	71.8	70.9	+0.9	+1.3
Passengers (long-distance bus) (million)	0.3	0.3	–	–
Volume sold (rail) (million pkm)	20,894	20,615	+279	+1.4
Volume sold (long-distance bus) (million pkm)	83.0	82.7	+0.3	+0.4
Volume produced (million train-path km)	73.0	71.0	+2.0	+2.8
Load factor (%)	53.3	54.6	–	–
Total revenues (€ million)	2,392	2,255	+137	+6.1
External revenues (€ million)	2,310	2,177	+133	+6.1
EBITDA adjusted (€ million)	367	328	+39	+11.9
EBIT adjusted (€ million)	224	206	+18	+8.7
Gross capital expenditures (€ million)	169	380	-211	-55.5
Employees as of Jun 30 (FTE)	16,938	16,432	+506	+3.1

By the end of May, it was possible to increase punctuality compared to the first half of 2018 due to the implementation of measures from the Agenda for a Better Railway. However, punctuality was only on a par with the first half of 2018 overall due to the **weather-related difficulties** 8 in June.

The performance development in rail transport was predominantly positive:

- The number of passengers and the volume sold increased, mainly as a result of timetable measures and the extension of offers. Economic stimuli and the absence of storm effects from the first half of 2018 also had a positive effect. In contrast, high levels of construction activity in the network slowed down development.
- The increase in volume produced also resulted mainly from the expansion. The Berlin—Munich line, the Sylt route and the Essen—Stuttgart line were the main drivers.
- Despite the increase in capacity due to the expansion of supply, the load factor remained almost stable.

In bus transport, supply adjustments and growth on individual lines led to a slightly positive overall performance.

The economic development is pleasing: the operating profit development improved as a result of the significant increase in revenues.

- Revenues developed better due to pricing and performance. Supportive effects also resulted from the positive economic environment.
- The increase in other operating income (+12.4%/€ +11 million) is essentially due to the sale of vehicles and compensation for damage.

On the expense side, there were noticeable additional charges:

- The increase in cost of materials (+5.4%/€ +69 million) was mainly driven by price and performance-related higher infrastructure expenses (most of all for train paths and energy) and maintenance services.
- The increased personnel expenses (+8.0%/€ +38 million) resulted from tariff increases and a higher number of employees.
- Other operating expenses (+1.5%/€ +4 million) also increased. This was mainly due to higher expenses for vehicle rentals and IT services.
- The significant increase in depreciation (+17.2%/€ +21 million) is mainly attributable to the ICE 4 and IC 2 trains procured in the previous year.

Capital expenditure activity fell significantly. The **temporary cessation of the acceptance of ICE 4 trains** 26 and **interim interruption of the redesign of ICE 3 trains** 26 in particular had an impact in this area.

The number of employees as of June 30, 2019 is performance-driven and increased based on implementation of measures for improvement of service, comfort and quality.

DB Regional business unit

Transport contracts in Germany

Transport contracts awarded (rail) H 1 2019	Term	Volume (million train km) p. a.[1]	total[1]
Netz Elbe Spree (NES) lots 2 and 3	12/2022-12/2034	14.5	171.3
S-Bahn (metro) Stuttgart	07/2028-06/2032	13.5	54.0
E-Network East SH	12/2022-12/2035	4.2	54.6
Nuremberg S-Bahn (metro) S6	12/2021-12/2030	0.6	5.4
Suburban traffic Munich—Buchloe	12/2021-12/2026	0.7	3.3
Line extension FTX Jena—Leipzig	12/2018-12/2023	0.5	2.7
Transition contract RE1 Göttingen—national border	12/2018-12/2021	0.1	0.4
Total [1]		**34.1**	**291.6**

[1] Differences due to rounding are possible.

In the German regional rail passenger transport market, 12 tender procedures were concluded by the contracting organization in the first half of 2019 (first half of 2018: nine). In total, about 59 million train-kilometers (train km) were awarded (first half of 2018: 35 million train km). Of the train km awarded in the first half of 2019, some 54% were previously provided by DB Group companies. DB Regional won seven awards (including published contract amendments) (first half of 2018: six) and 58% (first half of 2018: 88%) of the awarded train km.

Transport contracts awarded (bus) H 1 2019	Term	Volume (million bus km) p. a.[1]	total[1]
Schleswig—Flensburg South	01/2020-12/2029	2.5	24.9
North Frisia South	08/2019-07/2029	2.0	20.2
North Frisia North	08/2019-07/2029	1.6	16.4
OD Stormarn Lot 1	12/2019-12/2029	1.5	14.7
WTV - Waldshut West	12/2019-12/2029	1.4	14.0
Kleve II	12/2019-11/2029	0.8	8.1
MVV 231, 236	12/2019-12/2027	0.9	7.1
KVV - Hardt-West/North	12/2019-12/2027	0.7	5.7
Other (8 contracts)	8-10 years	14.6	142.6
Total [1]		**26.0**	**253.7**

[1] Differences due to rounding are possible.

In bus services, a volume of 70 million commercial vehicle kilometers (bus km) were awarded in Germany in the first half of 2019 (first half of 2018: 66 million bus km) in 83 tenders (first half of 2018: 102 tenders). Of the bus km, 36% (first half of 2018: 48%) were previously operated by DB Regional Bus.

In the first half of 2019, we participated in 44 tenders (first half of 2018: 68 tenders) with a volume of 48 million bus km (first half of 2018: 49 million bus km). We won 31% of the tender procedures in which we participated (first half of 2018: 75%).

Events in the first half of 2019

Vehicle measures implemented

Measures to improve our vehicle fleet include redesign of interiors, installation of passenger information and video recording systems, and new paint.

- Since 2016, 49 vehicles from a total of 111 vehicles of the 474 series have been converted for the S-Bahn (metro) Hamburg.
- A total of 36 vehicles of the 420 series and 238 vehicles of the 423 series are to be refurbished for the S-Bahn (metro) Munich. In the first half of 2019, two electric multiple units of the 420 series and 34 electric multiple units of the 423 series were modernized.
- Of the 48 electric multiple units of the 422 series to be modernized, 29 were rebuilt to provide the vehicles for S-Bahn (metro) Rhein-Ruhr. Of these, a further ten vehicles were modernized in the first half of 2019.

New vehicle purchases

- We have once again won the tender E-Netz Ost Schleswig-Holstein and have ordered 18 double-deck cars from Stadler for commissioning in December 2022.

Vehicle delivery delays

Vehicle availability improved in the first half of 2019. However, delays and restrictions still affected the delivery of new trains:

- The delivery of the 2,010 double-deck cars for the Schleswig-Holstein Mitte network, which was delayed by Bombardier in December 2015, was completed in the first half of 2019.
- In December 2016, we rented a total of 15 locomotives and three diesel rail cars from Paribus for use in the Schleswig-Holstein Network West transport contract. The rental of the 90 Paribus passenger cars has not yet taken place, as 88 faulty passenger cars have been delivered by Paribus so far. There are still questions to be answered about maintenance documentation. Until clarification, existing vehicles will be used. The signing of the lease is scheduled for the second half of 2019.

- So far, eight pre-series vehicles of the 490 series (72 vehicles in total) have been delivered for S-Bahn (metro) Hamburg transport contract, which was launched in December 2018. As not all of the agreed requirements have been met, successive vehicles from Bombardier will need to be rented. The contractual acceptance for the 490 series is planned from the middle of 2019.
- The PESA diesel multiple unit trains of the 632/633 series were accepted in the first half of 2019.
- The delivery of the ordered Škoda vehicles for the Nuremberg-Ingolstadt-Munich-Express is expected to be delayed until 2020.

Development in the first half of 2019

- Loss of performance dampens development, more passengers traveling by rail.
- Delayed vehicle deliveries require further replacement concepts.
- Expense increases hinder development.

	H 1		Change	
DB Regional	**2019**	2018	absolute	%
Passengers (million)	1,259	1,258	+1	+0.1
thereof rail	977.7	960.6	+17.1	+1.8
Volume sold (million pkm)	23,661	24,011	-350	-1.5
thereof rail	20,382	20,582	-200	-1.0
Volume produced (rail) (million train-path km)	226.9	229.6	-2.7	-1.2
Volume produced (bus) (million bus km)	249.2	260.3	-11.1	-4.3
Total revenues (€ million)	4,412	4,376	+36	+0.8
External revenues (€ million)	4,361	4,325	+36	+0.8
Rail concession fees (€ million)	2,803	2,009	+794	+39.5
EBITDA adjusted (€ million)	512	530	-18	-3.4
EBIT adjusted (€ million)	186	214	-28	-13.1
Gross capital expenditures (€ million)	273	299	-26	-8.7
Employees as of Jun 30 (FTE)	36,362	35,876	+486	+1.4

The performance development was varied:

- In rail transport, performance losses had an impact on the volume sold and volume produced. The number of passengers showed better development.
- Bus services indicated a consistent decline in performance.

The economic development of DB Regional has been particularly affected by the development of the higher revenue and high performance in the rail line of business (share of revenues: 87%). Adjusted EBIT was generated exclusively in the rail line of business. The overall development in the first half of 2019 was challenging. The operating profit figures declined despite a slight increase in revenues. The development in bus services had the most impact in this area.

- Revenues increased as a result of price and performance-related growth in rail transport. However, the declining trend in bus services had a more negative effect.
- Other operating income (+26.2%/€ +32 million) grew substantially, mainly as a result of higher income from vehicle sales and higher compensation payments.

On the expense side, there were noticeable additional burdens:

- Cost of materials (+1.2%/€ +34 million) was particularly driven by higher expenses for maintenance, infrastructure and rail replacement services.
- Personnel expenses (+4.7%/€ +47 million) increased as a result of the collective agreement and the higher number of employees.
- Other operating expenses (+3.5%/€ +10 million) increased, partly due to higher IT-related services.
- Depreciation (+3.2%/€ +10 million) mainly increased as a result of capital expenditures.

Capital expenditures fell across all lines of business.

76% of employees are employed in the rail line of business and 24% in the bus line of business. The number of employees rose slightly in both.

Rail line of business

- Performance stable overall.
- Personnel expenses increased in relation to collective bargaining and by personnel expansion.
- Delayed vehicle deliveries require further replacement concepts.

	H 1		Change	
Rail line of business	**2019**	2018	absolute	%
Punctuality rail (%)	94.7	94.4	-	-
Passengers (million)	998.3	984.0	+14.3	+1.5
thereof rail	977.7	960.6	+17.1	+1.8
Volume sold (million pkm)	20,691	20,933	-242	-1.2
thereof rail	20,382	20,582	-200	-1.0
Volume produced (million train-path km)	226.9	229.6	-2.7	-1.2
Total revenues (€ million)	3,853	3,879	-26	-0.7
External revenues (€ million)	3,805	3,760	+45	+1.2
Rail concession fees (€ million)	2,803	2,009	+794	+39.5
EBITDA adjusted (€ million)	490	491	-1	-0.2
EBIT adjusted (€ million)	196	203	-7	-3.4
Gross capital expenditures (€ million)	249	274	-25	-9.1
Employees as of Jun 30 (FTE)	27,721	27,472	+249	+0.9

Despite reduced punctuality of the S-Bahn (metro) Munich due to vehicle problems, punctuality in rail transport improved due to the increased values in regional transport and the S-Bahn (metro) Berlin.

The performance development in the rail line of business was dampened by tender losses. On the positive side, more stable production and associated lower train cancellations, performance expansions and higher capacity utilization contributed to a slight increase in the number of passengers.

Overall, economic development was virtually stable. The increase in revenues was offset by expense increases.

- Revenue development was significantly influenced by the increase in concession fees due to dynamization. Performance losses had a negative effect. A change in fair charging terms in gross contracts resulted in a shift between concession fees and revenues from fares not affecting profits.
- Other operating income rose noticeably, mainly due to higher compensation payments and higher income from vehicle sales.

On the expense side, there were additional charges, especially for personnel expenses and due to higher maintenance expenses:

- Cost of materials in particular increased due to higher costs for infrastructure use and increased maintenance expenses.
- Personnel expenses increased as a result of the collective agreement and the higher number of employees.
- Other operating expenses increased slightly due to higher IT services purchased.
- Depreciation increased slightly as a result of vehicle additions and redesign measures.

Capital expenditure activity declined due to lower vehicle access for awarded traffic contracts.

The number of employees rose slightly, partly as a result of recruitment and functional training.

Bus line of business

- Intensification of the competitive environment.
- Improvement of operational excellence.
- Delayed implementation of optimization measures.

	H1		Change	
Bus line of business	**2019**	2018	absolute	%
Punctuality bus (%)	91.5	91.6	–	–
Passengers (million)	260.5	274.5	–14.0	–5.1
Volume sold (million pkm)	2,970	3,078	–108	–3.5
Volume produced (million bus km)	236.0	247.2	–11.2	–4.5
Total revenues (€ million)	580	611	–31	–5.1
External revenues (€ million)	556	565	–9	–1.6
EBITDA adjusted (€ million)	23	38	–15	–39.5
EBIT adjusted (€ million)	–9	11	–20	–
Gross capital expenditures (€ million)	25	25	–	–
Employees as of Jun 30 (FTE)	8,641	8,403	+238	+2.8

Punctuality in bus services was almost at the same level of the first half of 2018.

Performance in bus services declined as a result of tender-related performance losses.

Economic development remains challenging. A decline in income combined with a slight increase in expenses led to a significant decline in operating profit figures.

- Revenue development was characterized by performance losses and lower rail replacement services.
- Other operating income partly compensated for the revenue development, partly as a result of higher income from compensation and reimbursements.

On the expense side, there were noticeable additional burdens, particularly personnel expenses:

- Cost of materials climbed slightly, driven by higher diesel prices and supplier performance, among other things.
- Personnel expenses increased due to the higher number of employees and due to collective bargaining.
- Other operating expenses increased slightly. Reducing effects of IFRS 16 were offset by higher IT expenses and compensation expenses, among other things.
- The increased depreciation resulted, among other things, from capital expenditures in the previous year.

Capital expenditures increased due, among other things, to IT capital expenditures and due to IFRS 16 effects.

The number of employees increased as of June 30, 2019, partly due to the hiring of bus drivers.

DB Arriva business unit

General framework

DB Arriva offers bus and/or rail traffic in 14 European countries. This represents a possible starting point for further growth. DB Arriva is monitoring developments in the European transport markets in order to participate in opening bus and rail markets or to prepare for changing market conditions early on. The developments in Europe in the first half of 2019 shown below were relevant for DB Arriva.

Liberalization of the transport market in France progressing further

DB Arriva continues to follow transport policy developments in France that is expected to create the framework in which any future operators will need to deliver their services. French regions are becoming increasingly more active to open their services to competition. On rail, the French Government and several regions have declared their intention to start tendering passenger railway services in 2020. The Paris region, Île-de-France, is also considering opening its bus market and several transport projects through market competition in line with EU legislation. DB Arriva is following these regional developments but expects to wait before making any definitive business decisions as the process evolves and more information about potential business opportunities unfold.

Low-emissions strategy in Denmark

The municipality of Copenhagen wants all buses to be zero-emissions by 2025. DB Arriva is working closely with its PTA to ensure a smooth transition from diesel to low-emissions vehicles. Other cities are expected to follow Copenhagen's example.

Events in the first half of 2019

Awarded transport contracts

Awarded transport contracts (bus) H 1 2019		Term	Volume (million bus km) p. a.[1]	total[1]
Plzen Region South	Czech Republic	06/2020-06/2030	10.0	100.1
Plzen Region North	Czech Republic	03/2020-03/2030	8.2	81.9
London (6 separate lines)	Great Britain	5 years each	7.4	37.0
City of Warsaw II	Poland	09/2019-12/2026	4.0	29.0
Jesenicko – Olomucky Region (North Moravia)	Czech Republic	01/2020-01/2030	2.2	21.9
Stansted Airport – London and Regional Coach connections (lot 2)	Great Britain	02/2020-02/2025	3.3	16.7
NT25	Denmark	08/2019-08/2029	1.4	13.9
London (5 separate lines)	Great Britain[2]	2 years each	5.5	11.0
City Transport Pribram	Czech Republic	12/2019-12/2029	0.8	7.8
City of Piran	Slovenia	03/2019-03/2029	0.5	5.2
Lelystad airport shuttle	The Netherlands	04/2020-04/2030	0.3	2.6
Other[3]		5-6 years	1.6	3.1
Total[1]			**45.1**	**330.2**

[1] Rounding differences possible.
[2] Extension of the existing transport contract.
[3] Including the extension of an existing contract.

Awarded transport contracts (rail) H 1 2019		Term	Volume (million train km) p. a.[1]	total[1]
CrossCountry[2]	Great Britain	10/2019-10/2020	35.0	35.0
Region Zlin – package B	Czech Republic	12/2019-12/2029	1.9	18.7
MoT Trains (R21, R22, R24, R26)	Czech Republic	12/2019-12/2022	2.0	6.0
Total[1]			**38.9**	**59.7**

[1] Rounding differences possible.
[2] Extension of existing contract.

Environmental measures

- DB Arriva signed a pan-European contract with TomTom Telematics. The technology provides bus drivers with direct feedback on braking and acceleration as well as idling processes to support more fuel-efficient, greener journeys.

- Together with the Province of Limburg, DB Arriva aims to operate an emissions-free transport network in the region by 2026. As part of that goal, DB Arriva began to introduce a fleet of 55 emissions-free buses in Maastricht.
- In June 2019, DB Arriva began running bus services in the southern Swedish town of Helsingborg following the award of the eight-year contract in 2018. This includes running the citys new electric Bus Rapid Transit (BRT) system.

Other events

- In March 2019, DB Arriva launched BikeKIA, a bike sharing scheme in the Slovakian city of Zilina, which is sponsored by Kia Motors – a significant employer in the city.
- The app-based, demand-responsive mini-bus service – ArrivaClick – is now active in three locations in Great Britain. A third service was launched in Leicestershire in the first half of 2019. This follows the launch in the county of Kent in 2017 and the city of Liverpool in 2018. DB Arriva continues to explore further opportunities.

Development in the first half of 2019

- Stable to positive development in most businesses.
- The acquisition of VT-Arriva in Hungary had a positive effect, dampened by the cessation of the Arriva Trains Wales franchise.
- Situation with Arriva Rail North remains unchanged, but service performance has stabilized and is improving.

	H1		Change	
DB Arriva	**2019**	2018	absolute	%
Punctuality rail (Great Britain, Denmark, Sweden, the Netherlands and Poland) (%)	92.3	91.2	–	–
Passengers bus and rail [1] (million)	1,124	1,002	+122	+12.2
Volume sold rail (million pkm)	5,973	6,378	–405	–6.3
Volume produced bus (million bus km)	542.0	538.0	+4.0	+0.7
Volume produced rail (million train-path km)	81.4	87.9	–6.5	–7.4
Total revenues (€ million)	2,690	2,706	–16	–0.6
External revenues (€ million)	2,687	2,702	–15	–0.6
EBITDA adjusted (€ million)	326	243	+83	+34.2
EBIT adjusted (€ million)	101	106	–5	–4.7
Gross capital expenditures (€ million)	323	153	+170	+111.1
Employees as of Jun 30 (FTE)	52,590	54,658	–2,068	–3.8

[1] H1 2018 figure adjusted.

The punctuality in rail passenger transport (Great Britain, Denmark, Sweden, the Netherlands and Poland) for the first half of 2019 has increased. The increase is mainly the result of measures to improve the quality of services and fewer weather-related restrictions compared to the first half of 2018.

The development in the first half of 2019 was influenced by two special factors:

- The acquisition of the remaining third-party shares in VT-Arriva in Hungary (December 2018) strengthened the bus business in Mainland Europe.
- The cessation of the Arriva Trains Wales contract at UK Trains (October 2018).

Accordingly, the performance development was differentiated: the number of passengers (bus and rail) increased driven by the bus business in Mainland Europe, while the volume sold declined driven by UK Trains. The volume produced increased in bus transport but decreased in rail transport.

The economic development saw another strengthening of the Mainland Europe business and a decline at UK Trains. The change in how leasing contracts are accounted for **(IFRS 16 effect 15 f.)** led to a significant increase in adjusted EBITDA.

- The UK Bus line of business generated 20% of DB Arriva's revenues, the UK Trains line of business generated 39%, and the Mainland Europe line of business generated 41%. Revenues were approximately at the level of the first half of 2018. Revenue declines were primarily the result of the cessation of the Arriva Trains Wales franchise and were almost fully offset by higher support payments and passenger revenues at UK Trains, price effects, the acquisition of VT-Arriva and positive exchange rate effects.

The development of expense items was, among other things, characterized by the portfolio changes and cost inflation:

- The increase in cost of materials (+3.5%/€+29 million) was a result of acquisitions, on the one hand, and resulted from higher expenses for infrastructure use at UK Trains and maintenance mainly at Mainland Europe, on the other. The cessation of the Arriva Trains Wales franchise had in part a compensating effect.
- Personnel expenses (–0.2%/€–2 million) remained roughly at the same level. The cessation of the Arriva Trains Wales franchise is largely offset by the acquisition of VT-Arriva, increased headcount and inflationary increases.

- Other operating expenses (−24.9%/€ −132 million) significantly decreased due to IFRS 16 effects (with offsetting effect in depreciation) and the cessation of the Arriva Trains Wales franchise.
- Depreciation (+64.2%/€ +88 million) was mainly characterized by IFRS 16 effects.

Capital expenditures also significantly increased due to IFRS 16 effects.

DB Arriva employed 29% of its employees in the UK Bus line of business, 21% in the UK Trains line of business and 50% in the Mainland Europe line of business as of June 30, 2019. The number of employees has decreased as the cessation of the Arriva Trains Wales franchise outweighed the VT-Arriva acquisition and hiring at Arriva Rail North.

UK Bus line of business

- Significant operational cost pressures have been partially mitigated by management initiatives.
- Services in London improved despite the continuing competitive market.
- Demand in the regional bus market slightly weaker but revenues up.

	H 1		Change	
UK Bus line of business	**2019**	2018	absolute	%
Passengers [1] (million)	353.7	360.4	- 6.7	-1.9
Volume produced (million bus km)	172.8	176.7	-3.9	-2.2
Total revenues (€ million)	543	529	+ 14	+ 2.6
External revenues (€ million)	542	528	+ 14	+ 2.7
EBITDA adjusted (€ million)	59	60	-1	-1.7
EBIT adjusted (€ million)	15	20	- 5	-25.0
Gross capital expenditures (€ million)	28	26	+ 2	+ 7.7
Employees as of Jun 30 (FTE)	15,475	16,005	- 530	-3.3

[1] H1 2018 figure adjusted.

Overall performance development declined slightly driven by the current market development and portfolio adjustments. The development in the London bus market was positive.

The economic development saw a revenue growth offset by cost increases – including driver costs, bus driver training and digitalization projects led to weaker operating profit figures.

- The revenue development was positive mainly due to increased proceeds from bus sales, performance gains in London and positive exchange rate effects.
- Other operating income increased primarily driven by growth in rail replacement transport and services provided during special events.

On the expenses side, noticeable additional charges were recorded in cost of materials and personnel expenses.

- The increase in cost of materials was particularly impacted by the higher expenses for the purchase of buses for resale and for maintenance.
- Personnel expenses increased as a result of collective bargaining agreements and driver shortages.
- Other operating expenses rose, among other things, due to bus driver training and digitalization measures. **IFRS 16 effects 15 f.** (offsetting effect in depreciation) had a compensating effect.
- Depreciation increased noticeably due to IFRS 16 effects.

Capital expenditures were roughly at the level of the first half of 2018.

The number of employees declined partially due to the cessation of transport contracts in non-emergency patient transport.

UK Trains line of business

- The contract of Arriva Trains Wales ended in October 2018.
- Situation with Arriva Rail North remains unchanged, but performance has stabilized and is improving.

	H 1		Change	
UK Trains line of business	**2019**	2018	absolute	%
Passengers (million)	180.5	193.6	-13.1	- 6.8
Volume sold (million pkm)	4,846	5,249	- 403	-7.7
Volume produced (million train-path km)	55.0	61.3	- 6.3	-10.3
Total revenues (€ million)	1,071	1,147	-76	- 6.6
External revenues (€ million)	1,048	1,123	-75	- 6.7
EBITDA adjusted (€ million)	105	59	+ 46	+78.0
EBIT adjusted (€ million)	38	42	- 4	- 9.5
Gross capital expenditures (€ million)	179	25	+154	-
Employees as of Jun 30 (FTE)	10,965	12,802	-1,837	-14.3

Performance development was adversely impacted by the cessation of the Arriva Trains Wales franchise (October 2018). The increase in volume produced at Arriva Rail North and the successfully performed timetable change in May 2019 had a partially offsetting effect.

The economic development was also particularly characterized by the cessation of the Arriva Trains Wales franchise and the ongoing delayed implementation of rail infrastructure at Arriva Rail North. As a result, adjusted EBIT declined. The increase of the adjusted EBITDA was a result of IFRS 16 effects.

- Revenues decreased due to the cessation of the Arriva Trains Wales franchise. Increased support payments, higher passenger revenues and positive exchange rate effects had a partially compensating effect.
- Other operating income increased primarily due to additional financing contributions for project costs. The cessation of the Arriva Trains Wales franchise had a partially offsetting effect.

The development of expense items was driven by the cessation of the Arriva Trains Wales franchise which resulted in lower levels of expenses.

- The noticeable increase in cost of materials resulted primarily from higher expenses for infrastructure use and lower engineering disruption-related performance regime income.
- Personnel expenses reduced due to the cessation of the Arriva Train Wales franchise.
- Other operating expenses decreased in particular due to IFRS 16 effects (offset by the effect on depreciation and the cessation of the Arriva Train Wales franchise). Higher franchise payments had only a slightly offsetting effect.
- Depreciation significantly increased due to IFRS 16 effects.

Capital expenditures also rose significantly as a result of IFRS 16 effects.

The decrease in employee numbers was mainly driven by the cessation of the Arriva Trains Wales franchise. Additional hiring at Arriva Rail North had an offsetting effect.

Mainland Europe line of business

- The acquisition of VT-Arriva in Hungary in December 2018 had a positive effect.
- Measures to counteract challenging trading environment, with continuing operational cost pressures including driver shortages in Central and Eastern Europe.

	H1		Change	
Mainland Europe line of business	**2019**	2018	absolute	%
Passengers bus (million)	527.7	386.4	+141.3	+36.6
Passengers rail (million)	62.6	61.5	+1.1	+1.8
Volume sold rail (million pkm)	1,127	1,129	–2	–0.2
Volume produced bus (million bus km)	369.2	361.3	+7.9	+2.2
Volume produced rail (million train-path km)	26.4	26.6	–0.2	–0.8
Total revenues (€ million)	1,165	1,097	+68	+6.2
External revenues (€ million)	1,097	1,050	+47	+4.5
EBITDA adjusted (€ million)	182	146	+36	+24.7
EBIT adjusted (€ million)	70	67	+3	+4.5
Gross capital expenditures (€ million)	106	94	+12	+12.8
Employees as of Jun 30 (FTE)	25,725	25,516	+209	+0.8

The performance development in the Mainland Europe line of business was mainly positive:

- In rail transport the passenger numbers increased mainly as a result of continuing development in Sweden. Volume sold and volume produced remained roughly stable.
- In bus transport, passenger numbers and the volume produced increased mainly as a result of the VT-Arriva acquisition (December 2018).

The economic development was slightly positive. Positive effects, among other things, from the business expansion in Hungary (acquisition of VT-Arriva).

- The revenue development was positive mainly related to VT-Arriva and volume growth in Sweden. Exchange rate effects had a slightly offsetting effect.
- Other operating income remained at about the same level.

The development of the expense items was primarily impacted by the acquisition of VT-Arriva and operational cost increases:

- The significant increase in cost of materials was mainly driven by higher maintenance expenses and the VT-Arriva acquisition.
- Personnel expenses increased slightly mainly as a result of the acquisition of VT-Arriva. A shortage of skilled workers in Central and Eastern Europe had an additional negative effect. Exchange rate effects had a compensating effect.
- The decrease in other operating expenses resulted mainly from **IFRS 16 effects** **15 f.** (with an offsetting effect in depreciation).
- Depreciation, on the other hand, increased noticeably due to IFRS 16 effects.

Capital expenditures increased significantly mainly due to the IFRS 16 effects and the purchase of buses in Sweden.

The employee number increased mainly due to the VT-Arriva acquisition. The cessation of other transport contracts had an offsetting effect.

Freight transport and logistics

Market developments

The developments described below are based on preliminary data and data with partially differing time horizons, as during the preparation of this report complete findings regarding the developments in the first half of 2019 were not yet available.

German freight transport market with a positive start into the year

According to internal calculations, the overall freight transport market continued its positive development at the beginning of 2019. A rather differentiated picture emerged, however, when taking a closer look at individual modes of transport.

- Generally weaker, but there are still positive economic impulses from trading and domestic demand. Negative effects from downward developments, such as in steel, chemical and automotive production, had an adverse impact.
- Resource shortages continue to be a issue and contribute to the increase in general expenses. The competition remains intense.
- Special effects which are not caused by economic developments, such as trade diversions during the low-water period in 2018, structural changes as part of the ongoing energy transition or quality losses, have an impact particularly on the development of rail freight companies and inland waterway transport.
- After the continual performance decreases since May 2018 due to the extreme low-water period, inland waterway transport experienced a slightly positive volume growth at the beginning of 2019, but the volume sold in the first quarter remained below the previous year's level. Increased transports in the areas of coal, ore/construction materials, and coal and petroleum products were offset in part by significant decreases in container, scrap metal, waste, chemical and steel transports.

Rail below previous year's level at the beginning of the year

- Due to the renewed expansion of the reporting scope in the monthly surveys of the German Federal Statistical Office, from 57 to 72 TOCs, it is only possible to give an indication regarding the development in the rail freight transport market. According to previous publications, Germany appeared to experience moderate growth until April 2019 due to the expanded reporting scope, but on a comparable basis, volume sold decreased by about 4%.
- DB Cargo recorded a further performance decline in the first half of 2019, which, however, was lower than in 2018. The decline in performance is mainly attributable to the decline in the steel industry, but also in the chemical, quarrying and automotive industries.
- For non-Group railways, we expect a still positive, but also noticeably weaker development. In addition to weakening economic impetus, this assumption is based on the modal shifts at DB Cargo, for example for quality reasons or because of former cooperation partners in cross-border transport themselves entering the German line section.

Road with stable growth

- Truck transport continues to benefit from foreign trade impetus, positive consumer sentiments and demand from the construction business.
- According to in-house calculations, volume sold was about 3% above the previous year's level until May 2019.
- This development is also reflected in the toll statistics of the German Federal Office for Freight Transport, according to which performance on German Federal motorways increased by 3.1% in the first five months of 2019. Due to the increase in truck tolls on all German Federal highways on July 1, 2018, it is not possible to account for them in a year-on-year comparison.
- While trucks registered in Germany increased by 1.2%, foreign vehicles continued to experience above average growth, with an increase of 4.5%. The largest growth was recorded by trucks from Poland, Lithuania, Slovenia and Romania which together make up about 70% of the total growth.

European rail freight transport market at previous year's level

The volume sold in the European rail freight transport (EU 28, Switzerland and Norway) rose by about 1% in the first quarter of 2019 compared to the previous year's period. Demand for transport is supported by robust European internal economic growth with rising consumption, which has a positive impact on imports. Exports were also better than expected in the first months of the year. Positive impulses came primarily from transports via the North Sea ports of Antwerp, Rotterdam, Hamburg and Chinese transports on the "New Silk Road." The ongoing declining development in coal transports had a continuing negative impact.

- Rail freight volume sold in Great Britain increased considerably in the first quarter of 2019, by 4.5% compared to the same period in the previous year. Specifically, construction materials and international transports developed positively, while coal transports decreased further – their share in the national rail freight transport market dropped from more than 30% to less than 10% in four years. At DB Cargo UK, volume sold increased slightly in the first half of 2019 and was able to hold on to its leading market position.
- Rail freight volume sold in Poland declined slightly (–1%) in the first quarter of 2019 compared to the same period in the previous year. Here, the strong decline in construction materials, ore and metal transports were offset in particular by a dynamic development of intermodal transport (+18%) supported by China transports. The share of intermodal transport in national rail freight transport is currently about 11%. DB Cargo Polska volume sold declined moderately in the first half of 2019, in line with the market trend.
- The rail freight transport volume sold in France decreased by 1% in the first quarter of 2019 compared to the same period in the previous year, but should return to a positive development in the coming months, taking into consideration the massive strikes in 2018 in the context of the French railway reform. Euro Cargo Rail (ECR) was also able to significantly increase its volume sold in the first months of 2019 and strengthen its market position.

European land transport market starts positively

The European land transport market started 2019 with a positive development, even if prices increased only modestly compared to 2018. The reason for this is mainly the expansion in capacities compared to the slower growing demand for shipping space. In contrast, the trend towards a shortage of drivers continues, which tends to increase the pressure on costs.

In the first half of 2019, the volume of shipments in the European land transport at DB Schenker rose.

Air freight market declining after strong growth in the previous year

The global air freight market was significantly weaker in the first half of 2019, at – 0.5% compared to the same period in the previous year. The reason for this is the slower development of global trade and global industrial production, which are impacted by political uncertainties resulting in trade obstructions. This affects all significant trade routes, only the trade lane from Europe to North America recorded growth.

The excess supply in capacity in the current market environment generates pressure on purchasing and sales prices, with a current downward trend.

In the first half-year, DB Schenker recorded a significant 11% decrease in volume.

Ocean freight market losing momentum

The ocean freight market still recorded solid growth during the first months of 2019. The inner-Asian trade in particular continued to develop well. At the same time, the tariffs that were increased on both sides increasingly resulted in declining transports between the USA and China with the consequence that growth will be more moderate compared to the previous year.

The rates are expected to grow throughout the year, which is partially caused by better capacity management by the most important carrier alliances and the effect of the implementation of new environmental provisions on the shipping business.

DB Schenker recorded a volume increase in the first half of 2019.

Contract logistics market remains vigorous

The positive market development in contract logistics continues in 2019. A particularly important driver is the vigorously growing e-commerce sector. However, intense competition is simultaneously putting pressure on margins, so revenues and profits do not grow to the same degree.

DB Schenker realized above average growth in the Europe and Americas regions; DB Schenker continues to expand its business particularly in the USA and Latin America. The most important market segments include industrial and consumer goods, healthcare and the automotive industry, but most particularly the strongly growing electronics industry.

DB Cargo business unit

General framework

Support of the master plan for rail freight transport

The goal of the **master plan for rail freight transport** 6 is to strengthen rail freight transport and to move more freight from the road to environmentally friendly rail. Removing burdens on TOCs due to train-path prices is a particularly critical step to achieve this goal. DB Cargo utilizes the support for additional traffic and for modal shifts to rail. To this end, DB Cargo invests in resources to generate additional capacities, in the improvement of production quality – multisystem locomotives, for example, enable uninterrupted operation on international corridors – the fulfillment of customer demands for freight cars, and the future viability and digitalization of the business. Major capital expenditures include in particular the procurement of 100 multisystem locomotives and about 6,000 freight cars, as well as equipping more than 60,000 freight cars with GPS. In addition, a comprehensive recruiting and qualification program is underway.

Events in the first half of 2019

- DB Cargo has already refitted 70% of its **freight cars with quiet brake shoes** **11.**
- In April 2019, the results of the **research project Construction and Testing of Innovative Freight Cars** **12** was presented to the BMVI.

Development in the first half of 2019

- Rail freight transport campaign with a positive contribution.
- Performance and profit development continue to decline.
- Positive business development in Western Europe.

	H1		Change	
DB Cargo	**2019**	2018	absolute	%
Punctuality (%)	73.8	73.5	–	–
Freight carried (million t)	122.4	129.4	-7.0	-5.4
Volume sold (million tkm)	43,738	44,534	-796	-1.8
Volume produced (million train-path km)	82.9	83.3	-0.4	-0.5
Capacity utilization (t per train)	527.8	534.7	-6.9	-1.3
Total revenues (€ million)	2,270	2,255	+15	+0.7
External revenues (€ million)	2,141	2,112	+29	+1.4
EBITDA adjusted (€ million)	20	-1	+21	–
EBIT adjusted (€ million)	-132	-127	-5	+3.9
EBIT margin (adjusted) (%)	-5.8	-5.6	–	–
Gross capital expenditures (€ million)	163	140	+23	+16.4
Employees as of Jun 30 (FTE)	29,198	28,709	+489	+1.7

DB Cargo's punctuality increased slightly. Improved punctuality, including in Great Britain, France and Scandinavia, compensated the punctuality decrease in Germany, which was among others a result of the highly utilized infrastructure. Moreover, external disruptive events once again had a negative impact on the punctuality development.

Performance development continued to decline. This resulted from the development in Central Europe. Volume produced was nearly at the level of the first half of 2018. The volume of freight carried decreased considerably, as did both volume sold and the capacity utilization per train.

The economic development remains strained. The development in revenues was slightly positive, but adjusted EBIT decreased somewhat, due in particular to the development in personnel expenses. The development of adjusted EBITDA resulted from the first-time application of IFRS 16.

- 81% of revenues were generated in Central Europe, 13% in Western Europe and 5% in Eastern Europe. Revenues increased mainly due to the omission of negative one-off effects from the previous year (strikes in France, storms in Great Britain), the establishment of a Belgian subsidiary at the start of the year and resulting business expansion in Belgium as well as being price-driven. Exchange rate effects had an offsetting, slightly dampening effect.
- Other operating income (+40.1%/€+55 million) increased significantly particularly due to the train-path price support **(2018 Integrated Report 63)** (offsetting effect in revenues).

The expenses side saw an increase, driven mainly by personnel expenses and cost of materials:

- Cost of materials (+2.1%/€+27 million) was above the level of the first half-year 2018 particularly due to the increase in purchased transport and other services.
- Personnel expenses (+5.9%/€+48 million) increased significantly as a result of the collective agreement and the workforce increase in Central Europe.
- Other operating expenses (−6.7%/€−22 million) decreased particularly due to **IFRS 16 effects** **15 f.** (offsetting effect in depreciation).
- Depreciation (+20.6%/€ +26 million) increased mainly due to IFRS 16 effects.

Capital expenditures increased, among other things, as a result of IFRS 16 effects and higher capital expenditures in freight cars and IT.

As of June 30, 2019 a total of 66% of employees are employed in Central Europe, 15% in Western Europe and 13% in Eastern Europe. Employee numbers increased in Central Europe and Western Europe. The reduction in employee numbers in Poland and Romania due to optimizing measures had an offsetting effect.

Central Europe region

- Rail freight transport campaign with a positive effect.
- Omission of negative one-off effects from the first half of 2018, but slowdown in economic development and factor costs are having a dampening effect on development.
- Effects from quality problems in the previous year continue to linger.

	H1		Change	
Central Europe region	**2019**	2018	absolute	%
Freight carried (million t)	116.1	119.2	-3.1	-2.6
Volume sold (million tkm)	35,052	36,240	-1,188	-3.3
Volume produced (million train-path km)	64.8	67.8	-3.0	-4.4
Total revenues (€ million)	2,489	2,465	+24	+1.0
External revenues (€ million)	1,736	1,750	-14	-0.8
EBITDA adjusted (€ million)	26	23	+3	+13.0
EBIT adjusted (€ million)	-80	-66	-14	+21.2
Gross capital expenditures (€ million)	147	124	+23	+18.5
Employees as of Jun 30 (FTE)	19,343	18,934	+409	+2.2

Performance development in Central Europe declined due to the drop in raw steel and automotive production in Germany. The business expansion in Belgium had a partially compensating effect. Capacity utilization was slightly more improved.

The economic development continues challengingly. Income increases were not able to offset the increase in expenses, causing adjusted EBIT to decline. Growth in adjusted EBITDA resulted from the first-time application of IFRS 16.

- Despite the performance decline, it was possible to achieve a slight increase in revenues. This was caused, among other things, by the omission of negative effects from the first half of 2018 and the business expansion in Belgium.
- Other operating income increased significantly, particularly due to the train-path price support **(2018 Integrated Report 63)** (offsetting effects in revenues).

The expenses side saw an increase, driven mainly by personnel expenses and cost of materials:

- Cost of materials increased particularly due to an increase in purchased transport services, among other things, to stabilize production in Germany.
- Personnel expenses increased as a result of the collective agreement and the higher number of employees.
- The increase in other operating expenses was mainly caused by higher received services and IT services. The expense-reducing IFRS 16 effect was more than offset.
- The increase in depreciation resulted mainly from the IFRS 16 effect.

Gross capital expenditures increased, among other things, as a result of the IFRS 16 effect and higher capital expenditures in freight cars and IT.

The number of employees increased due to a workforce expansion as part of additional personnel increases in operational function groups and of new business, particularly in Belgium.

Western Europe region

- The performance and profit improvements are driven by the developments in Spain and Great Britain.
- Growth was supported by the omission of negative effects (strikes in France, storms in Great Britain).

	H1		Change	
Western Europe region	**2019**	2018	absolute	%
Freight carried (million t)	24.7	24.5	+0.2	+0.8
Volume sold (million tkm)	6,308	5,868	+440	+7.5
Volume produced (million train-path km)	14.2	11.5	+2.7	+23.5
Total revenues (€ million)	358	324	+34	+10.5
External revenues (€ million)	288	259	+29	+11.2
EBITDA adjusted (€ million)	32	6	+26	–
EBIT adjusted (€ million)	-4	-25	+21	-84.0
Gross capital expenditures (€ million)	11	13	-2	-15.4
Employees as of Jun 30 (FTE)	4,335	4,320	+15	+0.3

In Western Europe, volume sold and volume produced recorded significant increases. The volume of freight carried increased slightly. Growth in Spain and the absence of negative effects in France and Great Britain from the first half of 2018 had a positive influence. In addition, the business expansion with new and existing customers, particularly in Great Britain, contributed positively to performance development.

Economic development was significantly above that of the first half of 2018: revenue growth was stronger than expenses, resulting in improved operating profit figures.

- Revenues increased due to the omission of negative effects experienced in the first half of 2018 (strikes in France, storms in Great Britain) and increases in vehicle, metal and intermodal areas.
- Other operating income declined due to exchange rate effects.

The expense side saw an underproportional increase, driven mainly by cost of materials:

- The cost of materials increased mainly due to higher purchased transport services. Lower maintenance expenses had a compensating effect.
- Personnel expenses were somewhat above the figure of the first half of 2018 due to newly hired operating personnel in Spain and France.
- Other operating expenses declined due to the completion of IT projects in Spain and **IFRS 16 effects** **15 f.** (offsetting effect in depreciation).
- Depreciation increased due to IFRS 16 effects.

Gross capital expenditures declined due to the delay in the implementation of planned projects in Great Britain.

Employee numbers increased among other things in operating personnel (France) and in maintenance (Spain).

Eastern Europe region

- Performance development slightly declined.
- Price measures only partially offset factor cost increases.
- Increase in personnel costs due to a tense employment market situation.

	H 1		Change	
Eastern Europe region	**2019**	2018	absolute	%
Freight carried (million t)	7.5	8.4	- 0.9	- 10.7
Volume sold (million tkm)	2,377	2,426	- 49	- 2.0
Volume produced (million train-path km)	3.9	4.0	- 0.1	- 2.5
Total revenues (€ million)	176	151	+ 25	+ 16.6
External revenues (€ million)	116	103	+ 13	+ 12.6
EBITDA adjusted (€ million)	13	14	- 1	- 7.1
EBIT adjusted (€ million)	3	7	- 4	- 57.1
Gross capital expenditures (€ million)	4	3	+ 1	+ 33.3
Employees as of Jun 30 (FTE)	3,893	3,985	- 92	- 2.3

Performance development in Eastern Europe related to volume sold and volume produced showed slightly weaker growth. The volume of freight carried decreased significantly due to lower traffic volume in logistics and intermodal in Poland, among other things.

The economic development remains challenging: the adjusted operating profit figures EBITDA and EBIT declined slightly, due to the omission of positive effects from the first half of 2018 (sale of locomotives and freight cars), among other things.

- Revenue increases were mainly price-driven. Moreover, logistics services and Europe-Asia transport showed positive growth. However, the capacity-based business decrease in the Polish sea ports had the opposite effect.
- Other operating income significantly decreased due to the omission of positive effects from the sale of locomotives and freight cars.

The expense side experienced an increase, driven by cost of materials:

- Cost of materials significantly increased mainly driven by higher purchased transport services.
- Personnel expenses increased due to wage increases, primarily driven by the tense employment market situation in Eastern Europe.
- Other operating expenses declined significantly. This resulted from **IFRS 16 effects** **15 f.** (offsetting effect in depreciation).
- Depreciation increased significantly accordingly.

Capital expenditure activities increased on a low level, among other things, due to IFRS 16 effects.

The number of employees declined, mainly due to optimization measures in Poland and Romania. This was offset by the rise in employee numbers for performance reasons in the Europe—Asia corridor.

DB Schenker business unit

Digitalization and innovation

- In cooperation with the Swedish start-up Einride, DB Schenker started testing the first autonomous electric truck on Swedish roads in March 2019. The so-called T-Pod sets new standards for emissions-free, intelligent mobility of the future.
- Since January 2019, DB Schenker has been globally rolling out the digital booking platform connect 4.0, which allows customers worldwide to book their freight orders online. They receive an immediate, specific price

offer and can always track where the shipments currently are. connect 4.0 is being offered for all freight lines of business, air, ocean or land, and has also been available in North and South America since June 2019.
- DB Schenker has developed the iHub project with cooperation partners. It is to show how an IT-based system can efficiently control truck fleets consisting of diesel- and electric-powered vehicles. The project is supported by the Federal Ministry of Economics and Energy (Bundesministerium für Wirtschaft und Energie; BMWi).

Environmental measures

- Since May 2019, eight MAN eTGE transporters have been deployed to reduce CO_2 emissions in urban logistics by about 80%.
- In March, DB Schenker took over four brand new electric trucks, the so-called Fuso eCanter, in Frankfurt am Main, Stuttgart and the French capital Paris. The electric-powered 7.5-ton vehicles are used in daily business operations and transport general cargo. In Berlin, DB Schenker has also been using e-trucks and is testing their use in mixed fleets.

Development in the first half of 2019

- Weaker stimuli from the market and competitive environment.
- Land transport in particular with positive growth.
- Large-scale initiatives for cost reductions to improve efficiency and for digitalization.

	H1		Change	
DB Schenker	**2019**	2018	absolute	%
Shipments in land transport (thousand)	53,860	52,522	+1,338	+2.5
Air freight volume (export) (thousand t)	578.9	649.4	−70.5	−10.9
Ocean freight volume (export) (thousand TEU)	1,115	1,087	+28	+2.6
Total revenues (€ million)	8,525	8,333	+192	+2.3
External revenues (€ million)	8,491	8,301	+190	+2.3
Gross profit (€ million)	3,064	2,888	+176	+6.1
Gross profit margin (%)	35.9	34.7	–	–
EBITDA adjusted (€ million)	499	314	+185	+58.9
EBIT adjusted (€ million)	238	216	+22	+10.2
EBIT margin (adjusted) (%)	2.8	2.6	–	–
Gross capital expenditures (€ million)	261	78	+183	–
Employees as of Jun 30 (FTE)	75,981	74,104	+1,877	+2.5

The volume development was positive in land transport and ocean freight. Due to the tense market situation, air freight volume decreased significantly.

Economic development was positive: the operating profit figures developed definitely positive as a result of an increase in revenues. Gross profit also increased, most noticeably in contract logistics. The gross profit margin also improved.

Revenues of 43% were generated from land transport, 20% from air freight, 18% from ocean freight and 16% from contract logistics.

Adjusted EBIT was generated 40% from land transport, 28% from air freight, 9% from ocean freight and 17% from contract logistics.

- Main drivers of the positive revenue development were land transport, ocean freight and contract logistics. Overall positive exchange rate effects had a supporting effect. Air freight had a dampening effect on revenue growth.
- Other operating income (−15.7%/€−19 million) decreased among other things due to lower income from the release of provisions and from indemnity payments.

Volume and freight rate development had an impact particularly on the expense side:

- The cost of materials (+0.5%/€ +30 million) remained nearly stable. Volume-based increases in land transport and ocean freight were offset by the air freight development. Exchange rate effects had a negative impact.
- Personnel expenses (+6.4%/€ +104 million) increased due to higher employee numbers, particularly in contract logistics and ocean freight, as well as due to exchange rate effects.
- The decrease in other operating expenses (−14.2%/€−145 million), particularly in contract logistics, resulted primarily from IFRS 16 effects (offset in depreciation).
- Depreciation (+166%/€+163 million), accordingly increased noticeably.

Capital expenditure activities increased significantly. The increase also resulted primarily from **IFRS 16 effects** 15 f. Capital expenditures, also adjusted by these effects, increased particularly in the Asia/Pacific and Europe regions. The focus for capital expenditures continued to be the Europe region.

As of June 30, 2019, 29% of employees were employed in land transport, 9% in air freight, 7% in ocean freight and 32% in contract logistics. The number of employees increased. Main drivers were growth in volume and the hiring of temporary workers.

Land transport line of business

- Further development of the network and product portfolio and quality improvements with positive effects.
- International transport drives positive demand development in package and general cargo business.
- Price effects had a positive impact.

	H1		Change	
Land transport line of business	**2019**	2018	absolute	%
Shipments in land transport (thousand)	53,860	52,522	+1,338	+2.5
Total revenues (€ million)	3,638	3,556	+82	+2.3
External revenues (€ million)	3,606	3,526	+80	+2.3
EBITDA adjusted (€ million)	175	103	+72	+69.9
EBIT adjusted (€ million)	95	68	+27	+39.7
Employees as of Jun 30 (FTE)	21,868	21,700	+168	+0.8

Volume development in land transport, driven by international transports, was positive overall.

Economic development was positive: the operating profit figures developed clearly positive as a result of an above average increase in revenues.

- Revenues were slightly better due to price and volume effects. Negative exchange rate effects had a dampening effect.
- Cost of materials increased as a result of the volume growth. Positive exchange rate effects reduced expenses.
- Personnel expenses increased due to higher employee numbers.
- Due to IFRS 16 effects, a shift occurred from other operating expenses to depreciation.
- This resulted in an associated positive effect on the EBITDA development which was not reflected in EBIT.

Employee numbers rose due to our business development and permanent hiring of temporary employees.

Air freight line of business

- The collapse in demand and high available capacities resulted in a significant decrease of freight rates.
- Connect 4 air started.

	H1		Change	
Air freight line of business	**2019**	2018	absolute	%
Air freight volume (export) (thousand t)	578.9	649.4	-70.5	-10.9
Total revenues (€ million)	1,725	1,806	-81	-4.5
External revenues (€ million)	1,725	1,806	-81	-4.5
EBITDA adjusted (€ million)	83	61	+22	+36.1
EBIT adjusted (€ million)	67	57	+10	+17.5
Employees as of Jun 30 (FTE)	6,999	6,877	+122	+1.8

Performance development declined significantly due to the global market slowdown.

Economic development was positive: the operating profit figures developed significantly better as expenses decreased more than revenues, particularly due to the positive developments in freight rates. Positive exchange rate effects supported this development.

- Revenue development decreased due to performance. The high freight rate level at the beginning of the year had an offsetting effect. In the second quarter 2019, freight rate development declined.
- In accordance with the volume and freight rate development, cost of materials also decreased significantly.
- Personnel expenses increased as a result of higher employee numbers.
- Due to IFRS 16 effects, a shift occurred from other operating expenses to depreciation. Depreciation additionally increased due to an IT project.
- This resulted in an associated positive effect on the EBITDA development which was not reflected in EBIT.

The number of employees increased as a result of permanently hiring temporary workers.

Ocean freight line of business

- Positive effects due to freight rate development.
- Digital platform connect 4 ocean launched in the first countries.
- Tenders won for routes between Asia and North America – a positive contribution expected for the second half-year.

Ocean freight line of business	H 1 2019	H 1 2018	Change absolute	Change %
Ocean freight volume (export) (thousand TEU)	1,115	1,087	+ 28	+ 2.6
Total revenues (€ million)	1,517	1,420	+ 97	+ 6.8
External revenues (€ million)	1,517	1,420	+ 97	+ 6.8
EBITDA adjusted (€ million)	28	29	- 1	- 3.4
EBIT adjusted (€ million)	21	28	- 7	- 25.0
Employees as of Jun 30 (FTE)	5,306	5,006	+ 300	+ 6.0

The performance development in ocean freight was positive. This was due in particular to the high-volume trade between Asia-Pacific and Europe, but also to the development in export relations to South America.

Economic development varied depending on the area: revenue grew more than operating expenses. Adjusted EBIT, on the other hand, declined due to the omission of positive one-off effects and considerably higher depreciation.

- Revenues increased driven by volume growth, freight rate development and product portfolio changes. Positive exchange rate effects acted as support.
- Cost of materials increased significantly due to a rise in volume and freight rates (the increase caused, for example, by higher fuel prices due to the switch to lower-emissions fuels) and due to exchange rates.
- Personnel expenses also increased due to the performance expansion and currency effects.
- Due to IFRS 16 effects, a shift occurred from other operating expenses to depreciation. Depreciation additionally increased due to an IT project.
- This resulted in an associated positive effect on the EBITDA development which was not reflected in EBIT.

The number of employees increased due to the business development.

Contract logistics line of business

- Strong development in the existing and new customer business.
- Measures for productivity growth are being implemented.
- Shortage in skilled workers delays the opening of new locations.

Contract logistics line of business	H 1 2019	H 1 2018	Change absolute	Change %
Total revenues (€ million)	1,356	1,265	+ 91	+ 7.2
External revenues (€ million)	1,355	1,264	+ 91	+ 7.2
EBITDA adjusted (€ million)	165	69	+ 96	+ 139
EBIT adjusted (€ million)	41	46	- 5	- 10.9
Employees as of Jun 30 (FTE)	24,293	22,864	+ 1,429	+ 6.3

The economic development of the contract logistics line of business was subdued: adjusted EBIT decreased despite a significant increase in revenues due to the considerable increase in personnel expenses and the weaker business development growth in Europe.

- Revenues showed clearly positive growth due to the business expansion particularly in Europe and due to exchange rate effects.
- Cost of materials increased as well, but at a disproportionately lower rate. Exchange rate effects also increased expenses.
- Personnel expenses increased, among other things, due to workforce expansions at new locations. Exchange rate effects also increased expenses.
- Due to IFRS 16 effects, a noticeable shift occurred from other operating expenses to depreciation.
- This resulted in an associated clearly positive effect on the EBITDA development which was not reflected in EBIT.

The increase in employee numbers resulted from our business expansion and the permanent hiring of temporary workers.

Infrastructure

LuFV III negotiations continued

In the last year of the Performance and Financing Agreement (Leistungs- und Finanzierungsvereinbarung; LuFV) II, we continue to intensively promote the modernization of our existing network. The 2019 annual program is again focused on the overall goal to improve the quality and availability of the existing track infrastructure.

The Infrastructure Status and Development Report was provided to the Federal Government on April 30, 2019. We are currently negotiating a follow-up agreement with the Federal Government for the LuFV II, whose term ends on December 31, 2019, to be able to consistently pursue the modernization path we have taken beyond the year 2020.

Progress on the Stuttgart—Ulm project

On January 26, 2018, the DB AG Supervisory Board approved a financing framework of € 8.2 billion for the Stuttgart 21 project. This financing framework contains a buffer of almost € 0.5 billion to cover unforeseen events. This buffer can only be drawn upon with the Supervisory Board's prior approval. The Supervisory Board released this buffer on June 19, 2019 to be able to compensate for potential cost increases due to higher market prices related to the still pending awards.

Further infrastructure development

In 2019, € 10.7 billion is available for building new rail infrastructure and maintaining the existing network, stations and energy systems. In total, more than 50 major projects are in planning and construction in 2019. Close to 30 projects will be completed in 2019. Added to this are 16 groundbreaking events for projects that will increase the network capacity over the long term. In 2019, about € 2.3 billion will be invested in these major projects of the Federal Transport Infrastructure Plan. The majority is financed by the Federal Government via the requirement plan of the Federal Transport Infrastructure Plan 2030. Added to this are local transport projects as part of the Municipal Transport Financing Act (Gemeindeverkehrsfinanzierungsgesetz; GVFG) program financed by the Federal Government and the Federal states.

Bundling in over 100 corridors and a professional construction management are indispensable for the large number of construction activities. By pooling the construction sites, we can minimize the impact on normal operation.

The Construction Management Center was established to keep the restrictions in rail transport to a minimum despite the intensive ongoing construction activities. A special team coordinates all construction activities of DB Group and forecasts the impact of construction in order to develop countermeasures, and thus reduce delays. Thanks to an improved construction site management, it was possible to reduce disruptions by 33% since 2015, while at the same time increasing construction volume by 23%.

Retrofitting of 600 older interlockings started

DB Group is technically retrofitting older interlockings to support the track monitoring work of traffic controllers. In January 2019, the installation of the new technology was started at the pilot locations Utting in Bavaria and Nieukerk in North Rhine-Westphalia. The retrofitting of up to 50 interlockings is still to be started in this year. About 600 interlockings are to be retrofitted by the end of 2023. The retrofitting will cost about € 90 million.

Relocation of the Hamburg-Altona long-distance train station

In December 2017, the plan approval decision (Planfeststellungsbeschluss; PFB) of the Federal Railway Authority (Eisenbahn-Bundesamt; EBA) was issued for the relocation of the Hamburg-Altona long-distance train station. In January 2018, the EBA issued an immediate execution order. On August 15, 2018, the Hamburg Higher Administrative Court reinstated the suspensive effect of the claim against the EBA's plan approval decision by the Verkehrsclub Deutschland Landesverband Nord e. V. Construction on the project cannot be continued until the principal proceedings have been completed. Completion of the principal proceedings is still expected in 2019.

Start of the main construction measures to modernize Dortmund central station

In June 2018, the main construction measures were begun to modernize Dortmund central station. Following the completion of the work, the station will be fully accessible and enable a barrier-free networking of all modes of transport. Work on platform 26/31 is almost finished. At the end of July 2019, the platform will be fully modernized and will start operations.

Reconstruction of the Dresdner Railway rail link begun

On the occasion of the first noise protection wall built in its final location, a symbolic groundbreaking took place in February 2019 to celebrate the start of the main construction work. In the project section located in the State of Brandenburg, completion of the legally required planning approval procedure is expected by September 2019. As part of this project, about 16 km of track will be newly built, including nine bridges, three stations, and nine railroad crossings to be removed.

Frankfurt hub

The future viability of rail transport is ensured by the Frankfurt Rhine-Main plus infrastructure expansion program. The program includes the reconstruction of the area at the Frankfurt stadium, the two track-expansion of the Homburger Damm, the S-Bahn (metro) connection Gateway Gardens, the S-Bahn (metro) line 6 expansion in direction of Friedberg and the construction of the northern Main S-Bahn (metro). The tunnel shell construction measures for the Gateway Gardens project have been completed. Start of operations is planned for December 15, 2019.

Expansion line 48 Munich—Lindau—German/Austrian border

The legally required building approval processes have been completed for all 20 plan approval sections since April 2019. Since March 2018, the main construction stages are being carried out with large-scale sectional track closings. The main construction work at the expansion line planned for 2018 and later impacted by the subsequently issued building approval was compensated by an expansion of rail replacement services to several track sections and a reorganization of the construction process. Start of operations is planned for December 2020.

Rhine-Ruhr-Express

The plan approval documents for the plan approval sections (Planfeststellungsabschnitt; PFA) 3.2 (Duisburg) and 3.0a (Düsseldorf airport) were submitted to the EBA in December 2018 and March 2019. The preliminary planning for section PFA 2.0 (Düsseldorf-Reisholz and Düsseldorf-Benrath) was presented during a dialog with the public. Construction work on plan approval section 4.0, Mülheim, has begun. The plan approval decision for PFA 1.2 (Leverkusen) was issued on October 8, 2018. The decision for PFA 1.3 has been available since March 2019, but is currently being sued by the city of Langenfeld. We, consequently, now have the building approvals for six of the 15 PFAs. Preparation work is being carried out for the construction in Leverkusen and Langenfeld, and start of construction is planned for early 2020.

Expansion and electrification of the High Rhine Railway Basel-Erzingen for the regional rail passenger transport

By carrying out the electrification of the High Rhine Railway track between Basel Badischer Bahnhof and Erzingen (Baden), we will be able to close an important gap for electric traction between Basel and Schaffhausen (Switzerland). Once this track section has been electrified, it will be possible to have electric instead of diesel-powered vehicles ensuring transport between Basel Badischer Bahnhof and Singen (Hohentwiel). A transport-focused problem definition was prepared for the new operating program until May 2019. To implement the desired schedule of the Baden-Württemberg regional transport company (Nahverkehrsgesellschaft Baden-Württemberg; NVBW), additional infrastructural measures will be required: Tiengen and Lauchringen will be expanded to become junction stations, added to this will be a quick exit from the Erzingen station and a quick entry to the Waldshut station, and the drop in speed between Waldshut and Tiengen will disappear.

Expansion and electrification of the Lake Constance Belt Railway for the regional rail passenger transport

As part of the electrification of the Südbahn (Southern Railway), the Lake Constance Belt Railway is to be expanded and electrified in the sections Radolfzell and Friedrichshafen as well as Stahringen and Stockach-Hindelwangen. The planning agreement with a scope of € 3.8 million was signed in January 2019. An operating program study, a transport-focused problem definition (VAST) and an operational problem definition (BAST) will be prepared by the fourth quarter of 2019. Subsequently, the preliminary planning will be put out to tender.

Expansion and new construction line Molzau—Graben-Neudorf—Karlsruhe

A planning order that was coordinated with the EBA is on hand for the expansion and new construction line Molzau—Graben-Neudorf—Karlsruhe. Currently, preparations are underway to put out for tender the first planning services for the train-path selection and technical feasibility, which will likely be published by July 2019. The respective plans should be closely coordinated due to the transport-related and operational dependencies with the projects of the north-south link in the Mannheim hub and/or the link to the new construction line Rhine/Main—Rhine/Neckar. In addition, public participation should probably be ensured by the end of 2019.

Expansion to three tracks Karlsruhe—Durmersheim

The requirement plan project for the expansion to three tracks for Karlsruhe—Durmersheim is to provide additional capacity south of Karlsruhe. Primarily, it includes the expansion to three tracks on a track length of about 8 km between Karlsruhe and the junction Bashaide in the direction of the Rastatter tunnel, the junction construction Karlsruhe to create a link to Karlsruhe central station and freight yard, the barrier-free conversion of Forchheim station, the removal of the Mörsch railway crossing, and a link to the existing track including new construction of an overpass in the area of the Bashaide junction. In June 2019, a feasibility study was completed which is used as the basis for the preparation of the operational problem definition.

DB Netze Track business unit

General framework

BNetzA approves train-path prices for 2020

The competent ruling chamber approved the train-path prices for schedule year 2019/2020 on February 13, 2019. As set forth in the resolutions to the 2018 and 2019 train-path pricing systems (Trassenpreissystem; TPS), the proposed train-path prices in long-distance rail passenger transport were increased as part of the approval and lowered in the rail freight transport by about € 28 million, respectively. DB Netz AG has initiated proceedings against this decision. A first respective decision can be expected at the earliest at the end of 2019.

BNetzA approves an incentive system for the rail passenger transport

On May 29, 2019, BNetzA approved the incentive system applied for by DB Netz AG in the rail network usage terms for the rail passenger transport. The further development of the incentive system between TOCs for passenger transport services and DB Netz AG has been in effect since June 1, 2019. In contrast to the previous provisions, considerably higher payments apply, among other things, in the event of delays due to construction sites. As part of a market dialog, an agreement could be reached in passenger transport services regarding all key points of the incentive system as early as November 19, 2018. In freight transport, it is agreed that the incentive system is to be introduced during the 2020/2021 timetable change. DB Netz AG will submit an application accordingly.

Noise-based train-path pricing system supports conversion of freight cars

The noise-based train-path pricing system (lärmabhängiges Trassenpreissystem; LaTPS) currently provides for a surcharge of 5.5% on the regular train-path price for loud freight trains. The surcharge is to increase to 7% during the 2019/2020 timetable change. Freight trains consisting of 90% cars with quiet braking technology are exempt from the surcharge. The proceeds from the LaTPS are fully used to provide bonus payments to TOCs that use freight cars that were converted to quiet composite brake shoes. The LaTPS will be in place until the end of 2020. The program is revenue-neutral for its entire duration.

Legal topics

Following an accident in the eastern tunnel of the Rastatt tunnel, work to repair the tunnel has been underway since March 2018. At the same time, the arbitration process, agreed upon by DB Group and ARGE Tunnel Rastatt, is being conducted to clarify the causes and associated responsibilities. A comprehensive boring program was carried out, among other things, to clarify what caused the damage. The arbitration process continues.

DB Netz AG concluded an agreement with ARGE Tunnel Rastatt for the planning of the repair and/or completion of the damaged eastern tunnel on April 11, 2019.

Development in the first half of 2019

- Increased revenues from price and volume effects.
- Higher expenses particularly for personnel and maintenance have a detrimental effect on the development of the operating profit.
- Capital expenditures increased further at a high level.

	H1		Change	
DB Netze Track	2019	2018	absolute	%
Punctuality DB Group (rail) in Germany (%)	94.2	93.9	–	–
Punctuality (rail) in Germany [1] (%)	93.6	93.3	–	–
Train kilometers on track infrastructure (million train-path km)	542.3	539.3	+ 3.0	+ 0.6
thereof non-Group railways	179.9	172.2	+ 7.7	+ 4.5
Share of non-Group railways (%)	33.2	31.9	–	–
Total revenues (€ million)	2,803	2,720	+ 83	+ 3.1
External revenues (€ million)	812	754	+ 58	+ 7.7
Share of total revenues (%)	29.0	27.7	–	–
EBITDA adjusted (€ million)	708	815	– 107	– 13.1
EBIT adjusted (€ million)	379	483	– 104	– 21.5
Gross capital expenditures (€ million)	2,875	2,634	+ 241	+ 9.1
Net capital expenditures (€ million)	636	545	+ 91	+ 16.7
Employees as of Jun 30 (FTE)	48,021	46,371	+ 1,650	+ 3.6

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

The punctuality of both non-Group and DB Group TOCs was increased as a result of the measures from the Agenda for a Better Railway. However, **weather-related difficulties** **9** in June had a noticeably dampening effect.

Train kilometers on track infrastructure rose particularly due to higher demand from non-Group customers (in particular in regional transport) and from DB Long-Distance. The low demand of DB Group customers in freight and regional transport had a dampening effect.

Economic development is challenging. In particular higher expenses for personnel and maintenance caused the operating profit figures to decrease.

- Revenues developed better, thanks to demand increases and price effects.
- Other operating income (−13.2%/€ −60 million) decreased due to drop in income from a sale of land and lower refunds for project expenses.

On the expense side, there was a noticeable additional burden particularly in personnel expenses:

- Cost of materials (+5.7%/€ +49 million) increased, among other things, due to increased expenses for maintenance measures which were tackled earlier than planned due to the mild winter and volume-related higher energy expenses.
- Personnel expenses (+7.7%/€ +111 million) increased as a result of the collective agreement and the higher number of employees.
- The increase in other operating expenses (+3.7%/€ +19 million) resulted, among other things, from a volume-related increase in education and IT services. In addition, higher project expenses and price effects had an effect.
- Depreciation (−0.9%/€ −3 million) was nearly at the level of the first half of 2018.

The capital expenditure volume increased noticeably. This was the result of higher capital expenditures in the existing network.

The number of employees rose mainly due to new hires to cover demand and ensure succession, particularly in maintenance, construction projects and operations.

DB Netze Stations business unit

General framework

BNetzA approved station prices 2020

The competent ruling chamber of the BNetzA approved the station prices of DB Station & Service AG with very few changes on June 14, 2019. When reviewing the cost basis, a reduction was applied which, however, did not have a direct effect on station prices.

New strategy and organizational structuring

As of 2019, the new strategic direction of the business unit will be implemented up to 2030. Focus will be much more on managing capacity, increasing basic quality, improving customer experience and developing the immediate station surroundings.

Digitalization and innovation

Passenger information of the future

Passenger information of the future is the largest software development project to date of DB Netze Stations. As a new IT system, IRIS+ will enable the central processing of information from the passenger information platform, the new so-called Single Point of Truth for passenger information. By the end of the first half of 2019, around 50 stations in the state of Saxony were successfully migrated to this new system.

Conversion of facility technology

DB Netze Stations operates a large number of technical systems in stations that need data connections to central systems. A large number of the systems has previously used modem and ISDN connections to link to the Group-internal and public telephone networks. As part of the TOPKO program, the affected systems are being converted to the new IP technology. The shutdown of the Group-internal telephone network occurred in early 2019; all required systems were successfully migrated.

Berlin-Charlottenburg becomes a smart city station

In March, work commenced on the conversion of the Berlin-Charlottenburg station to a **smart city station** **(2018 Integrated Report 71 f).** Charging stations for mobile phones and additional seating are to make the station more comfortable. The concept is supplemented by new ideas on how to use the station environment. Our aim is to increase the attractiveness of stations.

Other events

- In May 2019, the State Ministry for Infrastructure and State Planning and DB Station & Service AG concluded a framework agreement with a volume of € 170 million. 150 stations are to be equipped with barrier-free entrances, improved information options, more seating and longer platforms, among other things.
- In June 2019, the Federal state Saxony-Anhalt concluded a master agreement with DB Station & Service AG. Between 2019 and 2022, Saxony-Anhalt and DB Group will invest around € 70 million in 80 stations overall.
- In June 2019, Nahverkehr Rheinland GmbH (NVR) and DB Station & Service AG signed financing agreements to modernize 17 stations in the Rhine region. In total, NVR and DB Station & Service AG will invest about € 64 million for the modernization and improvement of the stations.

Development in the first half of 2019

- Demand increase due to additional traffic and more frequent services.
- Drag on profits occurred due to an increase in expenses for more basic quality in personnel and maintenance.
- Stable, slightly positive rental business.

	H1		Change	
DB Netze Stations	**2019**	2018	absolute	%
Facility quality (grade)	2.89	2.89	–	–
Station stops (million)	76.2	75.1	+1.1	+1.5
thereof non-Group railways	19.4	18.2	+1.2	+6.6
Total revenues (€ million)	680	668	+12	+1.8
thereof station revenues (€ million)	451	437	+14	+3.2
thereof rental (€ million)	204	200	+4	+2.0
External revenues (€ million)	303	297	+6	+2.0
EBITDA adjusted (€ million)	201	228	-27	-11.8
EBIT adjusted (€ million)	123	158	-35	-22.2
Gross capital expenditures (€ million)	397	291	+106	+36.4
Net capital expenditures (€ million)	216	138	+78	+56.5
Employees as of Jun 30 (FTE)	6,002	5,649	+353	+6.2

The facility quality remains stable at a high level.

The performance development was marked by a slight increase in the number of station stops. This was mainly caused by more frequently running services and additional traffic in regional transport, driven primarily by non-Group railways.

Economic development declined: significant expense increases particularly in maintenance and personnel exceeded the increases on the income side.

- The increase in revenues was primarily caused by price- and service-based higher station revenues. The revenues from rental and leasing developed positively due to lower vacancy rates, among other things. Growth in external revenues reflects the growing market share of non-Group railways.
- Other operating income (+2.9%/€ +2 million) increased slightly due to higher income from the leasing of advertising spaces (billboards).

On the expense side, cost of materials and personnel expenses increased to achieve more basic quality:

- Cost of materials (+10.7%/€ +28 million) increased for more maintenance and station support measures. In addition, the increase in energy costs had an effect.
- Personnel expenses (+9.7%/€ +16 million) increased as a result of the collective agreement and the higher number of employees.
- The increase in other operating expenses (+3.8%/€ +4 million) resulted, among other things, from an increase in IT services and higher project costs.
- Depreciation increased (+11.4%/€ +8 million) as a result of higher capital expenditures.

The higher capital expenditure volume was primarily the result of the renovation of existing stations and quality-enhancing projects.

The number of employees increased mainly due to more personnel particularly in the areas of construction and facilities management.

DB Netze Energy business unit

General framework

BGH confirms the method to determine the equity yield rate in energy grids

On July 9, the German Federal Supreme Court (Bundesgerichtshof; BGH) approved the reduction of equity yield rates for operators of electricity networks by BNetzA and thus canceled the decision of the Düsseldorf Higher Regional Court (Oberlandsgericht; OLG). The OLG had criticized the BNetzA regarding the calculation of the equity yield rate, as it allegedly did not adequately take capital market specifics into account. For DB Netze Energy, the decision of the BGH means that for the duration of the third regulation period from 2019 to 2023, an equity yield rate of 6.91% applies for new systems and 5.12% for old systems. As a result the equity yield rate has been significantly reduced compared to the second regulation period (9.05% for new and 7.14% for old systems).

Development in the first half of 2019

- Price increases in primary energy markets.
- Decline in demand for electricity and diesel products.
- The growth in sales prices drives significantly positive operating profit development.

	H 1		Change	
DB Netze Energy	**2019**	2018	absolute	%
Supply reliability [1] (%)	99.99	99.99	–	–
Traction current (16.7 Hz and direct current) (GWh)	4,031	4,146	– 115	– 2.8
Traction current pass-through (16.7 Hz) (GWh)	717.9	842.6	–124.7	–14.8
Stationary energy (50 Hz and 16.7 Hz) (GWh)	7,268	8,885	– 1,617	– 18.2
Diesel fuel (million l)	208.3	214.3	– 6.0	– 2.8
Total revenues (€ million)	1,410	1,383	+ 27	+ 2.0
External revenues (€ million)	640	628	+ 12	+ 1.9
EBITDA adjusted (€ million)	65	47	+ 18	+ 38.3
EBIT adjusted (€ million)	23	12	+ 11	+ 91.7
Gross capital expenditures (€ million)	67	81	– 14	– 17.3
Net capital expenditures (€ million)	23	40	– 17	– 42.5
Employees as of Jun 30 (FTE)	1,747	1,734	+ 13	+ 0.7

[1] Provisional non-rounded values.

The high level of supply reliability was maintained.

Volumes declined:

- Particularly DB Group customers required less traction current in the first half of the year. A main factor was thereby the development in freight and regional transport.
- In addition to aperiodic effects, lower demand of non-Group customers resulted in a decrease of pass-through traction current volumes.
- In the area of stationary energy, sales volume declined noticeably. Most relevant was a volume decline from short-term portfolio optimizations in the energy market. An additional effect had the decline in the operating business in the industrial customer segment.
- The slight drop in demand for diesel fuel was caused by growth at DB Group customers in freight and regional transport.

The economic development was clearly positive. Particularly the price-based increases on the income side significantly exceeded the higher purchase prices at the primary energy markets with the effect that operating income figures improved.

- Due to higher sales prices for traction current and stationary energy, revenues were higher compared to the first half of 2018. The decline in demand particularly in the areas traction current and stationary energies was compensated overall.
- The decrease in other operating income (–28.6%/€ –8 million) was the result of lower income from the release of provisions and lower insurance income.

On the expense side, the higher energy purchase prices were noticeable:

- Cost of materials increased (+1.4%/€ +17 million). Negative effects from increased primary energy prices for electricity and mineral oil products were only slightly compensated by a decrease in purchased volumes.
- Personnel expenses (+4.9%/€ +3 million) increased mainly as a result of collective bargaining agreements.
- The significant decrease in other operating expenses (–25.3%/€ –19 million) is first and foremost the result of **IFRS 16 effects** **15 f.** (with an offsetting effect in depreciation).
- Depreciation (+20.0%/€ +7 million) increased due to IFRS 16 effects.

Capital expenditure volume decreased. This was mainly the result of lower capital expenditures in new construction and declining retrofitting of traction current lines.

The number of employees grew slightly as a result of an increase in regulatory requirements.

Subsidiaries/other

DB Engineering & Consulting

DB Engineering & Consulting (DB E&C) expertise is in demand worldwide:

- The suspension railway in Wuppertal is to be modernized. DB E&C has been commissioned with the design of the modernization; it had been awarded the contract in a public tender put out by the Wuppertaler Stadtwerke.
- In the next five years, on the Nuremberg—Ebensfeld expansion line, the about 5-km-long line section Hallstadt—Breitengüßbach is to be expanded from two to four tracks. The construction measure was started in January 2019. DB E & C is responsible for construction supervision.

- In January, DB E & C opened its British branch office in Birmingham and signed a seven-year contract for project management and consulting services with Irish Rail. DB E & C will support the National Railway of the Republic of Ireland during the introduction of a train control system. In Great Britain, DB E & C advises the project development company HS2 Ltd in the construction of the first ballastless track (also called “slab track”) line in the British Isles and has also qualified for a consulting framework agreement with the British Ministry of Transport.
- In February 2019, DB E & C received a trailblazing project contract from the Dutch government. The subject matter of the contract is the review and evaluation of the European Rail Traffic Management System (ERTMS) specifications which are set forth in the tender documents for the technical equipment of the Dutch railway network. ERTMS is the system for the management and control of the rail transport on the trans-European network lines.
- At the end of April 2019, the first line of the metro system in the Australian capital Canberra commenced operations. In early 2016, DB E & C had been awarded the contract together with international partners from the construction and financial industries and provided consulting services for the project.
- At the end of May 2019, Australia’s first fully automatic metro commenced operations with Sydney’s Metro Northwest. The contract comprising project management and consulting services was the entry into the Australian market in 2014 for DB E & C.
- In May 2019, the first metro section in Doha, Qatar, started operating, the other lines are to follow by the end of 2019. The project implementation is thus almost a year ahead of the original schedule. In 2009, DB E & C had laid the foundation with a draft of an integrated railway concept for Qatar and has since been a strategic partner of the Qatari railway during the development and construction of their transport network.

Development in the first half of 2019

- Personnel expenses increased as a result of effects from the collective agreement and the higher number of employees.
- Digitalization and Group projects were continued.

	H1		Change	
Subsidiaries/other	**2019**	2018	absolute	%
Total revenues (€ million)	2,398	2,274	+124	+5.5
External revenues (€ million)	280	252	+28	+11.1
EBITDA adjusted (€ million)	-119	-160	+41	-25.6
EBIT adjusted (€ million)	-366	-280	-86	+30.7
Gross capital expenditures (€ million)	318	184	+134	+72.8
Net capital expenditures (€ million)	318	181	+137	+75.7
Employees as of Jun 30 (FTE)	54,926	53,386	+1,540	+2.9

Subsidiaries/other comprises governance functions (for example Group development, Finance and Treasury and HR) and the non-independent service units (for example Shared Service Center Accounting and HR Services) of the holding company DB AG. In addition, this segment bundles the legally independent service units of DB Group (for example DB Temporary Work and DB JobService) as well as the independent operating service units (for example DB Vehicle Maintenance and DB Systel), which provide services for several DB Group business units.

The increase in total revenues is mainly the result of higher revenues with DB Group customers, including in connection with a higher demand for digitalization and cybersecurity solutions at DB Systel, projects in the areas of vehicle maintenance and vehicle conversion, and performance increases in DB Group and non-Group TOCs at DB Sales and an increase in project business at DB E & C.

The increase in adjusted EBITDA resulted from the decline in other operating expenses due to the first-time application of **IFRS 16** **15 f.** The EBIT development was adversely affected mainly by collective agreement effects and the further increased activities in Group projects. Countermeasures were only able to compensate for part of the effects.

Higher capital expenditures resulted primarily from the capitalization of rental and leasing contracts (IFRS 16 effect).

The number of employees increased mainly due to a workforce expansion for Group projects, from service orders and an increase in in-house production depth particularly at DB E & C, DB Systel, DB Services, DB Vehicle Maintenance and DB Services.

Opportunity and risk report

- No material changes in the opportunity and risk management
- Risk portfolio unchanged without any risks to DB Group as a going concern

Our business activities are associated with opportunities as well as risks. 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. There were no significant changes to DB Group's **risk management system (2018 Integrated Report** **166 ff.)** in the first half of 2019. Nor were there any significant changes to DB Group's **major opportunities and risks (2018 Integrated Report** **168 ff.).**

The opportunities and risks analysis was performed compared to the updated anticipated **Development of DB Group** ***53*** in 2019.

As of June 30, 2019, the risk focus of DB Group was on production and technology as well as personnel. Compared to the overall risk position as of December 31, 2018, the overall risk position in relation to the EBIT forecast for the 2019 financial year has slightly increased (€ +0.1 billion) as of June 30, 2019, but now exclusively contains only likely opportunities and risks.

- For the forecast of the **EBIT development** ***53*** in the 2019 financial year, there exist risks of € 0.2 billion taking into account countermeasures (thereof very likely (vl): € 0.0 billion). These risks result mainly from the areas of production and technology as well as personnel.
- Currently, there are no significant opportunities beyond the EBIT forecast.

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 mid-term planning, indicate that there are no risks that, individually or jointly, could have an impact on the net assets, financial or income situation of DB Group and would pose a threat to the Group as a going concern.

Outlook

- DB Group alignment with new strategy
- Economic outlook has worsened
- DB Group development expectations slightly adjusted in 2019

Future direction of DB Group

The new **Strong Rail** 2 strategy presented in June will define the future strategic direction of DB Group.

Economic outlook has worsened

- The forecasts for development in 2019 are based on the assumption that there will be no material change in the geopolitical situation.

Anticipated development (%)	2018	2019 (Mar forecast)	**2019 (Jun forecast)**
World trade [1]	+4.5	~ +3.0	~ +1.5
GDP world	+3.2	~ +2.5	~ +2.5
GDP Eurozone	+1.9	~ +1.5	~ +1.0
GDP Germany	+1.5	~ +1.5	~ +1.0

[1] Trade in goods only.

The data for 2018, adjusted for price and calendar effects, is based on the information and estimates available as of July 2019. Expectations for 2019 are rounded off to the nearest half percentage point.

Source: Oxford Economics

For 2019, we generally expect weaker but still robust global economic growth. The development in world trade, however, will likely be considerably weaker than in the previous year; the expectations here have once more deteriorated. There is particularly the result of increased uncertainty in the corporate sector due to the risk of an escalation of existing trade conflicts.

The Eurozone in particular has been affected by the impact of this uncertainty as the low demand for durable capital goods leads to stagnating industrial production. In light of the robust domestic economy, however, economic growth has remained at an acceptable level overall.

In Germany, the future economic growth expectations have also deteriorated. While private consumption has a supporting effect, the declining production in the manufacturing sector has a slowing effect on growth. The high domestic demand in perspective also leads to a smaller German trade surplus as imports increase more than exports.

Predominantly positive expectations for relevant markets

Passenger transport

Anticipated market development (%)	2018	2019 (Mar forecast)	**2019 (Jun forecast)**
German passenger transport (based on pkm)	+1.0	~ +1.0	+1.0

The data for 2018, adjusted for price and calendar effects, is based on the information and estimates available as of July 2019. Expectations for 2019 are rounded off to the nearest half percentage point.

The outlook for the German passenger transport market is nearly unchanged compared to March 2019. Rail passenger transport is growing above average; this is, among other things, thanks to the improvement in services offered in long-distance transport.

In the European passenger transport market, demand should, as a result of slightly falling fuel prices, also increase slightly. The positive framework conditions persist thanks to still growing employment numbers and available income, accompanied by uncertainties regarding Brexit. Across Europe, moderate growth in rail passenger transport is expected, albeit with regional differentiation.

Freight transport and logistics

Anticipated market development (%)	2018	2019 (Mar forecast)	**2019 (Jul forecast)**
German freight transport (based on tkm)	~ +1.2	+3.0	~ +2.0
European rail freight transport (based on tkm)	~ +1.7	+2.5	~ +0.5
European land transport (based on revenues)	+3.6	+3.0	~ +2.0
Global air freight (based on t)	+4.7	+2.5	- 0.5
Global ocean freight (based on TEU)	+4.6	+3.5	+1–3
Global contract logistics (based on revenues)	+4.4	+4.5	+9–10

The data for 2018, adjusted for price and calendar effects, is based on the information and estimates available as of July 2019. Expectations for 2019 are rounded off to the nearest half percentage point.

The outlook for the entire German freight transport market has deteriorated somewhat since the previous forecasts were published:

- Particularly due to the expected weak performance of the industries important for rail freight transport, namely the steel, chemical/mineral oil and automotive industries, expectations are that the previous year's volume will only be slightly exceeded. The growth in combined transport should not suffice to provide stronger support for overall performance development. The respective impact from the train-path price support should have a positive effect, but, due to the economic slowdown and resulting intensifying competition, its effect is weaker than expected over the short term.
- Truck transport will continue to benefit from positive impulses in retail, consumption and construction. The 2019 performance increase, however, should be smaller than in the previous year due to generally weakening economic growth effects.
- Assuming a stable situation on the main waterways, the weaker economic growth impulses will be more than compensated in inland waterway transport by the expected strong positive basic effect as a result of the weaker months in the previous year. In the second half of 2018, performance dropped dramatically by more than 30% due to the low water levels, as a result of which a strong increase is to be expected over the next few months, which will make a noticeable contribution to growth for the entire freight transport market in 2019.

In the European rail freight transport market, volume sold in 2019 will likely increase at a lesser pace than previously expected. Despite the continued positive economic impulses and a contribution to growth from combined transport, the weak performance in European key industries and the continually declining coal transports will have a considerable effect.

Falling volumes are now expected for the global air freight market.

Global ocean freight will experience lower growth than previously assumed, which is caused by the tremendous uncertainty regarding the trade negotiations between the USA and China and also by the economic risks due to a potential decline in growth in the USA, China and Europe.

Stronger growth than in the previous year is now expected for contract logistics in 2019.

Based on current 2019 forecasts, growth in the European land transport market will be weaker than in the previous year, the price pressure will continue to grow due to increasing capacities and revenue growth will slow down slightly as a result. Growth is still driven by the increasing transport activities in Eastern Europe.

Infrastructure

We expect a nearly stable development in train-path demand in 2019. This is due to increasing construction-related suspensions in rail passenger transport. If rail freight transport is able to come out ahead in the intermodal competition due to the train-path price support despite a slowdown in economic growth, train-path demand may increase in the second half of 2019.

In terms of station stops, we expect an increase in the year-on-year comparison. The share of train stops by non-Group TOCs will continue to increase.

Leasing income in stations will also show stable development and be slightly above the level of the previous year (+1.6%).

Financial markets

Although the European Central Bank has discontinued its net bond purchase as part of the purchase program, it announced a continuation of the loose monetary policy. We expect that the interest rate environment will continue to be characterized by very low or negative returns over the medium term.

Development of DB Group

Economic development

Anticipated development	2018	2019 (Mar forecast)	**2019 (Jul forecast)**
Volume sold – rail passenger transport (Germany) (billion pkm)	84.5	>85	>85
Volume sold – rail freight transport (billion tkm)	88.2	>97	>92
Train kilometers on track infrastructure (billion train-path km)	1.1	>1.1	>1.1
Shipments land transport (million)	106.5	~110	~110
Air freight volume (export) (million t)	1.3	>1.3	>1.1
Ocean freight volume (export) (million TEU)	2.2	>2.4	>2.3
Customer satisfaction – passengers (SI)	75.1	~77	~77
Punctuality DB Group (rail) in Germany (%)	93.4	>94	>94
Punctuality DB Long-Distance (%)	74.9	76.5	76.5
Revenues (€ billion)	44.0	>45	>45
EBIT adjusted (€ billion)	2.1	≥1.9	≥1.9
ROCE (%)	5.8	~4.4	~4.4
Redemption coverage (%)	17.6	~17	~16

Based on the development in the first half of 2019 and the current assessments for the second half of 2019, we partially adjusted our expectations:

- We expect the increase in volume sold in rail freight transport and in volumes in ocean and air freight to be weaker than before as a result of the developments in the first half of 2019.
- The development in redemption coverage will likely be slightly weaker than forecast due to the expected increase in pension provisions.

Due to the currently ongoing evaluation process regarding a potential **sale or IPO of DB Arriva** **3**, we refrain from giving an updated forecast for the development of business units in the 2019 financial year. The respective forecasts from the 2018 Integrated Report are therefore no longer current.

Capital expenditures

Anticipated development (€ billion)	2018	2019 (Mar forecast)	**2019 (Jul forecast)**
Gross capital expenditures	11.2	>13	>13
Net capital expenditures	4.0	>5.5	>5.5

Our expectations regarding capital expenditures remain unchanged.

Financial position

Anticipated development (€ billion)	2018	2019 (Mar forecast)	**2019 (Jul forecast)**
Maturities	2.2	2.2	2.2
Bond issues	2.9	≤3	≤3
Cash and cash equivalents as of Dec 31	3.5	~3	~3
Net financial debt as of Dec 31 (excluding IFRS 16 effects)	19.5	~20	~20
Net financial debt as of Dec 31	23.7 [1]	~24.4	~24.4

[1] As of January 1, 2019 including IFRS 16 effects.

Our expectations regarding our financial position remain unchanged.

Social

Anticipated development	2018	2019 (Mar forecast)	**2019 (Jul forecast)**
Employee satisfaction (SI)	3.7	–	–
Employer attractiveness (rank in Germany)	13	13	>13

For 2019, DB Group will now have to expect a decline in employer attractiveness. This is caused in part by the critical public discussion regarding quality and punctuality in DB Group. Irrespective of this, we have to date been able to reach our 2019 recruiting targets.

Environmental

Anticipated development	2018	2019 (Mar forecast)	**2019 (Jul forecast)**
Specific CO_2e emissions [1] compared to 2006 (%)	-33.2	~-33.7	~-33.7
Share of renewable energies in the DB traction current mix (%)	57.2	~60	~60
Track kilometers noise remediated in total [2] as of Dec 31 (km)	1,758	~1,840	~1,840
Quiet freight cars in Germany as of Dec 31	50,409	~57,500	~57,500

[1] According to the newly defined climate target for 2030 including stationary energies.

[2] Accumulated length of track of noise remediation areas from noise remediation projects with completed active noise protection measures (sound barriers) and initiated passive noise protection measures (noise protection at homes).

Our expectations in the environmental area are unchanged.

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 is available at the current time. Actual developments and profits 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 2019	H1 2018	2018
Revenues	22,014	21,555	44,065
Inventory changes and internally produced and capitalized assets	1,490	1,446	3,091
Overall performance	23,504	23,001	47,156
Other operating income	1,118	1,206	2,998
Cost of materials	-10,877	-10,743	-22,258
Personnel expenses	-8,998	-8,495	-17,301
Depreciation and impairments	-1,809	-1,360	-2,688
Other operating expenses	-2,309	-2,727	-6,088
Operating profit (EBIT)	**629**	**882**	**1,819**
Result from investments accounted for using the equity method	-4	8	12
Net interest income	-345	-330	-645
Other financial result	-3	0	-14
Financial result	**-352**	**-322**	**-647**
Profit before taxes on income	**277**	**560**	**1,172**
Taxes on income	-72	2	-630
Net profit (after taxes)	**205**	**562**	**542**
Net profit attributable to			
Shareholder of Deutsche Bahn AG	198	554	528
Non-controlling interests	7	8	14
Earnings per share (€ per share)			
undiluted	0.46	1.29	1.23
diluted	0.46	1.29	1.23

Reconciliation of consolidated comprehensive income

(€ million)	H1 2019	H1 2018	2018
Net profit (after taxes)	205	562	542
Changes due to the revaluation of defined benefit plans	-400	-292	-818
Changes in profit items recognized directly in equity which are not reclassified to the income statement	-400	-292	-818
Changes resulting from currency translation	29	2	23
Changes resulting from market valuation of securities	1	-1	0
Changes resulting from market valuation of cash flow hedges	-30	84	16
Share of profit items not recognized in the income statement due to investments accounted for using the equity method	–	–	-1
Changes in profit items recognized directly in equity which are reclassified to the income statement	0	85	38
Balance of profit items covered directly in equity (before taxes)	**-400**	**-207**	**-780**
Revaluation of defined benefit plans	65	-2	40
Changes in deferred taxes on profit items recognized directly in equity, which are not reclassified to the income statement	**65**	**-2**	**40**
Deferred taxes relating to the change in the market valuation of securities	–	–	0
Deferred taxes relating to the change in the market valuation of cash flow hedges	-1	-10	-1
Changes in deferred taxes on profit items recognized directly in equity, which are reclassified to the income statement	**-1**	**-10**	**-1**
Balance of profit items recognized directly in equity (after taxes)	**-336**	**-219**	**-741**
Comprehensive income	**-131**	**343**	**-199**
Comprehensive income attributable to			
Shareholder of Deutsche Bahn AG	-138	336	-211
Non-controlling interests	7	7	12

Consolidated balance sheet

Assets

(€ million)	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
NON-CURRENT ASSETS			
Property, plant and equipment	45,326	40,757	40,161
Intangible assets	3,751	3,730	3,569
Investments accounted for using the equity method	504	486	505
Other investments and securities	43	45	34
Receivables and other assets	450	380	306
Derivative financial instruments	148	216	223
Deferred tax assets	1,145	1,032	1,512
	51,367	**46,646**	**46,310**
CURRENT ASSETS			
Inventories	1,502	1,369	1,244
Other investments and securities	1	1	1
Trade receivables	5,015	4,962	4,886
Other receivables and other assets	2,035	1,870	1,930
Income tax receivables	86	62	51
Derivative financial instruments	120	47	59
Cash and cash equivalents	3,663	3,544	3,673
Held-for-sale assets	1	26	1
	12,423	**11,881**	**11,845**
Total assets	**63,790**	**58,527**	**58,155**

Equity and liabilities

(€ million)	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
EQUITY			
Subscribed capital	2,150	2,150	2,150
Reserves	3,738	4,074	4,595
Retained earnings	6,762	7,211	7,244
Equity attributable to shareholder of Deutsche Bahn AG	**12,650**	**13,435**	**13,989**
Non-controlling interests	154	157	154
	12,804	**13,592**	**14,143**
NON-CURRENT LIABILITIES			
Financial debt	24,449	20,626	20,255
Other liabilities	187	258	224
Derivative financial instruments	378	372	325
Pension obligations	5,270	4,823	4,269
Other provisions	2,217	2,246	2,285
Deferred items	535	627	696
Deferred tax liabilities	181	152	125
	33,217	**29,104**	**28,179**
CURRENT LIABILITIES			
Financial debt	4,871	2,618	3,213
Trade liabilities	5,145	5,491	5,139
Other liabilities	3,572	3,660	3,514
Income tax liabilities	244	195	181
Derivative financial instruments	37	19	11
Other provisions	2,852	2,822	2,777
Deferred items	1,048	1,021	998
Held-for-sale liabilities	–	5	-
	17,769	**15,831**	**15,833**
Total assets	**63,790**	**58,527**	**58,155**

Consolidated statement of cash flows

	H 1		
(€ million)	**2019**	2018	2018
Profit before taxes on income	277	560	1,172
Depreciation on property, plant and equipment and intangible assets	1,809	1,360	2,688
Write-ups/write-downs on non-current financial assets	5	8	8
Result on disposal of property, plant and equipment and intangible assets	-29	-60	-162
Result on disposal of financial assets	1	0	-37
Interest and dividend income	-33	-17	-25
Interest expense	375	347	669
Foreign currency result	-2	-7	-2
Result of investments accounted for using the equity method	4	-8	-12
Other non-cash expenses and income	572	386	871
Changes in inventories, receivables and other assets	-4,588	-864	-950
Changes in liabilities, provisions and deferred items	3,263	-74	-176
Cash generated from operating activities	1,654	1,631	4,044
Interest received	15	14	22
Received/paid (-) dividends and capital distribution	3	0	-8
Interest paid	-220	-282	-529
Paid (-)/reimbursed (+) taxes on income	-66	-69	-158
Cash flow from operating activities	**1,386**	**1,294**	**3,371**
Proceeds from the disposal of property, plant and equipment and intangible assets	169	153	431
Payments for capital expenditures in property, plant and equipment and intangible assets	-4,439	-4,269	-11,242
Proceeds from investment grants	2,475	2,292	7,209
Payments for repaid investment grants	-55	-34	-39
Proceeds from sale of financial assets	–	0	0
Payments for investments in financial assets	-2	-1	-24
Proceeds from sale of shares in consolidated companies less net cash and cash equivalents sold	–	0	0
Payments for acquisition of shares in consolidated companies less net cash and cash equivalents acquired as well as payments for parts of companies	0	-4	-3
Proceeds from disposal of investments accounted for using the equity method	–	0	0
Payments from sale of investments accounted for using the equity method	-5	0	0
Cash flow from investing activities	**-1,857**	**-1,863**	**-3,668**
Distribution of profits to shareholder	-650	-450	-450
Distribution of profits to minority interests	-9	-11	-13
Payments for finance lease transactions	-477	-24	-42
Proceeds from issue of bonds	1,995	1,964	2,927
Payments for redemption of bonds	-1,259	-1,900	-1,900
Payments for the redemption and repayment of interest-free loans	-178	–	-204
Proceeds from borrowings and commercial paper	1,277	1,280	185
Payments for the redemption of borrowings and commercial paper	-115	-9	-54
Cash flow from financing activities	**584**	**850**	**449**
Net changes in cash and cash equivalents	**113**	**281**	**152**
Cash and cash equivalents as of Jan 1	3,544	3,397	3,397
Changes in cash and cash equivalents due to changes in exchange rates	6	-5	-5
Cash and cash equivalents as of Jun 30/Dec 31	**3,663**	**3,673**	**3,544**

Consolidated statement of changes in equity

		Reserves											
(€ million)	Subscribed capital	Capital reserves	Currency translation	Fair value valuation of securities	Fair value valuation of cash flow hedges	Revaluation of pensions	Other movements	Total	Retained earnings	Equity attributable to shareholder of Deutsche Bahn AG	Non-controlling interests	Equity
As of Jan 1, 2018	2,150	6,310	-9	0	-121	-1,355	-12	**4,813**	7,110	**14,073**	165	**14,238**
Adjustment due to IFRS 9	–	–	–	–	–	–	–	**–**	24	**24**	–	**24**
+ Capital increase	–	–	–	–	–	–	–	**–**	–	**–**	1	**1**
– Capital decrease	–	–	–	–	–	–	–	**–**	–	**–**	-1	**-1**
– Dividend payment	–	–	–	–	–	–	–	**–**	-450	**-450**	-11	**-461**
± Other changes	–	–	–	–	–	–	–	**–**	6	**6**	-7	**-1**
± Comprehensive income	–	–	3	-1	74	-294	–	**-218**	554	**336**	7	**343**
thereof net profit	–	–	–	–	–	–	–	**–**	554	**554**	8	**562**
thereof currency effects	–	–	3	–	–	–	–	**3**	–	**3**	-1	**2**
thereof deferred taxes	–	–	–	–	-10	-2	–	**-12**	–	**-12**	–	**-12**
thereof market valuation	–	–	–	-1	84	–	–	**83**	–	**83**	–	**83**
thereof revaluation of defined benefit plans	–	–	–	–	–	-292	–	**-292**	–	**-292**	–	**-292**
thereof share of items not recognized in the income statement from investments accounted for using the equity method	–	–	–	–	–	–	–	**–**	–	**–**	–	**–**
As of Jun 30, 2018	**2,150**	**6,310**	**-6**	**-1**	**-47**	**-1,649**	**-12**	**4,595**	**7,244**	**13,989**	**154**	**14,143**

		Reserves											
(€ million)	Subscribed capital	Capital reserves	Currency translation	Fair value valuation of securities	Fair value valuation of cash flow hedges	Revaluation of pensions	Other movements	Total	Retained earnings	Equity attributable to shareholder of Deutsche Bahn AG	Non-controlling interests	Equity
As of Jan 1, 2019	2,150	6,310	16	-1	-106	-2,133	-12	**4,074**	7,211	**13,435**	157	**13,592**
– Dividend payment	–	–	–	–	–	–	–	**–**	-650	**-650**	-9	**-659**
± Other changes	–	–	–	–	–	–	–	**–**	3	**3**	-1	**2**
± Comprehensive income	–	–	29	1	-31	-335	–	**-336**	198	**-138**	7	**-131**
thereof net profit	–	–	–	–	–	–	–	**–**	198	**198**	7	**205**
thereof currency effects	–	–	29	–	–	–	–	**29**	–	**29**	0	**29**
thereof deferred taxes	–	–	–	–	-1	65	–	**64**	–	**64**	–	**64**
thereof market valuation	–	–	–	1	-30	–	–	**-29**	–	**-29**	–	**-29**
thereof revaluation of defined benefit plans	–	–	–	–	–	-400	–	**-400**	–	**-400**	0	**-400**
thereof share of items not recognized in the income statement from investments accounted for using the equity method	–	–	–	–	–	–	–	**–**	–	**–**	–	**–**
As of Jun 30, 2019	**2,150**	**6,310**	**45**	**0**	**-137**	**-2,468**	**-12**	**3,738**	**6,762**	**12,650**	**154**	**12,804**

Segment information according to segments

Jan 1 to Jun 30 or respectively as of Jun 30 (€ million)	DB Long-Distance 2019	DB Long-Distance 2018	DB Regional 2019	DB Regional 2018	DB Arriva 2019	DB Arriva 2018	DB Cargo 2019	DB Cargo 2018	DB Schenker 2019	DB Schenker 2018
External revenues	2,310	2,177	4,361	4,325	2,687	2,702	2,141	2,112	8,491	8,301
Internal revenues	82	78	51	51	3	4	129	143	34	32
Total revenues	2,392	2,255	4,412	4,376	2,690	2,706	2,270	2,255	8,525	8,333
Other external income	76	66	110	83	118	124	166	118	97	117
Other internal income	24	23	44	39	0	–	26	19	5	4
Inventory changes and internally produced and capitalized assets	7	5	44	39	1	1	14	10	2	1
Total income	2,499	2,349	4,610	4,537	2,809	2,831	2,476	2,402	8,629	8,455
Cost of materials	-1,343	-1,274	-2,758	-2,724	-864	-835	-1,289	-1,262	-5,524	-5,494
Personnel expenses	-515	-477	-1,046	-999	-1,221	-1,223	-859	-811	-1,733	-1,629
Other operating expenses	-274	-270	-294	-284	-398	-530	-308	-330	-873	-1,018
EBITDA	367	328	512	530	326	243	20	-1	499	314
Scheduled depreciation [2]	-143	-122	-326	-315	-225	-136	-152	-113	-261	-98
Impairment losses recognized/reversed [2]	–	0	0	-1	0	-1	0	-13	0	0
EBIT (operating profit)	224	206	186	214	101	106	-132	-127	238	216
Net operating interest [3]	-2	–	-24	-26	-23	-17	-31	-23	-29	-17
Operating income after interest [3]	222	206	162	188	78	89	-163	-150	209	199
Property, plant and equipment	3,695	3,095	6,597	6,713	3,024	2,203	2,897	2,297	2,737	1,427
+ Intangible assets	12	8	29	23	1,730	1,660	164	160	1,426	1,413
thereof goodwill	0	0	6	6	1,387	1,385	1	1	1,154	1,141
+ Inventories	130	88	228	180	101	98	147	107	77	77
+ Trade receivables [4]	50	53	699	569	395	370	544	504	2,488	2,683
+ Receivables and other assets [4]	226	183	551	477	432	497	178	159	649	631
– Receivables from financing [4]	–	–	–	–	–	–	–	–	–	–
+ Income tax receivables	–	–	0	–	38	12	2	3	39	27
+ Available-for-sale assets [4]	–	–	–	–	–	–	–	–	–	–
– Trade liabilities [4]	-171	-221	-212	-228	-565	-547	-483	-500	-2,026	-2,172
– Miscellaneous and other liabilities [4]	-327	-291	-577	-508	-226	-229	-273	-274	-534	-576
– Income tax liabilities	0	–	-1	-1	-89	-87	-5	-4	-136	-90
– Other provisions	-32	-49	-1,587	-1,466	-268	-115	-165	-180	-368	-435
– Deferred items	-532	-492	-153	-138	-196	-200	-7	-4	-11	-12
– Held-for-sale liabilities [4]	-98	-84	-213	-187	-208	-192	-221	-180	-382	-368
Capital employed [5]	2,953	2,290	5,361	5,434	4,168	3,470	2,778	2,088	3,959	2,605
Net financial debt	405	-208	2,713	2,807	1,740	935	2,575	1,625	2,169	837
Investments accounted for using the equity method	0	1	5	5	103	126	39	33	11	13
Result from investments accounted for using the equity method	0	–	0	1	5	8	2	-3	1	–
Gross capital expenditures	169	380	273	299	323	153	163	140	261	78
Investment grants received	–	–	-4	-5	-7	–	–	-1	–	–
Net capital expenditures	169	380	269	294	316	153	163	139	261	78
Additions due to changes in the scope of consolidation (acquisition of companies)	–	–	–	–	-1	–	–	–	–	–
Employees [6]	16,938	16,432	36,362	35,876	52,590	54,658	29,198	28,709	75,981	74,104

[1] Relating to special items and reclassification PPA amortization of customer contracts as well as the reconciliation of capital employed to the external display.

[2] The non-cash items are included in the segment result shown.

[3] Key figure from internal reporting, no external figures.

[4] Content allocation in accordance with management reporting. Figures as of June 30, 2018 adjusted.

[5] Profit transfer agreements were not assigned to segment assets or liabilities.

[6] The number of employees comprises the workforce, excluding vocational trainees, and dual degree students at the end of the reporting period (part-time employees have been converted to full-time employees).

DB Netze Track		DB Netze Stations		DB Netze Energy		Subsidiaries/ other		**Sum of segments**		Consolidation		**DB Group adjusted**		Reconciliation [1]		**DB Group**	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
812	754	303	297	640	628	280	252	22,025	21,548	-12	–	22,013	21,548	1	7	22,014	21,555
1,991	1,966	377	371	770	755	2,118	2,022	5,555	5,422	-5,555	-5,422	–	–	–	–	–	–
2,803	2,720	680	668	1,410	1,383	2,398	2,274	27,580	26,970	-5,567	-5,422	22,013	21,548	1	7	22,014	21,555
291	357	60	56	5	14	199	269	1,122	1,204	-6	–	1,116	1,204	2	2	1,118	1,206
105	99	10	12	15	14	540	506	769	716	-769	-716	–	–	–	–	–	–
495	446	31	24	10	10	390	432	994	968	496	478	1,490	1,446	–	–	1,490	1,446
3,694	3,622	781	760	1,440	1,421	3,527	3,481	30,465	29,858	-5,846	-5,660	24,619	24,198	3	9	24,622	24,207
-905	-856	-289	-261	-1,255	-1,238	-1,348	-1,367	-15,575	-15,311	4,699	4,568	-10,876	-10,743	-1	–	-10,877	-10,743
-1,545	-1,434	-181	-165	-64	-61	-1,733	-1,625	-8,897	-8,424	-5	1	-8,902	-8,423	-96	-72	-8,998	-8,495
-536	-517	-110	-106	-56	-75	-565	-649	-3,414	-3,779	1,107	1,051	-2,307	-2,728	-2	1	-2,309	-2,727
708	815	201	228	65	47	-119	-160	2,579	2,344	-45	-40	2,534	2,304	-96	-62	2,438	2,242
-333	-332	-78	-70	-42	-35	-247	-120	-1,807	-1,341	26	26	-1,781	-1,315	-32	-30	-1,813	-1,345
4	0	–	0	0	0	0	0	4	-15	–	–	4	-15	–	–	4	-15
379	483	123	158	23	12	-366	-280	776	988	-19	-14	757	974	-128	-92	629	882
-98	-108	-17	-14	-10	-8	-99	-102	-333	-315	–	–	-333	-315	–	–	–	–
281	375	106	144	13	4	-465	-382	443	673	-19	-14	424	659	–	–	–	–
19,894	19,800	3,421	3,216	1,175	987	2,621	1,142	46,061	40,880	-735	-719	45,326	40,161	–	–	45,326	40,161
141	138	28	16	20	28	246	149	3,796	3,595	-45	-26	3,751	3,569	–	–	3,751	3,569
–	0	0	0	–	0	14	15	2,562	2,548	–	–	2,562	2,548	–	–	2,562	2,548
254	191	0	–	79	89	523	448	1,539	1,278	-37	-34	1,502	1,244	–	–	1,502	1,244
138	141	23	27	218	196	441	341	4,996	4,884	–	–	4,996	4,884	19	2	5,015	4,886
368	302	29	30	159	157	1,157	999	3,749	3,435	-1,496	-1,330	2,253	2,105	232	131	2,485	2,236
–	–	–	–	–	–	–	–	–	–	–	–	–	–	-252	-133	-252	-133
0	–	–	–	0	–	7	9	86	51	–	–	86	51	–	–	86	51
–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	1	1	1
-550	-486	-74	-54	-268	-275	-608	-517	-4,957	-5,000	-1	4	-4,958	-4,996	-187	-143	-5,145	-5,139
-618	-720	-155	-166	-69	-23	-939	-850	-3,718	-3,637	1,496	1,326	-2,222	-2,311	-1,537	-1,427	-3,759	-3,738
–	–	0	-1	–	–	-27	-19	-258	-202	14	21	-244	-181	–	–	-244	-181
-264	-343	-21	-33	-38	-50	-2,309	-2,378	-5,052	-5,049	-17	-13	-5,069	-5,062	–	–	-5,069	-5,062
-449	-591	-116	-131	-2	-3	-117	-123	-1,583	-1,694	0	0	-1,583	-1,694	–	–	-1,583	-1,694
-265	-239	-21	-18	-10	-9	-306	-292	-1,724	-1,569	–	–	-1,724	-1,569	1,724	1,569	–	–
18,649	18,193	3,114	2,886	1,264	1,097	689	-1,091	42,935	36,972	-821	-771	42,114	36,201	–	–	42,114	36,201
9,683	9,330	1,509	1,237	829	646	3,786	2,495	25,409	19,704	–	–	25,409	19,704	–	–	25,409	19,704
1	1	0	–	0	–	345	326	504	505	–	–	504	505	–	–	504	505
0	–	–	–	0	–	-12	2	-4	8	–	–	-4	8	–	–	-4	8
2,875	2,634	397	291	67	81	318	184	4,846	4,240	-21	-23	4,825	4,217	–	–	4,825	4,217
-2,239	-2,089	-181	-153	-44	-41	0	-3	-2,475	-2,292	–	–	-2,475	-2,292	–	–	-2,475	-2,292
636	545	216	138	23	40	318	181	2,371	1,948	-21	-23	2,350	1,925	–	–	2,350	1,925
–	–	–	–	–	–	0	–	-1	0	–	–	-1	–	–	–	-1	–
48,021	46,371	6,002	5,649	1,747	1,734	54,926	53,386	321,765	316,919	–	–	321,765	316,919	–	–	321,765	316,919

Information by regions

Jan 1 to Jun 30 (€ million)	External revenues 2019	External revenues 2018	Non-current assets [1] 2019	Non-current assets [1] 2018	Capital employed [1] 2019	Capital employed [1] 2018	Gross capital expenditures 2019	Gross capital expenditures 2018	Net capital expenditures 2019	Net capital expenditures 2018	Employees [1] 2019	Employees [1] 2018
Germany	12,457	12,204	40,844	37,579	34,555	30,562	4,299	4,008	1,831	1,716	199,830	194,057
Europe (excluding Germany)	6,836	6,745	7,648	5,922	6,792	5,225	457	209	450	209	92,413	94,118
Asia/Pacific	1,504	1,447	1,123	799	1,174	843	53	16	53	16	16,737	16,651
North America	947	885	299	195	408	315	28	5	28	5	9,396	8,970
Rest of world	269	267	57	27	83	50	9	2	9	2	3,389	3,123
Consolidation	–	–	-843	-745	-898	-794	-21	-23	-21	-23	–	–
DB Group adjusted	**22,013**	**21,548**	**49,128**	43,777	**42,114**	36,201	**4,825**	**4,217**	**2,350**	**1,925**	**321,765**	**316,919**
Reconciliation	1	7	–	–	–	–	–	–	–	–	–	–
DB Group	**22,014**	**21,555**	**49,128**	43,777	**42,114**	36,201	**4,825**	**4,217**	**2,350**	**1,925**	**321,765**	**316,919**

[1] As of June 30.

Notes to the consolidated interim financial statements

Basic principles and methods

The unaudited and condensed interim financial statements as of June 30, 2019 are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU and their interpretation by the IFRS Interpretations Committee. The requirements of IAS 34 (Interim Financial Reporting) have been followed. The accounting policies underlying the consolidated financial statements 2018 have been consistently applied for these interim financial statements.

The following standard was the subject of mandatory adoption for Deutsche Bahn Group (DB Group) for the first time as of January 1, 2019:

- IFRS 16: "Leasing" (published January 2016; applicable for reporting periods starting January 1, 2019)

There are no other new standards, interpretations and amendments of the IAS/IFRS standards which are significant for DB Group and are the subject of mandatory adoption within the reporting period.

Comparability with the first half of 2018

After due consideration is given to the following issues, the financial information presented for the first half of 2019 is comparable with the financial information for the first half of 2018:

- Changes in segment allocation

As of January 1, 2019, one company which previously had been allocated to the Subsidiaries/other segment was allocated to the DB Cargo segment. The previous year figures have not been adjusted due to their insignificance.

- Adjustment of estimate parameters for recognition of pensions

The procedure for deriving the discount rates was adjusted in the first half of 2019. A modified portfolio has been used for selecting the high-value corporate bonds. The method for determining the rate structure curve has also been modified, particularly for long durations. As of June 30, 2019, this has resulted overall in a moderate reduction in the pension obligations compared with the previous procedure.

Changes in DB Group

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

Number	Germany Jun 30, 2019	Rest of world Jun 30, 2019	Total Jun 30, 2019	Total Jun 30, 2018	Total Dec 31, 2018
FULLY CONSOLIDATED SUBSIDIARIES					
As of Jan 1	125	430	**555**	**578**	**578**
Additions	0	4	**4**	**3**	**9**
Additions due to changes in type of inclusion	0	0	**0**	**0**	**3**
Disposals	1	8	**9**	**5**	**35**
Disposals due to changes in type of inclusion	1	0	**1**	**0**	**0**
Total	**123**	**426**	**549**	**576**	**555**

Additions of companies and parts of companies

The additions of companies to the scope of consolidation consist exclusively of newly established companies.

Purchase price allocation VT-Arriva (acquired in 2018)

The net assets of VT-ARRIVA Személyszállító es Szolgáltató Kft. (VT-Arriva), Székesfehérvár/Hungary which was acquired in the previous year (provisional purchase price allocation as of December 31, 2018), including the adjustments of assets and liabilities in accordance with IFRS 3, are shown in the following after the completed purchase price allocation:

(€ million)	Carrying amount	Adjustment	Fair value
Property, plant and equipment	76	-26	50
Intangible assets	0	101	101
Available-for-sale financial assets	0	-	0
Inventories	1	-	1
Trade receivables	17	-	17
Other receivables and other assets	3	-	3
Cash and cash equivalents	17	-	17
Deferred tax assets	0	2	2
Assets	**114**	**77**	**191**
Financial debt	55	-	55
Liabilities	12	-	12
Deferred tax liabilities	4	9	13
Liabilities	**71**	**9**	**80**
thereof recognized contingent liabilities in accordance with IFRS 3	-	-	-
Non-controlling interests	-	-	-
Net assets acquired	**43**	**68**	**111**
Purchase price paid in cash and cash equivalents	10	-	10
Cash and cash equivalents acquired	17	-	17
Inflow of cash and cash equivalents due to transactions	**7**	**-**	**7**

The definitive purchase price allocation has resulted in the following adjustments in relation to the assets and liabilities:

(€ million)	Adjustment
Property, plant and equipment	-26
Intangible assets	13
Deferred tax assets	2
Deferred tax liabilities	1
Total	**-12**

This has resulted in the following calculation of goodwill:

(€ million)	VT-Arriva
PURCHASE PRICE	
Payments made	10
+ Outstanding purchase price payments	52
Outstanding purchase price payments	**62**
+ Fair value of the amount of equity held before the acquisition	61
− Fair value of net assets acquired	111
Goodwill	**12**

Disposals of companies and parts of companies

The disposals from the scope of consolidation relate to eight liquidations and one sale. The sale has not resulted in an inflow of cash.

Effects on the consolidated statement of income

In total, the impact of the changes in the scope of consolidation which have occurred compared with the first half of 2018 in relation to the consolidated statement of income is not material, and is shown in the following overview:

Jan 1 to Jun 30, 2019 (€ million)	DB Group	Thereof due to additions to scope of consolidation	Amounts due to disposals from scope of consolidation
Revenues	22,014	43	-
Inventory changes and internally produced and capitalized assets	1,490	-	-
Overall performance	23,504	43	0
Other operating income	1,118	1	-
Cost of materials	-10,877	-13	-
Personnel expenses	-8,998	-14	2
Depreciation and impairments	-1,809	-13	-
Other operating expenses	-2,309	-2	-
Operating profit (EBIT)	**629**	**2**	**2**
Result from investments accounted for using the equity method	-4	-	-
Net interest income	-345	-1	-
Other financial result	-3	-3	1
Financial result	**-352**	**-4**	**1**
Profit before taxes on income	**277**	**-2**	**3**
Taxes on income	-72	-1	-
Net profit	**205**	**-3**	**3**

The revenues attributable to changes in the scope of consolidation are as follows:

	Revenues due to	
Jan 1 to Dec 31, 2019 (€ million)	Additions to scope of consolidation	Disposals from scope of consolidation
VT-Arriva [1]	40	-
Etihad Rail DB Operations LLC [1], Abu Dhabi/United Arab Emirates	3	-
Total	**43**	**-**

[1] Acquired during the previous year.

Information regarding the changes in financial liabilities (IAS 7)

(€ million)	As of Jan 1, 2019	Cash-effective changes (inflow (+)/ outflow (–))	Non-cash-effective changes: Acquisition (+)/ sale (–) of companies	Non-cash-effective changes: Currency effects	Non-cash-effective changes: Addition (+)/ disposal (–) of finance leases	Non-cash-effective changes: Compounding	As of Jun 30, 2019
Receivables from financing	–174	–78	–	0	–	–	–252
LIABILITIES FROM FINANCING							
Interest-free loans	851	–178	–	–	–	18	691
Bonds	20,712	736	–	8	–	7	21,463
Commercial paper	–	1,263	–	–	–	–	1,263
Bank borrowings	646	–31	–	–1	–	–	614
EUROFIMA loan	200	–	–	–	–	–	200
Lease liabilities	562	–477	–	–21	4,699	45	4,808
Liabilities from transport concessions	45	–3	–	–	–	–	42
Other financial liabilities	228	11	–	0	–	–	239
	23,244	**1,321**	**–**	**–14**	**4,699**	**70**	**29,320**
Total	**23,070**	**1,243**	**–**	**–14**	**4,699**	**70**	**29,068**

Information concerning revenues from contracts with customers (IFRS 15)

Revenues of DB Group are broken down as follows:

(€ million)	H1 2019	H1 2018	2018
Revenues from freight and passenger transport services	19,755	19,384	39,490
thereof concession fees for rail transport [1]	3,284	2,512	6,472
Revenues from operating infrastructure	917	855	1,760
Revenues from letting and leasing	225	223	437
Revenues from the sale of products	661	648	1,393
Other revenues	490	478	1,057
Revenue reductions	–34	–33	–72
Total	**22,014**	**21,555**	**44,065**

[1] Not fully comparable with H1 2018 due to change in disclosure of gross contracts at DB Regional **(2018 Integrated Report 194).** If the same disclosure method had been used, the figure for H1 2018 would have been € 645 million higher.

The revenues from freight and passenger transport services were generated mainly by companies operating in the segments DB Long-Distance, DB Regional and DB Schenker. Revenues from operating infrastructure relate to the segments DB Netze Track and DB Netze Stations. Rental and leasing revenues were recorded mainly in the segment DB Netze Stations, and revenues generated by product sales were mainly generated in the segment DB Netze Energy. Other revenues relate to virtually all segments.

The order volume of customer contracts with contractually agreed outstanding revenues (secured revenues) is broken down as follows:

Secured order volume nominal values (€ million)	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Transport contracts	62,902	62,222	62,320
Logistics contracts (with a contract duration of at least 12 months and a total volume of at least € 5 million)	167	208	202
Other contracts (with a contract duration of at least 12 months and a total volume of at least € 5 million)	132	114	94
Total	**63,201**	**62,544**	**62,616**

Most of the secured order volume will be fulfilled within a period of ten years, with percentages declining over a period of time.

Claims relating to contractual assets of € 44 million are recognized together with the other receivables and assets.

The contractual liabilities include advance payments received as well as other payments received in advance in relation to revenues for subsequent periods (for example for season tickets). Obligations from contractual liabilities of € 1,232 million are shown under the trade payables and deferred items (thereof non-current: € 28 million).

Information concerning leases (IFRS 16)

DB Group has been applying IFRS 16 since January 1, 2019 using the modified retrospective method; the previous year financial statements were thus not adjusted. The right of use resulting from a lease was shown in the amount of the present value of the payment obligation, adjusted by accruals and deferrals in relation to the lease. In order to determine the present value of the payment obligation, the remaining lease payments were discounted with the DB marginal rate for debt capital as of January 1, 2019. The weighted average rate was 1.5%. The opening balance sheet values as of January 1, 2019 for the following balance sheet items were subsequently adjusted:

	Dec 31, 2018	Adjustment due to IFRS 16	Jan 1, 2019
Property, plant and equipment	40,757	4,030	44,887
Non-current receivables and other assets	380	51	431
Current receivables and other assets	1,870	15	1,885
Non-current financial debt	20,626	3,301	23,927
Non-current other liabilities	258	-57	201
Current financial debt	2,618	968	3,586
Current other liabilities	3,660	-17	3,643

DB Group has utilized an exemption specified in IFRS 16 for leases which end within a period of twelve months after the first-time adoption. These costs are included in the costs of short-term leases.

The obligations of operate leases which existed as of December 31, 2018 can be reconciled with the financial debt recognized on January 1, 2019 within the framework of the first-time adoption of IFRS 16.

IFRS 16 reconciliation (€ million)	Jun 30, 2019
Obligations of operate leases as of Dec 31, 2018	5,585
Obligations included from short-term leases	-286
Obligations included for minor-value assets	-48
Obligations included for software leasing	-30
Obligations included for leases which commenced after Dec 31, 2018	-975
Non-recognition of termination options and recognition of prolongation options	388
Discounting	-363
Other	-2
Additional leasing liability as of Jan 1, 2019	**4,269**

In the case of leases for assets of low value and for short-term leases with a term of 12 months or less, IFRS 16 provides for exemptions, which are utilized by DB Group.

With regard to the utilization rights capitalized by DB Group, the following details are relevant as of June 30, 2019 or for the first half of 2019:

	Utilization rights:							
(€ million)	Land	Commercial, operating and other buildings	Permanent way structures	Track infrastructure, signaling and control equipment	Rolling stock for passenger and freight transport	Technical equipment and machinery	Other operational and office equipment	Total
Additions	18	220	0	2	186	10	4	**440**
Depreciation	-14	-283	-1	0	-121	-18	-7	**-444**
Carrying amounts	317	3,050	9	4	1,013	216	26	**4,635**

The income statement and the cash flow statement for the first half of 2019 contained the following income, expenses and payments relating to leases:

(€ million)	H1 2019
OTHER OPERATING INCOME	
Income from operate leases	299
Income from sub-letting arrangements	11
Depreciation and impairments	444
OTHER OPERATING EXPENSES	
Expenses for short-term leases	161
Expenses for minor-value leased assets	21
Variable leasing fees	-
NET INTEREST INCOME	
Interest expenses	45
CASH FLOW STATEMENT	
Payments for leasing	477

Contingent receivables and liabilities, and guarantee obligations

As of June 30, 2019, there were contingent receivables of € 41 million (as of December 31, 2018: € 46 million, as of June 30, 2018: € 46 million). They mainly comprise a recovery claim in conjunction with construction grants which have been provided but which had not been sufficiently determined as of the balance sheet date in terms of the specific amount and the time at which the claim would become due.

As of the balance sheet date, no contingent receivables had been recognized for all injunction proceedings in view of the high level of uncertainty relating to refund claims, the timing of refunds and the probability of refunds.

The contingent liabilities are broken down as follows:

(€ million)	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Other contingent liabilities	106	99	134
Total	**106**	**99**	**134**

Other contingent liabilities also comprise risks arising from litigation which had not been stated as provisions because the expected probability of occurrence is less than 50%.

There are also contingencies of € 17 million from guarantees as of June 30, 2019 (as of December 31, 2018: € 17 million; as of June 30, 2018: € 16 million). As of June 30, 2019, property, plant and equipment with carrying amounts of € 12 million (as of December 31, 2018: € 13 million; as of June 30, 2018: € 9 million) were also used as security for loans. The reported figure essentially relates to rolling stock used at the operating companies in the segment DB Long-Distance.

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 the cash and cash equivalents, trade receivables and other financial assets (as of June 30, 2019: € 6,818 million) approximate the fair values as of the balance sheet date.

The carrying amounts of the trade payables, the other and miscellaneous liabilities (as of June 30, 2019: € 6,568 million) as well as the current financial debt approximate the fair values as of the balance sheet date.

Of the figure stated for receivables and other assets as of June 30, 2019, € 682 million was attributable to non-financial assets (as of December 31, 2018: € 633 million; as of June 30, 2018: € 635 million). Of the figure stated for other liabilities as of June 30, 2019, € 2,335 million was attributable to non-financial liabilities (as of December 31, 2018: € 2,346 million; as of June 30, 2018: € 2,169 million).

The fair value of the non-current financial debt amounted to € 27,132 million as of June 30, 2019 (as of December 31, 2018: € 21,890 million; as of June 30, 2018: € 21,484 million).

Other financial commitments

The total amount of other financial commitments was stated as € 17,988 million as of June 30, 2019 (as of December 31, 2018: € 21,964 million; as of June 30, 2018: € 21,140 million). The decline in the disclosed financial obligations is attributable to the first-time adoption of IFRS 16.

Capital expenditures in relation to which DB Group 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, 2019	Dec 31, 2018	Jun 30, 2018
Committed capital expenditures			
Property, plant and equipment	17,538	15,931	15,237
Intangible assets	27	31	38
Acquisition of financial assets	423	417	406
Total	**17,988**	**16,379**	**15,681**

The increase in committed capital expenditures in property, plant and equipment is mainly due to the acquisition of new vehicles. 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 very good ratings. The committed capital expenditures in property, plant and equipment also contain future obligations for vehicles in connection with transport contracts to be recognized in accordance with IFRIC 12.

The acquisition of financial assets relates to outstanding deposits (which have not been called in) at the European Company for the Financing of Railroad Rolling Stock (EUROFIMA), Basel/Switzerland.

As of the balance sheet date, leases with a volume of € 675 million have been concluded with a term after the balance sheet date.

Related-party disclosures

Major economic relations between DB Group and the Federal Republic of Germany (Federal Government) relate to liabilities due to the Federal Government arising from loans which have been extended (present value as of June 30, 2019: € 691 million; as of December 31, 2018: € 851 million; as of June 30, 2018: € 1,036 million). There are also service relationships arising from the fees paid to the Federal Government within the framework of proforma 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 and repayments

In the first half of 2019, the following bonds were issued by Deutsche Bahn Finance GmbH (DB Finance):

Issue volume	Duration (years)	Coupon (%)	Placement
€ 1 billion	9.9	1.125	Institutional investors mainly in Europe and Asia
GBP 300 million	7.0	1.875	Institutional investors mainly in Great Britain
NOK 1 billion	15.0	2.705	Private placement
CHF 350 million (first tranche)	10.0	0.100	Institutional investors in Switzerland
CHF 150 million (second tranche)	15.0	0.500	Institutional investors in Switzerland
SEK 500 million	20.0	2.005	Private placement with institutional investors in Sweden and Japan
AUD 115 million	10.0	2.518	Private placement with institutional investors in Sweden and Japan

In the same period, three maturing bonds of DB Finance for a total of € 1.3 billion were repaid.

Dividend payment

Pursuant to the resolution of the Annual General Meeting of March 28, 2019, DB Group paid a dividend of € 650 million to the Federal Government.

Number of issued shares

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

Berlin, July 19, 2019

Deutsche Bahn Aktiengesellschaft
The Management Board

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This Interim Report, the Integrated Report of Deutsche Bahn Group as well as the Financial Statements of Deutsche Bahn AG are published in German and English.

The Interim and Integrated Reports of Deutsche Bahn Group, the Annual Financial Statements of Deutsche Bahn AG, the Annual Report of DB Fernverkehr AG, DB Regio AG, DB Station&Service AG and DB Netz AG, and up-to-date information are also available on the Internet at **db.de/reports.**

Corporate Communications

Corporate publications and the booklet Competition Figures are available on the Internet or can be requested from Corporate Communications:

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DB service number

Our service number +49-180-6996633 gives you direct access to all of our telephone services. These services include our Group-wide general information phone number, timetable information and booking of train tickets, our customer dialog, and further offers for members of our frequent traveler system (BahnCard).

The following charges apply: calls from the German fixed-line network cost 20 ct/call; calls from the German cell phone network maximum cost 60 ct/call.

Leisure and business travelers can find answers to frequently asked questions and further contact details online.

Our passenger transport services on social media

Our passenger transport services are available on various social media channels for conversations, discussions and for service and product questions. You can find us on Facebook, Instagram, Twitter and YouTube.

Financial calendar

March 26, 2020

Annual Results Press Conference
Publication of the 2019 Integrated Report

July 23, 2020

Interim Results Press Conference,
Publication of the Integrated Interim Report
January–June 2020

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