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The financial statements and the management report of Deutsche Bahn AG for the financial year will be published in the German Federal Gazette (Bundesanzeiger) and filed with the Commercial Register of the Local Court (Amtsgericht) of Berlin-Charlottenburg under No. HRB 50000. The development of the Deutsche Bahn Group is extensively described in the annual report 2000, that contains the Group management report and the consolidated financial statements for the financial year 2000.

Management Structure Reorganized and Group Portfolio Focused

Management Structures Reorganized

Within the framework of the second phase of the rail reform (Bahnreform) program, the operating activities of Deutsche Bahn AG (DB AG) were reorganized into five subsidiaries in 1999: DB Reise & Touristik AG, DB Regio AG, DB Cargo AG, DB Station & Service AG and DB Netz AG.

We decided to further reorganize parts of our management structure during the year under review. The reorganization involved **consolidating related competencies** to form Group service functions (such as Purchasing, Environmental Protection, and Research and Technology). In addition, the activities of the Deutsche Bahn Group (DB Group) led by the DB AG were reorganized into new Group divisions on June 1, 2000. We combined the activities of DB Reise & Touristik and DB Regio to form the Group Passenger Transport division. In addition to the Group divisions Freight Transport, Passenger Stations, and Track Infrastructure, we have now also consolidated our real estate activities – including all real estate holdings of DB AG – in a separate Group Real Estate division. The corporate structures remained unaffected by the management reorganization, especially as regards DB Netz AG. This reorganization of the management structure enables DB AG to more effectively perform its function as a Group-wide holding company, while also acting as the Group's internal service provider for many services.

Holdings Concentrate on Core Business

During the year under review, our holdings continued to concentrate on our core business and its development. Faced with increasing consolidation in the tourism sector throughout Europe, we reduced our activities in this area, particularly because tourism was at best a complementary addition to our business portfolio. Effective January 1, 2000, DB Reise & Touristik AG sold its wholly owned subsidiary Deutsche Reisebüro GmbH (DER Group), Berlin, to the REWE retail group in Cologne. In contrast, our **Railion joint venture** enabled us to strengthen our position in rail freight transport considerably. Effective January 1, 2000, we transferred the DB AG's equity holdings in DB Cargo to Railion GmbH, Mainz. NS Groep N.V. of Utrecht/Netherlands transferred its equity holdings in NS Cargo N.V. (now Railion Benelux N.V.) of Utrecht/Netherlands to Railion GmbH as of the same date. The shares of Railion GmbH, which acts as a financial holding company, are now held by DB AG (94 %) and NS Groep N.V. (6 %). The controlling and profit transfer agreement between DB AG and DB Cargo AG was revoked. Con-

trolling and profit transfer agreements now exist between DB AG and Railion GmbH on one hand, and between Railion GmbH and DB Cargo AG on the other hand. The other changes in our holdings had no major influence on our investment portfolio.

Economic Environment and Development of Transport Sectors

As expected, the **global economy** experienced significant growth during the year 2000. Worldwide gross domestic product (GDP) rose by 4.8 % (previous year: +3.5 %). Global trade increased by 13 %, more than twice as much as in 1999. After growing at an especially rapid pace during the first half of the year, the dynamism in the economies in the industrialized nations declined in the latter six months. Key factors for this development were more restrictive money market policies, a vast increase in oil prices, and a significant decline in the U.S. economy.

On the **European continent**, the main operating environment for our Group, the economies of the European Union (EU) and the euro countries weakened over the course of the year; however, GDP growth was greater than in prior years, at 3.3 % and 3.4 % respectively. This development was largely due to booming exports, which were helped by a weak euro. The countries in Central and Eastern Europe enjoyed rapid growth.

According to preliminary calculations by the Federal Office for Statistics, **German GDP** increased by a net 3.0 % during the year 2000 (previous year: +1.6 %). This is the highest growth rate since German reunification. This growth was driven mainly by significant increases in equipment and other industrial investment, as well as a strong increase in the net export surplus. Each of these factors contributed around one percent to the overall growth. The rest was accounted for by an increase in personal consumption, which at 1.6 % failed to match the figure from the previous year (+2.6 %). The freight transport sector benefited substantially from the export boom. Both goods exports – with real growth of 13.9 % (previous year: +5.3 %) – and goods imports – with real growth of 11.1 % (previous year: +7.9 %) were far above the previous year's values. This was also a major factor in the significant increase in output in the manufacturing sector, at around 7.5 % (previous year: +1.7 %). In this favorable economic environment, the number of gainfully employed persons increased by 1.6 % during the year 2000 (previous year: +1.1 %). Accordingly, the unemployment rate declined by about 0.5 % in comparison to the previous year.

Thanks to tax cuts for private households and the improvement in overall employment, the disposable income of private households increased by a nominal 2.9 % (previous year: +2.6 %). At the same time, however, faster increases in living costs, especially the strong rise in energy prices (1.9 %, previous year: + 0.6 %), hampered real income growth.

The energy markets that are important to the DB Group were faced with contradictory trends. Deregulation of the electricity market had already provided for reduced prices – thus lowering operating expenses – during the previous year, and this trend continued during the year under review. In contrast, massive increases in fuel prices – due primarily to unexpectedly high increases in crude oil prices on top of an increased tax burden – resulted in significantly higher costs.

Transport Sectors

During the year under review, both our Passenger Transport and Freight Transport divisions achieved satisfying gains. The Passenger Transport division increased significantly despite overall downward market trends. No final conclusions can be drawn in the freight transport area due to ongoing uncertainty in our competitors' statistics. Nonetheless, we assume that we achieved growth on par with the overall market in the past year. The transport performance figures of both the Passenger Transport and Freight Transport divisions were the best since the start of the rail reform program.

Performance development of subsidiaries in the financial year 2000		2000	1999	Change in %
Transport performance passenger transport	million pkm	74,388	72,846	+ 2.1
of which DB Reise & Touristik	million pkm	36,226	34,897	+ 3.8
of which DB Regio	million pkm	38,162	37,949	+ 0.6
Transport performance freight transport	million tkm	80,634	71,494	+ 12.8
of which DB Cargo	million tkm	76,815	71,494	+ 7.4

Business Performance

Revenues and Result Trends

DB AG **did not achieve any revenues** in the financial year 2000. Internally produced and capitalized assets and inventory changes were also of minor significance to our business development.

Other operating income of € 3,325 million (previous year: € 1,765 million) contains income from services provided to Group and non-Group companies, rents and leases, and – to a lesser extent – gains on sales of properties (property, plant, and equipment) within the scope of scheduled realization of our real estate holdings. The increase in the financial year 2000 was primarily the result of releasing provisions (especially provisions for risks in the holdings area and restructuring). In contrast, our subsidiaries established significant provisions for specific restructuring measures.

Cost of materials in the amount of € 398 million (previous year: € 539 million) mainly involved maintenance expenses and cost of services purchased.

Personnel expenses in the amount of € 304 million (previous year: € 392 million) included wages and salaries, as well as compulsory social insurance contributions, for the staff employed at DB AG – taking the grants by the German federal government into account.

Depreciation in the amount of € 66 million (previous year: € 61 million) resulted chiefly from information technology and office equipment.

Other operating expenses of € 1,316 million (previous year: € 1,398 million) includes rents and leases, expenses unrelated to the accounting period, and other operating expenses – such as fees, contributions, insurance payments, services rendered by non-Group companies, and indemnification.

Because DB AG renders centralized financing activities for the DB Group in accordance with the Group divisions' financing needs, and generally passes on the borrowed funds at almost the same conditions, net interest was in effect virtually balanced.

Investment income of € –1,108 million (previous year: € 432 million) primarily reflects the provisions for reorganization measures that were established at the subsidiary level. The subsidiaries set up provisions for reorganization measures and other risks. Among other things, these provisions relate to negotiations with labor regarding the replacement of benefits by a fund that is yet to be established. The subsidiaries set aside significant provisions for this fund (whose ultimate form is yet to be negotiated), as well as for alternative and supplementary measures related to further restructuring measures. The implementation of the chosen solutions will reduce our operating expenses, bringing them more in line with those of our competitors. As a result of these provisions, some of our main subsidiaries

had negative results in the year under review, which were balanced within the framework of existing controlling and profit transfer agreements. Measured by the main internal control tool, operating income after interest, the results of almost all subsidiaries were positive.

In total, DB AG achieved a **income before taxes** in the amount of € 147 million (previous year: € –152 million). **Income after taxes** is identical to the income before taxes. After clearing with the balance sheet loss carried forward from the previous year in the amount of € –152 million, we arrived at a balance sheet loss of € –5 million (previous year: € –152 million).

Balance Sheet Structure

The **balance sheet total** as of December 31, 2000, amounted to € 22.8 billion (previous year: € 21.8 billion). The increase is due primarily to the provision of additional funds for financing the Group companies.

Financial assets represent the majority on the assets side, in accordance with our holdings in the management companies. Properties of € 4.0 billion consist primarily of real estate properties and similar rights (€ 3.9 billion). Of the financial assets in the amount of € 15.9 billion (previous year: € 15.3 billion), 66.8% or – as in the previous year – € 10.6 billion consisted of holdings in affiliated companies, while 29.7% – or a slight increase to € 4.7 billion – consisted of loans to affiliated companies. Current assets of € 2.8 billion (previous year: € 2.5 billion) consisted primarily of accounts receivable and other assets (€ 2.0 billion), as well as cash and cash equivalents (€ 0.7 billion; previous year: € 0.4 billion).

Equity increased from € 8.8 billion to € 8.9 billion (+1.7%). However, the equity ratio fell from 40.3% to 39.2% as a result of the strong increase in balance sheet total. The release of provisions resulted in a reduction in provisions to € 6.1 billion (previous year: € 7.4 billion). Liabilities of € 7.7 billion (previous year: € 5.6 billion) consisted mainly of liabilities due to affiliated companies (€ 6.3 billion). The increase was due mainly to higher liabilities due to our subsidiary DB Finance B.V., Amsterdam/Netherlands, and is based on the € 1 billion bond issued by DB Finance B.V. in financial 2000 that was transferred in the form of a loan. The share of liabilities in the balance sheet total amounted to 33.9% (previous year: 25.7%).

Capital Expenditures

Gross capital expenditures of DB AG in properties and intangible assets amounted to € 82 million. Major areas of capital expenditures included the new construction and renovation of real estate, the development of properties, and the acquisition of office equipment and information technology.

Financial Situation

Financial Policy

The DB AG company is the central treasury for the DB Group. This structure ensures that all Group companies can borrow and invest funds at the best possible conditions. Before we seek funding from outside sources, we conduct intra-Group financing transactions. When external funds are borrowed, the DB AG takes out short-term loans in its own name, whereas long-term funds are generally obtained through the Group's finance company, DB Finance B.V., Amsterdam/Netherlands. These funds are then passed on to the Group companies in the form of time deposits or loans. This concept enables us to pool risks and resources for the entire Group. It also enables us to consolidate our expertise, capture synergy effects, and minimize refinancing costs.

Initial Rating Confirms Excellent Creditworthiness

The successful conclusion of the rating process marked an important step towards securing favorable refinancing for the long term. In May 2000, the two leading credit rating agencies Moody's and Standard & Poor's awarded us excellent long-term ratings, with Aa1 (Moody's) and AA (Standard & Poor's). In addition, the two agencies awarded us the best possible rating in the short-term area, with P-1 (Moody's) and A-1+ (Standard & Poor's). This puts us near the top in comparison to other industrial companies, as well as to other rail companies (those without an explicit state guarantee). Lastly, our proactive financial communication policy, which we intensified during the year under review, enabled us to further improve our standing in the financial markets.

Covering the Financing Requirements of the Group Companies

DB AG finances the activities of its subsidiaries with long-term loans and, in the short-term area, through cash pooling. Receivables from loans and the net position in cash pooling increased from € 3.5 billion to € 4.0 billion.

A breakdown of our position in respect of the subsidiaries allocated to the various Group divisions shows the following development:

- Passenger Transport: The overall position increased from € 0.9 billion to € 1.5 billion; € 0.5 billion of this was due to an increase in loans.
- Freight Transport: The overall position was reduced from € 0.4 billion to € 0.2 billion; this effect was primarily due to a change in the cash pooling position.
- Passenger Stations: The overall position increased from € 0.3 billion to € 0.5 billion; this effect was primarily due to a change in the cash pooling position.
- Track Infrastructure: The overall position remained at € 2.0 billion; increases in loans were balanced by a change in cash pooling of a similar amount.
- Real Estate: The overall position was negligible.
- Operating entities: Other holdings resulted in a negative position in cash pooling for DB AG in the amount of around € 0.2 billion.

Financing

To refinance the financing requirements of the Group companies, DB AG took out new loans in the amount of € 1 billion with a term of 10 years through its subsidiary Deutsche Bahn Finance B.V. The interest rate is 6.0 % annually. The funds resulted from a 10-year bond in the amount of € 1.0 billion issued by DB Finance in June 2000. We also obtained a loan of € 219 million from the European Company for the Financing of Railway Rolling Stock (EUROFIMA), Basle/Switzerland.

In the short-term sector, as in the previous year, DB AG had guaranteed credit facilities of approximately € 1.8 billion as well as the Multi-Currency Multi-Issuer Commercial Paper program of € 1 billion. These financing instruments were not utilized as of the balance sheet date.

During the financial year 2000, DB AG concluded two sale-and-lease-back transactions involving cargo locomotives with a total volume of € 255 million. The sales price corresponded to the net book value on the balance sheet. The terms of the leasing contracts are 15 and 16 years, respectively.

Employees

At the end of financial 2000, a total of 5,695 people were employed by DB AG (previous year: 6,304). This represents a decline of 9.7%. In addition, as of December 31, 2000, a total of 1,584 apprentices and trainees were employed at DB AG.

Of the 5,695 employees at the end of the year, 1,514 (previous year: 1,472) performed true Group management functions. The remainder performed assigned service and group functions outside this area, and 1,174 worked in special facilities.

The DB AG workforce reduction during the year under review was primarily due to a reduction in staff in the special facilities, as well as to an improvement in processes and internal structures.

Research and Technology

Our research and technology (R&T) activities concentrate on the **technological enhancement of the overall rail system** and of its relevant components. Especially when components such as rolling stock are involved, the development responsibility lies with the respective manufacturers, while our activities focus on specifications, product requirement details, technical acceptance, and preparation for operational rollout. Because our suppliers are usually highly specialized in individual areas, our integrated approach plays a key role in the further development of rail as a mode of transport.

We reorganized our R&T area during the year under review in order to meet increasing demands on system technology: starting October 1, we concentrated all our technological competency in our Technology Center (TC), which now supports all Group divisions. It is the central instance that assumes all the technical functions that were previously performed separately by the different Group divisions. Bundling this expertise will help us to optimize the safety, availability, and quality of the technical systems throughout the DB Group. TC activities are concentrated in three areas: it provides support for the entire rail technology, performs conformity checks, and is responsible for procuring new means of production, in the context of accompanying their development and realization.

Expenditures for research and technology amounted to € 79 million in the year 2000. As of the end of the year, the TC employed a total staff of 1,350 – 607 more than during the previous year.

Other Information

Euro Changeover

The DB Group has been dealing with the pending introduction of the euro since late 1995. Coordination of all euro-related activities is managed by a project team under the direction of the central Treasury department. Customers have been able to receive invoices denominated in euros and passengers have been able to make non-cash payments in euros at our Service Centers since January 1, 1999. The changeover of the corporate currency to the euro will take place on January 1, 2002. This changeover date takes the following aspects into account: the domestic orientation of the DB Group, the high proportion of cash transactions, the option of successively supplementing existing IT systems with the necessary euro components, and our close ties with government institutions – whose changeover date has also been set to coincide with the end of the dual-currency phase.

Participation in the German Economy Foundation Initiative

“Remembrance, Responsibility and the Future”

DB AG is participating in the German economy foundation initiative “Remembrance, Responsibility and the Future” for the benefit of Third Reich forced labor and has contributed € 31 million to the foundation. With this contribution, we wish to set an example of how to deal responsibly with the historic legacy of German railroad companies.

Risk Report

Our business activities pose risks as well as opportunities. Our risk management activities aim to actively control risks for DB AG and for the DB Group as a whole. Our risk management system processes all the relevant risk-related information. To identify and monitor risks, and in light of the German Act on Corporate Control and Transparency (KonTraG), we already began expanding our existing early warning and monitoring systems to form an integrated risk management system in 1999. During the year under review, we continued to both enhance the systems integration and expand the scope of contents covered.

Key Risks and Measures to Limit Them

The risks inherent to the DB Group include:

- **Market risks** such as overall economic development and cyclical demand for services. The major factors influencing passenger transport – household consumption expenditures, number of gainfully employed persons, population – have been largely stable. The most important factor in freight transport is the transportation demand for consumer products, mining products, petroleum products, chemical products, and building materials – which are all subject to cyclical fluctuations. Other market risks include the effects of increasing deregulation in European transport markets and significant increases in competition across all modes of transport. We are reacting to these developments with extensive measures aimed at improving efficiency and reducing costs, in addition to optimizing our service offerings. We are responding to risks resulting from changing customer demands – including the ordering organizations and regional political subdivisions – and from shifts in traffic patterns with an intensified customer focus and extensive market research.
- **Operating risks:** The DB Group operates a networked production system of high technological complexity. We combat the risk of interruptions in service through systematic maintenance, the employment of qualified staff, and ongoing quality assurance and process improvement measures. We significantly increased the level of maintenance expenses in the Group Track Infrastructure division starting in July 2000.
- **Project risks:** The modernization of the overall rail system involves immense capital expenditures as well as a number of highly complex projects. Delays in the implementation or necessary modifications during the project lifetimes – which often last several years – result in project risks that can often affect multiple areas due to our networked production structures. We conducted an extensive situation assessment in the spring of 2000 that examined all of the DB Group's major projects – especially the new Cologne/Rhine-Main line, the Berlin hub, and the Nuremberg–Ingolstadt–Munich line. As a consequence of the identified risks, we not only increased existing reserves, but also invested in further organizational and staff qualification measures.
- **Financial risks:** We use financial instruments and derivatives to hedge our exposure to interest rate changes and price fluctuations. These instruments are described in the Notes.

- **Political and economic uncertainties:** Our political, legal, and social environment is subject to constant change. A stable framework is needed to effectively plan our future corporate activities. We strive to positively influence these framework conditions and eliminate existing hindrances through open dialog. We contribute extensively to discussions regarding the various framework conditions applying to the individual modes of transport. A central issue in this area was securing federal infrastructure financing for the medium term, which we accomplished through the trilateral agreement with the Federal Ministry of Transport, Building and Housing and the Federal Ministry of Finance that was signed in March 2001.

During the year 2000, we undertook an exhaustive situation assessment of all major projects, processes, and systems, and implemented a comprehensive restructuring program (“Fokus”). In addition, we took out insurance policies to secure unavoidable risks, in order to limit the financial consequences of potential damages and liability risks for the DB Group.

Comprehensive Risk Management System

The principles underlying the risk management policy are formulated by Group management and implemented at DB AG and the subsidiaries. Our system for the early recognition of risks entails quarterly reporting to the DB AG Management Board. The risks noted in the risk report are categorized and classified by their probability of occurrence; in addition to the possible consequences, we also analyze potential offsetting measures and their costs. All suddenly detected risks and unfavorable developments must be reported immediately. Our Group Controlling department is responsible for coordinating all risk management activities for the DB Group. In addition, planned acquisitions are subject to intensified monitoring. The Group Finance and Treasury department is responsible for limiting and monitoring credit risks, market price risks, and liquidity risks associated with our corporate refinancing, which is strictly limited to our operations. Consolidating these transactions (money market, securities, derivatives) with DB AG enables us to manage and limit the associated risks. The Finance and Treasury area is organized based on the Minimum Requirements for Trading (MaH) formulated for financial institutions, the derived criteria of which meet all the requirements of the German Act on Corporate Control and Transparency (KonTraG).

Assessment of Current Risk Exposure

Our risk management system provides an overview of the sum total of risks exceeding defined materiality thresholds in a risk portfolio as well as a detailed individual listing. Based on our current assessment of risks, offsetting and hedging measures, and provisions, no risks capable of threatening the Group’s continued existence are discernable, now or in the foreseeable future.

Report by the Management Board on Relations with Associated Companies

The Federal Republic of Germany is the sole shareholder of DB AG. Pursuant to sec. 312 of the German Stock Corporation Act (AktG), the Management Board of DB AG has compiled a report on relations with associated companies. The report concludes with the following statement:

“We hereby declare that, according to the circumstances known to us at the time the legal transactions were entered into, our company received adequate consideration in each and every legal transaction.

During the year under review, no measures were taken or omitted on the initiative or in the interest of the federal government or of any company associated with it.”

Events After the Balance Sheet Date

Danish State Railways as New Partner in the Railion Joint Venture

Retroactive to January 1, 2001, 100 % of the shares of Railion Denmark A/S, Copenhagen/Denmark, currently held by the Danish State Railways (DSB), will be purchased by Railion GmbH, Mainz. In return, DSB will receive 2 % of the shares of Railion GmbH held by DB AG. This reduces the share held by DB AG to 92 %; N.S. Groep N.V. continues to hold 6 % of Railion GmbH. By transferring the freight transport activities of the Danish State Railways to Railion GmbH, we intend to further expand our platform for European transportation and logistics services. Uniform operating processes and the shared use of modern systems will help promote the competitiveness of the cargo companies. Railion GmbH continues to function purely as a financial holding company.

Maintenance Facilities Consolidated in DB AG

Effective January 1, 2001, the major maintenance facilities (the so-called “C facilities”) were transferred from DB Reise&Touristik AG, DB Regio AG, and DB Cargo AG back to DB AG. We expect this consolidation to provide greater efficiency and flexibility and help us capture significant synergy potential.

Plan Approval Procedure for Stuttgart 21 Can Begin

In February 2001 we reached a basic agreement with the Federal Ministry of Transport, Building and Housing, the State of Baden-Württemberg, and the Free State of Bavaria on the prefinancing of the federal share of the “Stuttgart 21”

construction project, which is expected to cost some € 2.5 billion. The project is closely tied to the technical progress of the new Stuttgart–Ulm line, as well as the Ulm–Augsburg–Munich continuation. We will now press onward the plan approval and the invitations to bid; a final profitability analysis will be conducted before the project is implemented.

Comprehensive Collective Wage Agreement Signed

A comprehensive collective wage agreement between Deutsche Bahn AG and labor was signed in early March 2001. The objective of the overall package is to create competitive conditions of employment. In addition to confirming the results of the pay negotiations from October 2000, the parties agreed to reorganize DB Arbeit GmbH, the Group's employment company. The plan of replacing certain benefits with a comprehensive central fund ("Zukunftssicherungsfonds") has been dropped. Instead, industry funds for specific business are to provide appropriate compensation for any disadvantages that arise from the transition from the DB collective wage agreement to a new industry wage agreement or from employee transfers between companies.

Trilateral Agreement Signed

Deutsche Bahn AG, the Federal Ministry of Transport, Building and Housing, and the Federal Ministry of Finance signed a trilateral agreement in March 2001. Among other arrangements, this agreement **secures medium and long-term federal funding to finance infrastructure improvement measures**. The annual volume was increased and locked in at a total of over € 13 billion until the end of 2003. Moreover, the inflow of funds will primarily take the form of investment grants. By confirming the continuing inflow of funds, the signed agreement creates a solid foundation for ongoing planning and project realization. At the same time, the DB Group has agreed to a defined level of own funds to be provided. Moreover, the federal government will make limited contributions to covering the additional costs of the new Cologne–Rhine/Main and Nuremberg–Ingolstadt–Munich lines, as well as the Berlin north-south connection. The agreement also governs the planned discharge of certain DB AG obligations set forth in the framework agreement on the allocation of DB real estate of 1996.

Working Group to Examine the Future Organizational Structure

The question of the right organizational structure of the rail network and the operations conducted on it is currently subject to heavy debate, especially at the European transport policy level. With our clear organizational and accounting separation of DB Netz AG, Germany is at the fore in implementing EU Directive 91/440. The Federal Minister of Transport, Building and Housing initiated a working group ("Task Force") in March 2001 to investigate the need for additional action in this area in Germany. The working group, which is not bound by any foregone

conclusions, also includes representatives of the Federal Ministry of Economics and the Federal Ministry of Finance. The entrepreneurial position of the DB Group – including the benefits of seeing the wheel/rail system as an integrated system – is represented in the working group by the CEO of DB AG. The working group began its activities in March 2001 and initial results are expected by the end of the year 2001.

Strategy

The rail reform process, which was started in 1994, is currently undergoing the second half of its implementation. Restructuring the original government-run railroad to form a powerful company is tied to clear expectations of our economic efficiency and performance in transport markets. We have added weight to these expectations in the year 2000. We declared our objective of getting the DB Group into shape for an IPO at the conclusion of the reform process. To achieve this objective, we implemented a value management concept that defines detailed target rate of return requirements for the DB Group and our individual Group divisions. By today's measures, the rate of return to be achieved for the Group managed by DB AG by the conclusion of the rail reform program is a return on capital employed of around 10 %.

The dynamism in transport markets has increased on several levels since the start of the rail reform process. Competition on the rails and with all other modes of transport has intensified. Moreover, the boundaries in our relevant markets – such as freight transport – are shifting towards integrated logistics services. The integration of European economies requires a cross-border strategy rather than staid domestic thinking. New technologies are opening new dimensions of service for our customers. In order to effectively control and economically operate our overall rail system, the operative and technical complexities have to remain manageable. We have addressed these challenges in our strategy process, and achieved noteworthy gains in all areas during the year 2000. To secure our planning success, we started a comprehensive restructuring program (“Fokus”) and established an intensive capital expenditures program.

“Fokus” Restructuring Program

The objective of the “Fokus” restructuring program is to further increase our efficiency and establish sustainable structures. The **program involves the entire Group** and currently features 25 projects, 9 of which deal with issues affecting the entire Group, while 16 others deal with individual divisions. In addition to visible improvements in performance for our customers, we expect “Fokus” to deliver considerable cost reductions. The centralized control of the restructuring program helps us ensure that the overall rail system will be optimized in both operational areas and administrative functions.

Optimization of Services in Passenger and Freight Transport

The peak values in transport performance we achieved during the year 2000 are clear evidence of our subsidiaries’ capability. It is worth noting, however, that not all of our transport services produce the efficiencies required in the long term. Causes for this deficit include incorrect dimensioning of services in prior years and overlaps in our service spectrum. To combat this trend, we introduced strategies for a market-focused performance optimization in both the Passenger Transport and Freight Transport divisions in the year 2000. We are convinced that these approaches will lead to visible improvements in quality. Moreover, we are working intensively on our price and marketing systems in the Group Passenger Transport division. The Freight Transport division is implementing various measures to expand its logistics competencies in order to capture new markets. The most important measures include the intensified utilization of the CustomerServiceCenter in Duisburg, industry-specific offers such as ChemCargo for the chemicals industry and special transportation services for the automobile industry, and our planned collaboration with Stinnes AG in the Raillog joint venture (starting in 2001).

Intensified Internationalization through Collaboration

By further improving our international transportation offerings, we plan to emphasize the particular strengths of rail travel for medium and long-distance journeys. One effective, economic approach is the expansion of collaborative projects. Thalys passenger transport between France, Belgium, the Netherlands, Luxembourg, and Germany has been popular among customers for years. We started service with the multisystem ICE 3 between Amsterdam and Cologne; when the new Cologne-Rhine/Main line is completed in the year 2002, this service will be extended all the way to Frankfurt/Main. We have signed two cooperative agreements to improve traffic with our European neighbors: **Rhealys** serves as a project company for future high-speed traffic between France (SCNF), Germany (DB), Luxembourg (CFL), and Switzerland (Swiss Federal Railways, SBB). **The TEE Rail Alliance** is designed to intensify cooperation between DB, SBB, and the Austrian Federal Railways (ÖBB).

The **Railion** joint venture in freight transport – initially with the Dutch Railroad – has proven to be on target. It is a platform that is open for additional partners; the next one to transfer its freight division to the joint venture will be the Danish State Railways. In addition, we have signed agreements aimed at improving joint production with the Swedish State Railways (SJ) and the French railroad (SCNF).

To increase interoperability – the capability of bringing the existing European systems together and using them jointly – we are increasingly coordinating the definition of technical specifications and capital expenditures decisions with other European railroads. Thanks to the common specifications, we expect both technical and economic benefits from quantities of scale when ordering rolling stock. And our shared command and control technology – especially GSM-R, a new European standard – will create a broad common technical foundation for both rolling stock and vehicles.

Higher Capital Expenditures Program Approved

The high level of capital expenditures that we have maintained since the start of the rail reform program has allowed us to at least partially compensate for decades of past neglect. DB AG and its subsidiaries have approved another intensive capital expenditures program for the planning period to 2005 in order to more quickly modernize our infrastructure and rolling stock. Total capital expenditures of € 40 billion are planned by the end of 2005. The vast majority of this capital expenditures program, with around 85 % of the total volume, is focused on the Passenger Transport, Freight Transport, and Track Infrastructure divisions. The capital expenditures program is targeted at increasing the capacity and availability of the rail network and significantly reduce the average age of our rolling stock. Our capital expenditures in modern products and processes directly benefit our customers in the form of improved services. These capital expenditures will also serve as the foundation for further improvements in productivity.

A Stable, Fair Framework Is an Essential Prerequisite

The entrepreneurial success of DB AG and its subsidiaries is highly dependent on the economic and political framework in which we operate. To achieve a fair, predictable framework, we play an active role in policy debates, especially those involving the rail reform process itself. In addition to the entrepreneurial responsibility that we face, the federal and state governments have their own obligations, particularly the federal government's basic obligation with respect to rail infrastructure funding. After intensive debates that began during the year under review, we were able in a first step to secure continuing funding for our entrepreneurial processes. The foundation of this funding is the trilateral agreement between Deutsche Bahn, the Federal Ministry of Transport, Building and Housing and the

Federal Ministry of Finance that was signed in March 2001. This agreement also stipulates an increase in funding levels until the end of 2003.

Another significant issue are the duties involving local public transport that have been devolved to the states under the German Regional Restructuring Act: the states will have access to increased federal funding in the amount of more than € 6 billion for the purchase of local transport services. Both the purchasers and service providers want to provide the best possible service, but achieving this demands that the terms of the ordered service contracts are economically sensible. Because significant capital expenditures are required to achieve our common goal, we are in favor of synchronizing the contract terms with the useful life and depreciation periods of the purchased equipment.

The competitive environment is especially characterized by competition among the different modes of transport, but also by competition on the rails. Germany boasts a leading role in liberalizing rail operations in comparison with other European countries. Every operator is free to enter the market, and some 200 service providers currently compete on the German rail network. Our success on the rails is determined by our own performance, but it is also crucial to create a level playing field for all modes of transport. Increases in energy taxes (the “eco-tax”) and the issue of demanding a contribution to infrastructure financing from road network users were substantial points of contention in both European and German transport policy debates. In both areas, we hope that our economic playing field can be leveled out, which will improve the relative competitive position of rail transport. Despite the massive burden the eco-tax places on our company, we expect to benefit nonetheless when the tax is applied equally to all modes of transport, as we are the most environmentally-friendly mode of all. The introduction of usage-based road fees for heavy trucks – planned for Germany in 2003 – will help to successively balance out the over-proportional burdens that rail transport currently has to bear. We actively represent our position in both debates. The same applies to issues involving uniform social welfare and safety standards, even though these issues will have to be dealt with in an international framework in order to be effective.

Outlook and Expectations for the Financial Year 2001

Sustained Favorable Economic Framework

Based on current estimates from economic research institutes, we expect growth of global GDP to decrease to around 3.0 % in the financial year 2001. The main uncertainty factor remains economic development in the U.S. The faith that the current correction phase will be short-lived will be critical to global development, to the ability of monetary policy to influence the economy, and to corporate capital expenditures patterns. The expected appreciation of the euro will subdue the dynamism of German and other European exports. In contrast, we expect a positive impetus to result from increasing domestic demand in Germany and the other euro countries. We expect growth of around 2.5 % (GDP) for the euro countries in 2001. Estimates for GDP growth in Germany range from 2.0 % to 2.5 %. Household consumption and expansionist fiscal policies should help stabilize growth; the latter through reduced taxes and social contributions, as well as through the use of funds from the UMTS frequency license auctions for improving the transport infrastructure. We expect to return to a path of increasing growth in 2002.

Transport Sectors: Unbalanced Development

The passenger transport market will enjoy impetus from an increase in household consumption and an additional slight increase in the number of gainfully employed persons during the year 2001. Declines in petroleum prices should compensate for the renewed increase in the eco-tax. The increase in the commuter tax allowance is also expected to have a positive effect. In comparison to the year under review, however, the additional traffic generated by EXPO 2000 will not be repeated.

As a result of these positive factors, we assume that both motorized private traffic and the entire passenger transport market will return to positive growth rates (around 1.5 %). Air traffic is expected to grow at 6 %, again faster than the overall market.

Rail passenger transport will benefit from the ongoing positive economic development in both long-distance and regional traffic. On the other hand, the end of the EXPO 2000 traffic will have a visible effect. In total, we expect a slightly decreased transport performance in rail passenger transport with an improved range of services. We assume that competition will continue to increase in both rail-bound regional transport and road-bound local public transport; reasons for this include the increasing importance of bid tenders and the further internationalization of the competitive environment.

The framework data for the freight transport sector point to a slight decrease in growth in the year 2001, although from a high level. In the key business sectors for rail transport, we expect a slight decrease from the extraordinarily high raw steel production figures in the year under review. We expect the decline in production in the construction industry to continue. In contrast, further growth is predicted in the areas of chemical products, mechanical engineering, and the automobile industry. We estimate the primary energy consumption of hard coal to decline slightly, while petroleum consumption will increase slightly.

A series of underlying trends affect the development of the market and competitive situation, and will continue to do so during the year 2001. For example, increased trading within the euro area will likely lead to further increases in and further internationalization of freight transport. However, the bulk products that are predisposed to rail transport will play a subordinate role in the market growth. At the same time, road freight transport – with its inherent flexibility in collection and distribution – will benefit from increasingly decentralized production structures and the existing advantages in cross-border transports. Under the current framework, the majority of growth in the freight transport sector will continue to take place largely on the roads. The aggressive predatory pricing trends in road freight transport – under which social welfare and safety standards are all too often disregarded – also drags down the freight rates of other modes of transport.

For the year 2001, we expect road freight transport to enjoy a growth rate that is above the market average, but slightly lower than in the year under review. We expect the performance of inland waterway transport to stagnate. The slight decline in the steel industry, which still has a favorable outlook overall, means that we will be unable to match the high rail transport performance values of the past year. This development also reflects a reorganization in the structures of our Group Freight Transport division to achieve more market focus in our services, a reorganization that is creating the necessary foundation for sustained future growth.

In the medium term, rail freight transport will benefit from a number of factors. The trend towards increasing internationalization in freight transport that results from more trading within the euro area is expected to continue. Our intensified cross-border collaborations will enable our Group Freight Transport division to benefit from this trend. Additional potential is expected from the politically supported opening of European rail networks to international freight transport. Measured by the number of competitors and the intensity of competition on the rails, Germany already has a leading role in this sector. The introduction of usage-based road fees for heavy trucks will result in a crucial, necessary leveling of the framework conditions among the individual modes of transport within Europe; this step is planned in Germany at the start of 2003.

Weak Result in the Financial Year 2001

During the year 2001, we will continue to exploit the synergy potential resulting from the reorganization of our management structure. No major changes in the ownership of the company are to be expected – including changes as the result of mergers or acquisitions. We expect a slight decline in revenues of our holdings in the Group Passenger Transport and Freight Transport divisions. While we expect efficiency improvements and cost reductions across the board – primarily due to our “Fokus” restructuring program – we also have to deal with increased burdens from our intensive capital expenditures program in the form of increased depreciation and higher financing costs. In addition, federal subsidies for burdens inherited from the former Deutsche Reichsbahn (surplus personnel and increased cost of materials) will be reduced further. The DB Netz AG subsidiary will continue to maintain the high level of maintenance expenses started in the latter half of the year 2000. Overall, we expect the result of our subsidiaries to decline in the year 2001, with DB Netz AG contributing a significant loss resulting in a repeated total loss from our holdings. Accordingly, we expect a loss for DB AG as well in the financial year 2001.

Statements Relating to the Future

This Annual Report contains forward-looking statements based on beliefs of Deutsche Bahn Group management. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” and “plan” are intended to identify forward-looking statements. Such statements reflect the current views of Deutsche Bahn Group, DB AG, the Group divisions and individual companies with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results to be materially different, especially those described in the “Risk Report”. Actual results may vary materially from those projected here. The Deutsche Bahn Group does not intend or assume any obligation to update these forward-looking statements.

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Balance Sheet

on December 31, 2000

Assets

in € million	Note	Dec 31, 2000	Dec 31, 1999
A. Fixed Assets			
Intangible Assets	(2)	33	66
Properties	(2)	3,954	3,989
Financial Assets	(2)	15,936	15,253
		19,923	19,308
B. Current Assets			
Inventories	(3)	25	39
Accounts receivable and other assets	(4)	2,035	2,012
Securities	(5)	30	0
Cash and cash equivalents		747	418
		2,837	2,469
C. Prepayments and accrued income			
		1	1
		22,761	21,778

Equity and Liabilities

in € million	Note	Dec 31, 2000	Dec 31, 1999
A. Equity			
Subscribed capital	(6)	2,147	2,147
Capital reserves	(7)	5,313	5,313
Retained earnings	(8)	1,471	1,471
Balance sheet loss		- 5	- 152
		8,926	8,779
B. Provisions			
	(9)	6,084	7,391
C. Liabilities			
	(10)	7,727	5,588
D. Accruals and deferred income			
	(11)	24	20
		22,761	21,778

Statement of Income

January 1 through December 31, 2000

in € million	Note	2000	1999
Inventory changes		- 8	11
Other internally produced and capitalized assets		19	31
Overall performance		11	42
Other operating income	(15)	3,325	1,765
Cost of materials	(16)	- 398	- 539
Personnel expenses	(17)	- 304	- 392
Depreciation		- 66	- 61
Other operating expenses	(18)	- 1,316	- 1,398
		1,252	- 583
Investment income	(19)	- 1,108	432
Net interest	(20)	3	- 1
Income before taxes		147	- 152
Income taxes		0	0
Income after taxes		147	- 152
Loss carried forward		- 152	0
Balance sheet loss		- 5	- 152

Statement of Cash Flows

January 1 through December 31, 2000

in € million	Notes	2000	1999
Income before taxes		147	- 152
Depreciation of properties*		67	61
Changes to pension provisions		5	11
Cash flow before taxes		219	- 80
Changes to other provisions		- 1,312	264
Gains/losses from disposal of properties*		- 178	- 160
Gains/losses from disposal of financial assets		0	8
Changes to current assets (excl. cash and cash equivalents)		- 38	- 976
Changes to other operating liabilities		718	196
Income taxes		0	0
Cash flow from business activities		- 591	- 748
Proceeds from disposal of properties*		262	240
Payments for purchase of properties*		- 82	- 92
Proceeds from disposal of financial assets		0	33
Payments for the purchase of financial assets		- 17	- 86
Investing activities		163	95
Proceeds from long-term Group financing		553	324
Proceeds from short-term Group financing		204	164
Proceeds from issuing bonds and new loans		0	0
Repayments of bonds and loans		0	0
Financing activities		757	488
Net increase (decrease) in cash		329	- 165
Cash and cash equivalents, beginning of year	(21)	418	583
Cash and cash equivalents, end of year	(21)	747	418

* including intangible assets

Fixed Assets Schedule

Acquisition and manufacturing costs				
in € million	Balance at Jan 1, 2000	Additions	Transfers	Disposals
Intangible assets				
1. Licenses, patents, trademarks, and similar rights	196	0	0	0
2. Advance payments	5	0	0	- 5
	201	0	0	- 5
Properties				
1. Land, leasehold rights, and buildings including buildings on land owned by others				
a) Land and leasehold rights	3,646	26	0	- 73
b) Commercial, office, and other buildings	289	21	26	- 4
c) Permanent way formation and structures	5	0	0	0
	3,940	47	26	- 77
2. Track infrastructure, signaling and control equipment	9	1	0	- 1
3. Rolling stock for passenger and freight transport	0	0	0	0
4. Technical equipment and machinery other than No. 2 or 3	50	2	2	- 4
5. Other equipment, operating and office equipment	47	15	4	- 9
6. Advance payments and construction in progress	35	17	- 32	0
	4,081	82	0	- 91
Financial assets				
1. Investments in affiliated companies	10,649	3	0	0
2. Loans to affiliated companies	4,068	735	0	- 67
3. Investments in associated companies	536	14	0	0
4. Investments in related companies	1	0	0	- 1
5. Other loans	1	0	0	0
	15,255	752	0	- 68
Total Fixed assets	19,537	834	0	- 164

	Accumulated depreciation					Book value		
	Balance at Dec 31, 2000	Balance at Jan 1, 2000	Depreciation financial year 2000	Transfers	Disposals	Balance at Dec 31, 2000	Balance at Dec 31, 2000	Balance at Dec 31, 1999
	196	- 135	- 28	0	0	- 163	33	61
	0	0	0	0	0	0	0	5
	196	- 135	- 28	0	0	- 163	33	66
	3,599	0	- 8	0	0	- 8	3,591	3,646
	332	- 42	- 10	- 1	2	- 51	281	247
	5	- 1	0	0	0	- 1	4	4
	3,936	- 43	- 18	- 1	2	- 60	3,876	3,897
	9	- 5	- 3	0	1	- 7	2	4
	0	0	0	0	0	0	0	0
	50	- 24	- 6	1	2	- 27	23	26
	57	- 20	- 11	0	7	- 24	33	27
	20	0	0	0	0	0	20	35
	4,072	- 92	- 38	0	12	- 118	3,954	3,989
	10,652	- 2	0	0	0	- 2	10,650	10,647
	4,736	0	0	0	0	0	4,736	4,068
	550	- 1	0	0	0	- 1	549	535
	0	0	0	0	0	0	0	1
	1	0	0	0	0	0	1	1
	15,939	- 3	0	0	0	- 3	15,936	15,252
	20,207	- 230	- 66	0	12	- 284	19,923	19,307

Notes

for the Financial Year 2000

The **annual financial statements of Deutsche Bahn AG** have been drawn up in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) as well as the Ordinance relating to the structure of annual financial statements of corporations engaged in the transport sector. In order to improve the clarity of the presentation, legally required items have been consolidated in the Balance Sheet and in the Income Statement. The Notes contain the required details and explanatory remarks.

The annual financial statements are based on accounting in German marks (DM). They were drawn up for the first time **in euros** at the official exchange rate of 1 euro = DM 1.95583. The corporate currency will change over to euros as of January 1, 2002.

1 Accounting and Valuation Methods

In general, there have been no changes in the accounting and valuation methods compared to the previous year. Acquired software that constitutes a low-value asset in each individual case is now fully written off during the first year.

Except for software of low value, **intangible assets** acquired for valuable consideration are carried at acquisition costs and written down on a straight-line basis.

Except for software of low value, intangible assets acquired for valuable consideration are carried at acquisition costs and written down on a straight-line basis.

Properties (property, plant, and equipment) are carried at acquisition or manufacturing cost less scheduled depreciation, where applicable. Write-downs for asset impairment are recognized if recovery of the carrying amounts is no longer to be expected.

Manufacturing costs include direct costs, prorated material and production overheads, and scheduled depreciation. Prorated material and production overheads as well as depreciation are determined on the basis of actual capacity utilization. Neither interest on borrowed funds nor administrative overhead is included in manufacturing costs.

Scheduled depreciation is recognized using the straight-line method based on the normal useful lives. Depreciation is determined in accordance with the tax depreciation tables. The **useful lives** of the main groups are shown in the table below:

	Years
Software, other licenses	5
Permanent way structures, bridges	75
Track infrastructure	20 – 25
Buildings and other constructions	10 – 50
Signaling equipment	20
Telecommunications equipment	5 – 20
Rolling stock	15 – 30
Other technical equipment, machinery, and vehicles	5 – 25
Factory and office equipment	2 – 10

Properties of minor value with individual values of up to DM 4,000 (€ 2,045) are fully depreciated in the year of acquisition and carried as disposals.

Financial assets are carried at acquisition cost and are subject to write-downs for asset impairment where appropriate.

Inventories are valued at acquisition or manufacturing cost; raw materials and supplies are valued on the basis of average acquisition costs. Risks in inventories resulting from a decline in economic usefulness, long storage periods, price changes in the procurement markets, or any other decline in value are taken into account by adjusting such values accordingly.

Accounts receivable and other assets are stated at nominal or face value unless a lower carrying amount is required in individual cases. Discernible risks have been taken into account by individual or lump-sum valuation adjustments.

Pension provisions are carried as liabilities at their going-concern value in accordance with Section 6 a of the German Income Tax Act (EStG). As in previous years, the calculations are based on the 1998 mortality tables of Dr. Klaus Heubeck. The amounts of pension provisions are calculated according to actuarial principles and at a fixed 6% interest rate for discounting purposes.

All other **provisions** are stated at the amount required, based on sound business judgement and are not discounted. Provisions take all discernible risks into account. Furthermore, reserves for contingencies have been set up in accordance with Section 249 (2) HGB. The remaining provisions are determined at full cost.

Liabilities are carried at the expected settlement amount.

Receivables and liabilities stated in foreign currency are translated at the buying or selling rate on the creation date. Adjustments are made if the exchange rates effective on the balance sheet date lead to lower receivables or higher liabilities.

Notes to the Balance Sheet

2 Fixed assets

Movements in fixed assets are shown on the pages 26 and 27.

In financial year 2000, **write-downs for asset impairment** amounted to € 10 million (previous year: € 0 million) – primarily for real estate.

3 Inventories

in € million	2000	1999
Raw materials and manufacturing supplies	18	21
Unfinished products, work in process	5	13
Finished products and goods	0	1
Advance payments to suppliers	2	4
Total	25	39

Valuation adjustments in the amount of € 13 million (previous year: € 16 million) were made to take into account the strict lower of cost or market value principle as well as marketability discounts.

4 Accounts Receivable and Other Assets

in € million	2000	of which with a remaining term of more than one year	1999
Trade receivables	382	21	294
Receivables due from affiliated companies	278	0	824
Receivables due from companies in which a participating interest is held	70	0	7
Other assets	1,305	0	887
Total	2,035	21	2,012

Value adjustments for accounts receivable and other assets amounted to € 49 million (previous year: € 37 million).

The main elements of **other assets** are short-term cash investments through year's end totaling € 1,046 million (previous year: € 537 million) and tax receivables.

5 Securities

Being set aside as a general operating reserve, securities held as current assets consist exclusively of fungible securities.

6 Subscribed Capital

The subscribed capital amounting to DM 4,200 million (€ 2,147 million) is subdivided into 84,000,000 bearer shares having a par value of DM 50 each. The shares are held entirely by the Federal Republic of Germany.

7 Capital Reserves

Capital reserves totaling DM 10,390 million (€ 5,313 million) are, as in earlier years, made up of the difference (DM 7,300 million/€ 3,732 million) between the equity capital shown on Deutsche Bahn AG's opening balance sheet and the amount in excess of the guaranty cover value of the real property holdings based on the conservative assessment of their fair market value in accordance with Article 2 Section 10 (4) of the German Railroad Restructuring Act (Eisenbahnneuordnungsgesetz) at DM 3,090 million/€ 1,581 million, with said assessment being as recent as 1997.

8 Retained Earnings/Other Retained Earnings

in € million	2000	1999
Retained earnings carried forward to January 1	1,471	1,292
Net income of the previous year transferred to retained earnings by shareholder's resolution	0	179
Retained earnings as of December 31	1,471	1,471

9 Provisions

in € million	2000	1999
Pension provisions	50	45
Tax provisions	286	269
Other provisions	5,748	7,077
Total	6,084	7,391

€ 5 million (previous year: € 9 million) were transferred to **provisions for pensions** in financial year 2000.

Other provisions consisted of the following:

in € million	2000	1999
Personnel-related commitments	105	238
Restructuring charges	343	1,056
Inherited environmental liabilities	3,156	3,225
Reconveyance obligations	473	481
Other risks	1,671	2,077
Total	5,748	7,077

Personnel-related commitments mainly concern leave entitlements, profit-sharing bonuses, and early retirement benefits. Severance pay and similar expenses are reported under provisions for **restructuring charges**.

Provisions for **inherited environmental liabilities** relate primarily to the remediation of residual pollution caused before July 1, 1990 in the regions served by the former Deutsche Reichsbahn. A provision of € 2.9 billion was set aside for this purpose in the opening balance sheet of Deutsche Reichsbahn and taken over unchanged to Deutsche Bahn AG's opening balance sheet. Provisions for **reconveyance obligations** were set up for potential restitution claims on property in the area of the former Deutsche Reichsbahn.

All remaining contingent liabilities are allocated to **other risks**. These primarily include provisions for:

- Recultivation and renaturation (decommissioning of railroad tracks and related facilities),
- Deferred maintenance work (also includes future measures to be taken in connection with the preparation for sale of real estate),
- Risks from pending business and for contingent liabilities arising from deliveries and services not yet invoiced.

10 Liabilities

in € million	maturity of 2000	of which with a residual maturity of up to 1 year	of which with a residual maturity of 1 to 5 years	of which with a residual over 5 years	1999
Liabilities due to banks	51	0	0	51	51
Advance payments received for orders	7	5	2	0	9
Trade accounts payable	73	70	3	0	91
Liabilities due to affiliated companies	6,301	2,120	553	3,628	4,427
Liabilities due to companies in which a participating interest is held	1,149	11	7	1,131	926
Other liabilities	146	146	0	0	84
of which tax liabilities	(10)	(10)	(0)	(0)	(17)
of which social security liabilities	(4)	(4)	(0)	(0)	(7)
Total	7,727	2,352	565	4,810	5,588

Liabilities due to companies in which a participating interest is held include long-term, interest-bearing loans from EUROFIMA European Company for the Financing of Railway Rolling Stock (Basle/Switzerland) amounting to € 1,139 million (previous year: € 919 million). These liabilities have to be secured pursuant to EUROFIMA's memorandum of association by assignment of railroad equipment (rolling stock). The required security was provided by assigning rolling stock of the subsidiaries DB Reise&Touristik AG, DB Regio AG, and DB Cargo AG.

No other **liabilities** have been secured.

For a listing of **financial debt**, please see Note (14).

11 Accruals and Deferred Income

Prepayments and accrued income consist primarily of accrued rents under hereditary leasehold contracts.

12 Contingent Liabilities

in € million	2000	1999
Liabilities from guaranties	244	73
Liabilities for third-party liabilities	848	1,043
Total	1,092	1,116

Deutsche Bahn AG furnished an unconditional, irrevocable **guaranty** to the benefit of Deutsche Bahn Finance B.V. for its Multi-Currency Commercial Paper program issued in the amount of € 1,023 million. This guaranty was valued at € zero as of December 31, 2000.

The **liability for third-party liabilities** was the result of the spin-off of subsidiaries from Deutsche Bahn AG. Pursuant to Section 158 in conjunction with Section 133 of the German Conversion Act, Deutsche Bahn AG and its management companies of the businesses set up as separate legal entities as of January 1, 1999, are jointly and severally liable for the indebtedness of Deutsche Bahn AG as of December 31, 1998. This liability is limited to obligations due within 5 years of notice of entry of the spin-offs in the Commercial Register – i. e. to obligations becoming due no later than June 30, 2004. The memo item includes all liabilities of Deutsche Bahn AG incurred by December 31, 1998 and unpaid as of December 31, 2000, that were transferred on January 1, 1999, to the spun-off businesses set up as separate stock corporations.

13 Other Financial Commitments

in € million	2000	1999
Purchase order commitments for investments	15	32
Outstanding contributions	341	322
Commitments under rental, leasing, and other debt obligations with external parties	1,253	850
thereof to affiliated companies	(1)	(74)
Total	1,609	1,204

The **outstanding contributions** concern EUROFIMA European Company for the Financing of Railway Rolling Stock, Basle/Switzerland.

Commitments under rental, leasing, and other debt obligations with external parties are carried at their nominal values. The table below lists the corresponding nominal values and the net present values by due date. **Leasing** plays only a minor part in the financing of necessary business assets. During the financial year 2000, lease payments totaled € 70 million (previous year: € 78 million).

Commitments under **rental, leasing, and other debt obligations with external parties (date: December 31, 2000)** will be due as listed below:

in € million	Nominal value	Net present value at 7.5%
Due dates:		
within 1 year	155	148
within 1 to 5 years	502	405
after 5 years	596	323
Total	1,253	876

14 Financial Instruments

Deutsche Bahn AG, as the central treasury of the DB Group is responsible for all financing and hedging activities. In terms of functions and organizational structure, lending and trading workflows in the front office on the one hand and processing and control in the back office on the other hand are kept clearly separate. The Treasury department operates in the financial markets in compliance with the Minimum Requirements for the Trading Activities of Credit Institutions established by the German Banking Supervisory Authority and it is subject to periodic internal audits.

A. Financial Instruments

The main financial instruments and total **financial debt** as of December 31, 2000 are listed in the following table, with nominal amounts and book values being equivalent:

	Currency	Residual maturity in years	Nominal-interest rate in %	2000 Book value in € million
DB Finance B.V. bonds:				
Bond 1995–2002	DM	1.6	6.875	511
Bond 1997–2007	DM	6.8	5.750	511
Bond 1998–2003 ¹⁾	DM	max. 2.3	1.125	42
Bond 1998–2008	DM	7.4	5.000	767
Bond 1999–2009	€	8.5	4.875	1,350
Bond 2000–2010	€	9.5	6.000	1,000
Total				4,181
EUROFIMA loans:				
Loan 1994–2001 ²⁾	DM	0.1	4.080	1
Loan 1995–2005 ²⁾	DM	4.7	4.750	7
Loan 1996–2006	DM	6.0	6.000	256
Loan 1997–2009	DM	9.0	5.625	256
Loan 1999–2009	€	8.8	5.750	400
Loan 2000–2014	€	13.8	5.995	219
Total				1,139
Liabilities due to banks:				
Note loan 1998–2008	DM	7.3	5.310	51
Total financial debt				5,371

¹⁾ Bondholders have the option of conversion into Deutsche Lufthansa AG shares held by Deutsche Bahn AG.

²⁾ The EUROFIMA loans to D.A.CH. Hotelzug (Zurich/Switzerland), now trading as CityNightLine CNL AG (Zurich/Switzerland), were taken over as part of a purchase of rolling stock by Deutsche Bahn AG as of December 31, 1996.

An amount of € 1 million of the total financial debt has a residual maturity of up to one year.

In addition to the liabilities shown on the balance sheet, banks had opened guaranteed **credit facilities** to Deutsche Bahn AG totaling € 1.82 billion as of December 31, 2000 to cover short-term liquidity requirements. Deutsche Bahn AG had drawn on none of these credit lines as of December 31, 2000.

B. Financial Derivatives

Financial derivatives are used exclusively to hedge against interest rate or currency exposures in connection with the financial transactions of the Deutsche Bahn Group. Each individual deal corresponds to an on-balance sheet item or an anticipated exposure (bonds, loans, etc.). Speculative transactions are not permitted. The use, settlement and control of derivative transactions are governed by corporate guidelines. Market valuations and risk assessments are conducted on an ongoing basis as part of the Deutsche Bahn Group's risk management system.

Interest rate swaps are used exclusively to cover possible **interest rate risks**. Resulting interest differentials are apportioned on an accrual basis. Future interest differentials are not carried on the balance sheet because they actually are pending transactions. Provisions for anticipated losses were not required.

Foreign exchange risks were of marginal significance to Deutsche Bahn AG. DB AG held no foreign currency derivative positions as of the balance sheet date.

The total **notional value** of hedging transactions listed below represents the sum of all purchase and sales contracts being hedged. From the level of this notional volume, conclusions can be drawn as to the extent to which financial derivatives were used, but this level does not reflect the risk inherent in the use of such derivatives.

The **fair market value** of a derivative financial instrument is equivalent to its cost of liquidation or the amount at which the instrument could be exchanged. The fair values listed below were computed as per the balance sheet date using common financial models; offsetting changes in the values of the items being hedged were not taken into account. In turn, the related financial derivatives are not taken into account for stating the underlying transactions in the balance sheet (no hedge accounting). Because valuation units (derivative/underlying) were formed, the fair values of derivatives as well as changes in the fair values of the underlying transactions are shown in the following table.

The **credit risk** is the danger of loss due to nonperformance by counterparties (risk of default). It represents the replacement cost (at fair value) of transactions with a positive fair value giving Deutsche Bahn AG a claim against its counterparties. The risk of default of counterparties is actively controlled by our high demands on the financial standing of counterparties both when entering into a contract and for its entire term as well as by the setting of risk limits. The following information on the credit risk contains the cumulative result of all individual risks.

Notional and Fair Market Values of Interest Rate Derivatives:

in € million	2000	1999
Total notional value	2,851	2,790
Performance of valuation units:		
Fair market value of derivatives	- 60	- 75
Change in the fair market value of underlying transactions	30	95
Total	- 30	20

At December 31, 2000, the portfolio of interest rate derivatives consisted almost exclusively of interest rate swaps with a remaining term of more than one year.

Credit Risk of Interest Rate Derivatives:

in € million	2000	1999
Credit risk of interest rate derivatives	27	27

The single biggest risk, i.e. a risk of default by a specific counterparty, amounts to € 14 million and relates to a counterparty having a Moody's rating of Aa3.

As regards credit risks arising from contracts with a remaining term of more than one year, all counterparties have a Moody's rating of no less than Aa3.

Notes to the Income Statement

15 Other Operating Income

in € million	2000	1999
Income from costs debited to Group companies and other other intra-Group cost allocations	619	643
Services to external parties and sale of materials	461	211
Rents and leases	395	412
Other operating income	126	35
Gains on sales of properties	215	175
Income from the release of provisions	1,502	181
Gains on the reversal/recovery of write-downs/write-offs of receivables	6	47
Other income unrelated to accounting period	1	61
Total	3,325	1,765

The increase in **income from the release of provisions** compared to the previous year resulted primarily from the reduction of provisions for restructuring measures, which in turn increased significantly on the subsidiaries' balance sheets. This also resulted in a significant increase in the charges for losses assumed [see Note (19)].

16 Cost of Materials

in € million	2000	1999
Cost of raw materials, supplies, and merchandise	48	93
Cost of services purchased	196	254
Maintenance expenses	158	197
Subtotal (gross cost of materials)	402	544
Federal government contributions	- 4	- 5
Total	398	539

The cost of services and merchandise purchased for **self-constructed assets** is recognized under cost of raw materials, supplies, and merchandise. Such cost is capitalized by inclusion in other self-construction – own expenses under properties.

Federal government contributions are provided in accordance with Article 2 Section 22 (1) No. 3 German Railroad Restructuring Act. They are intended to reduce Deutsche Bahn's increased cost of materials for harmonizing the levels of development, technical equipment, and productivity in the area of the former Deutsche Reichsbahn (East Germany) with those in the area of the former Deutsche Bundesbahn (West Germany). Federal government contributions are reduced from year to

year in proportion to the forecast decrease in the additional cost of materials and will not be granted beyond 2002.

17 Personnel Expenses

in € million	2000	1999
Wages and salaries		
for employees	195	237
for civil servants assigned		
Payments to the Federal Railroad Fund IAW Article 2 Section 21 (1) (2) German Railroad Restructuring Act	39	94
Ancillary remuneration paid directly	1	2
	235	333
Compulsory social security contributions, pensions and similar benefits, and support payments		
for employees	66	57
for civil servants assigned (payments to the Federal Railroad Fund IAW Article 2 Section 21 (1) (2) German Railroad Restructuring Act)	12	13
	78	70
of which for pensions and similar benefits	(41)	(40)
Subtotal (gross personnel expenses)	313	403
Contributions by the Federal Railroad Fund	- 9	- 11
Total	304	392

Expenses related to **pensions and similar benefits also** include social security contributions paid by employers as well as supplemental social security contributions paid by employers for civil servants assigned.

The **contributions by the Federal Railroad Fund (BEV)** are made in accordance with Article 2 Section 21 (5) No. 1 German Railroad Restructuring Act. They are a reimbursement of increased personnel expenses in the area of the former Deutsche Reichsbahn (East Germany) as compared to those in the area of the former Deutsche Bundesbahn (West Germany). These contributions are reduced from year to year in proportion to the forecast decrease in personnel expenses and will not be granted beyond 2002.

18 Other Operating Expenses

in € million	2000	1999
Expenses for intra-Group cost allocations	448	394
Rents and leases	156	191
Fees and dues	65	193
Miscellaneous operating expenses	585	401
Losses on the disposal of fixed assets	37	23
Expenses relating to set-up of allowances for and write-off of accounts receivable	23	5
Other expenses unrelated to accounting period	2	191
Total	1,316	1,398

€ 51 million (previous year: € 32 million) of **miscellaneous operating expenses** are attributable to “Other taxes”.

19 Investment Income

in € million	2000	1999
Income from participating interests	25	5
of which from affiliated companies	(24)	(4)
Income from associated companies	4	3
Income from profit transfer agreements	230	620
Transfer of losses	- 1,367	- 196
Total	- 1,108	432

The increase in **transfer of losses** compared to the previous year is explained in Note (15).

20 Net Interest

in € million	2000	1999
Income from other securities and long-term loans	255	184
of which from affiliated companies	(255)	(183)
Other interest and similar income	125	89
of which from affiliated companies	(64)	(45)
Interest and similar expenses	- 377	- 274
of which from affiliated companies	(- 282)	(- 192)
Total	3	- 1

Notes to the Cash Flow Statement

The cash flow statement shows a breakdown of cash flows by business activities, investment activities, and financing activities. Cash flow before taxes is reported under the cash flow from business activities.

The cash flow statement was changed slightly compared to the previous year. The previous year's values have been adjusted accordingly.

21 Cash and Cash Equivalents

This item comprises cash and cash equivalents (cash on hand, Deutsche Bundesbank balance, cash in banks, and checks) as shown on the balance sheet.

For information on other **near-liquidity assets**, please see the comments on the balance sheet items "Other assets" and "Securities" [Notes (4) and (5)].

Supplemental Information

22 List of Shareholdings

The complete list of shareholdings in accordance with Section 285 No. 11 HGB has been filed with the Commercial Register of the Local Court of Berlin-Charlottenburg under No. HRB 50000.

23 Employees

	2000 Annual average	2000 As of Dec 31	1999 Annual average	1999 As of Dec 31
Wage and salary earners	4,757	4,651	4,965	4,967
Civil servants assigned	1,171	1,044	1,423	1,337
Subtotal	5,928	5,695	6,388	6,304
Apprentices	1,394	1,584	1,053	1,529
Total	7,322	7,279	7,441	7,833

In general, civil servants previously working for the former Deutsche Bundesbahn and Deutsche Reichsbahn have been assigned to work for Deutsche Bahn AG as of its registration date by virtue of Article 2 Section 12 German Railroad Restructuring Act ("civil servants assigned"). Although they work for Deutsche Bahn AG, their official employer is the Federal Railroad Fund (BEV).

24 Total Emoluments of the Management Board and the Supervisory Board, Including Former Members

in € thousand	2000	1999
Total Management Board emoluments	3,880	3,679
Emoluments of former Management Board members	2,110	519
Pensions provisions for former Management Board members	9,484	7,272
Total Supervisory Board emoluments	237	210
Emoluments of former Supervisory Board members	0	0
Loans granted to Management Board members	0	0
Loans granted to Supervisory Board members	0	0

For the names and functions of the members of the Supervisory Board and the Management Board, please see the pages 47 – 50.

25 Events After the Balance Sheet Date

Events after the balance sheet date are stated in the Management Report.

26 Proposed Appropriation of Profit/Loss for the Year

After setting off the net income against the loss of € 151,979,641.47 carried forward from the previous year, the income statement of Deutsche Bahn AG shows a balance sheet loss of € 4,503,587.46 as of December 31, 2000, which will be carried forward into the next financial year.

Berlin, March 30, 2001

Deutsche Bahn AG
The Management Board

Independent Auditor's Report

The Financial Statements were prepared in DM and audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, who added the following auditor's certificate:

“We have audited the annual financial statements, together with the bookkeeping system, and the management report of Deutsche Bahn Aktiengesellschaft, Berlin, for the business year from January 1 to December 31, 2000. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.”

Frankfurt am Main, April 6, 2001

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Kämpfer)
Wirtschaftsprüfer

(Jäcker)
Wirtschaftsprüfer

Supervisory Board of Deutsche Bahn AG

Dr. Günther Saßmannshausen

Honorary Chairman
of the Supervisory Board,
Hannover

- a) Braunschweigische
Maschinenbauanstalt AG
Heraeus Holding GmbH
Preussag AG
Preussag Energie GmbH
VAW Aluminium AG
Volkswagen AG

Dr. Michael Frenzel

Chairman of the Supervisory Board,
– since March 14, 2001 –
– Member of the Supervisory Board
since July 5, 2000 –
Chairman of the Management Board
of Preussag AG,
Burgdorf

- a) AXA-Colonia Konzern AG
Continental AG
Deutsche Hypothekenbank AG
E.ON Energie AG
Hapag-Lloyd AG (Chairman)
TUI GROUP GmbH (Chairman)
- b) Creditanstalt AG, Wien
EXPO 2000 Hannover GmbH
Kreditanstalt für Wiederaufbau
(Administrative Board)
Norddeutsche Landesbank
Preussag North America, Inc.,
Greenwich/USA (Chairman of the
Board of Directors)

Dr. Dieter H. Vogel

Chairman of the Supervisory Board,
– until March 7, 2001 –
Managing Partner
Bessemer Vogel & Treichl GmbH,
Düsseldorf

- a) ABB AG (Chairman)
Bertelsmann AG
Gerling Industrie-Service AG
MobilCom AG
- b) EXPO 2000 Hannover GmbH

Norbert Hansen *

Deputy Chairman of the
Supervisory Board,
Chairman of TRANSNET
German Railway Workers' Union,
Frankfurt/Main

- a) DB Reise & Touristik AG
DB Regio AG
DB Cargo AG
DB Station & Service AG
DB Netz AG
Mannesmann Arcor Verwaltungs-AG
DEVK Deutsche Eisenbahn
Versicherung Lebens-
versicherungsverein a.G.
DEVK Deutsche Eisenbahn
Versicherung Sach- und HUK-
Versicherungsverein a.G.

Christian Bormann *

Chairman of the Works Council
of DB Netz AG,
Leipzig branch, location Erfurt,
Erfurt
– until July 5, 2000 –

Niels Lund Chrestensen

General Manager
of the N.L. Chrestensen,
Erfurter Samen- und Pflanzenzucht GmbH,
Erfurt

- a) Thüringer Aufbaubank

Peter Debuschewitz *

Management Representative for Berlin
of Deutsche Bahn AG,
Taufkirchen
– since July 5, 2000 –

Elke Ferner

Former State Secretary Ministry
of Transport, Building and Housing,
Saarbrücken

- until February 5, 2001 –
- b) Berlin Brandenburg
Flughafenholding GmbH
Projektplanungs-Gesellschaft mbH
Schönefeld

Horst Fischer *

Member of the Works Council
of DB Regio AG,
Regional division Northern Bavaria,
Fürth

Dr.-Ing. E.h. Dipl.-Ing. Hermann Franz

Former Chairman of the Supervisory
Board of Siemens AG,
Erlangen

- until July 5, 2000 –
- b) Bayern Innovativ
Gesellschaft für Innovation und
Wissenstransfer mbH
Menzerna GmbH (Chairman
of the Advisory Board)
TÜV Süddeutschland Holding AG
(Chairman of the Shareholder
Committee)

Horst Hartkorn *

Chairman of the Works Council
of S-Bahn Hamburg GmbH,
Hamburg

- a) S-Bahn Hamburg GmbH
DEVK Deutsche Eisenbahn
Versicherung Lebens-
versicherungsverein a.G.
DEVK Deutsche Eisenbahn
Versicherung Sach- und HUK-
Versicherungsverein a.G.

Marlies Helling *

Personnel Manager DB Netz AG,
Oberursel

- until July 5, 2000 –
- a) DB Netz AG
DEVK Deutsche Eisenbahn
Versicherung Sach- und HUK-
Versicherungsverein a.G.

Jörg Hensel *

Chairman of the Central Works Council
of DB Cargo AG,
Hamm

- since July 5, 2000 –
- a) DB Cargo AG

Günter Kirchheim *

Chairman of the Group Works Council
of Deutsche Bahn AG,
Chairman of the Central Works Council
of DB Netz AG,
Essen

- a) DB Netz AG
DEVK Deutsche Eisenbahn
Versicherung Lebens-
versicherungsverein a.G.
DEVK Deutsche Eisenbahn
Versicherung Sach- und HUK-
Versicherungsverein a.G.

Dr. rer. nat. Hermann Krämer

Former Member of the Management Board of VEBA AG, Seevetal

– until July 5, 2000 –

- a) Babcock Borsig AG
Logika AG
Metro AG
PreussenElektra AG
- b) Westdeutsche Landesbank
Girozentrale (Administrative Board)

Lothar Krauß*

Deputy Chairman of TRANSNET
German Railway Workers' Union,
Rodenbach

- a) DB Anlagen und Haus Service GmbH
Union Druckerei und Verlagsanstalt GmbH
- b) DBV Öffentlich Rechtliche Anstalt für Beteiligungen (Chairman)

Dr. h.c. Helmut O. Maucher

Honorary President Nestlé S.A.,
Frankfurt/Main

– until July 5, 2000 –

- a) Bayer AG
Ravensburger AG
- b) Koç Holding A.S., Istanbul
(Supervisory Board)
Qualiclick AG, Zürich
(Administrative Board)
Union Bancaire Privée, Genf
(Administrative Board)

Heike Moll*

Member of the Central Works Council
of DB Station & Service AG,
Frankfurt/Main

– since July 5, 2000 –

- a) DB Station & Service AG

Ralf Nagel

State Secretary Ministry of Transport,
Building and Housing,
Magdeburg

– since February 5, 2001 –

- b) Berlin Brandenburg
Flughafenholding GmbH
Projektplanungs-Gesellschaft mbH
Schönefeld

Dr. h.c. Friedel Neuber

President and CEO of Westdeutsche
Landesbank Girozentrale,
Düsseldorf

- a) Babcock Borsig AG (Chairman)
Douglas Holding AG
Preussag AG (Chairman)
RWE AG (Chairman)
Thyssen Krupp AG
TUI GROUP GmbH
- b) AXA S.A., Paris
Bank Austria AG, Wien

Günter Ostermann*

Deputy Chairman of TRANSNET
German Railway Workers' Union,
Wunstorf

- a) BHW AG
DEVK Rechtsschutz-Versicherungs-AG
Sparda-Bank Hannover e.G.
(Chairman)

Dr. Manfred Overhaus

State Secretary Ministry of Finance,
St. Augustin

- a) Deutsche Post AG
- b) EXPO 2000 Hannover GmbH
GEBB Gesellschaft für Entwicklung,
Beschaffung und Betrieb mbH

Manfred Probst*

Deputy Chairman of the Works Council
of DB Netz AG,
Bad Überkingen

– until July 5, 2000 –

Albert Schmidt

Member of Parliament (Bundestag),
Ingolstadt

Rolf Schökel*

Chairman of the Works Council
of DB Reise & Touristik AG,
Hannover branch,
Hildesheim

– until July 5, 2000 –

- a) DEVK Deutsche Eisenbahn
Versicherung Lebens-
versicherungsverein a.G.
DEVK Deutsche Eisenbahn
Versicherung Sach- und HUK-
Versicherungsverein a.G.

Dr. Ulrich Schumacher

Chairman of the Management Board
of Infineon Technologies AG,
Starnberg

– since July 5, 2000 –

- b) Infineon Technologies Asia Pacific
Pte. Ltd., Singapore (Chairman
Board of Directors)
Infineon Technologies Austria AG,
Villach (Chairman)
Infineon Technologies Japan K.K.,
Tokyo (Chairman
Board of Directors)
Infineon Technologies North
America Corp., Wilmington,
Delaware, USA (Chairman
Board of Directors)

Dr. Alfred Tacke

State Secretary Ministry of Economics
and Technology,
Celle

- a) Postbank AG

Heinrich Weiss

Chairman of the Management Board
of SMS AG,
Hilchenbach-Dahlbruch

– since July 5, 2000 –

- a) Bertelsmann AG
Commerzbank AG
Ferrostaal AG
Heraeus Holding GmbH
HOCHTIEF AG
J.M. Voith AG
SMS Demag AG (Chairman)
- b) Chen Hsong Holding Ltd.,
Hong Kong
Concast Holding AG, Zürich
(Chairman)
Thyssen-Bornemisza Group,
Monaco

Horst Zimmermann*

Chairman of the Central Works Council
of DB Reise & Touristik AG,
Nürnberg

– since July 5, 2000 –

- a) DB Reise & Touristik AG

* Employee representative on the
Supervisory Board

- a) Membership in Supervisory Boards
required by law
 - b) Membership in comparable Supervisory
Boards of domestic and foreign companies
- Information as of December 31, 2000,
or the date of resignation.

Management Board of Deutsche Bahn AG

Hartmut Mehdorn

CEO and Chairman
of the Management Board,
Berlin

- a) DB Reise&Touristik AG (Chairman)
- DB Regio AG (Chairman)
- DB Cargo AG (Chairman)
- DB Station&Service AG (Chairman)
- DB Netz AG (Chairman)
- Deutsche Bahn
- Immobilien-gesellschaft mbH
- DEVK Deutsche Eisenbahn
- Versicherung Lebens-
- versicherungsverein a.G.
- DEVK Deutsche Eisenbahn
- Versicherung Sach- und HUK-
- Versicherungsverein a.G.
- Lufthansa Technik AG
- SAP AG

Klaus Daubertshäuser¹⁾

Marketing,
Wettenberg

- a) DB Reise&Touristik AG
- DB Regio AG
- DB Cargo AG
- DB Station&Service AG
- DB Netz AG
- DE-Consult Deutsche Eisenbahn
- Consulting GmbH
- S-Bahn Berlin GmbH (Chairman)

Dr. Horst Föhr

Personnel,
Berlin

- a) DB Reise&Touristik AG
- DB Regio AG
- DB Cargo AG
- DB Station&Service AG
- DB Netz AG
- DB Anlagen und Haus Service GmbH
- (Chairman)
- DB Arbeit GmbH (Chairman)
- DB Gastronomie GmbH (Chairman)
- DEVK Deutsche Eisenbahn
- Versicherung Lebens-
- versicherungsverein a.G.
- DEVK Deutsche Eisenbahn
- Versicherung Sach- und HUK-
- Versicherungsverein a.G.
- dvm Deutsche
- Verkehrsdienstleistungs- und
- Management GmbH (Chairman)
- Sparda Bank Berlin e.G. (Chairman)
- b) UBB Usedomer Bäderbahn GmbH
- (Chairman)

Dr. Christoph Franz¹⁾

Passenger Transport,
CEO and Chairman of the Management
Board of DB Reise&Touristik AG,
CEO and Chairman of the Management
Board of DB Regio AG,
Darmstadt

- a) Mitropa AG (Chairman)
- DEVK Deutsche Eisenbahn
- Versicherung Sach- und
- HUK-Versicherungsverein a.G.
- DF Deutsche Forfait AG

Wolfgang Gemeinhardt

Purchasing,
Usingen

– until December 31, 2000 –

- a) DB Netz AG
- DB Energie GmbH (Chairman)
- DB Projekt Verkehrsbau GmbH
- Deutsche Gleis- und Tiefbau GmbH
- b) DBBau Projekt GmbH

Roland Heinisch²⁾

Track Infrastructure/Integrated Systems,
CEO and Chairman of the
Management Board of DB Netz AG,
Idstein

- a) DB Reise&Touristik AG
- DB Regio AG
- DB Cargo AG
- DE-Consult Deutsche Eisenbahn-
- Consulting GmbH (Chairman)
- TLC Transport-, Informatik- und
- Logistik-Consulting GmbH
- b) DBBau Projekt GmbH
- ETC Transport Consultants GmbH
- Gemeinschaftskernkraftwerk Neckar
- GmbH
- Magnetschnellbahn-
- Fahrweggesellschaft mbH (Chairman)
- MVP Versuchs- und
- Planungsgesellschaft mbH

Dr. Bernd Malmström

Freight Transport,
CEO and Chairman of the Management
Board of DB Cargo AG,
Mainz

– since May 1, 2000 –

- a) BLG Bremer Lagerhausgesellschaft
- AG
- b) Deutsche Umschlaggesellschaft
- Schiene-Straße (DUSS) mbH
- (Chairman)
- Hansarail GmbH
- POLZUG GmbH

Peter Münchschwander

Track Infrastructure,
CEO and Chairman of the Management
Board of DB Netz AG,
Bad Homburg

– until August 31, 2000 –

- a) DB Energie GmbH
Deutsche Gleis- und Tiefbau GmbH
DB Projekt Verkehrsbau GmbH
Europäische
Reisegepäckversicherung AG
Iduna Vereinigte
Lebensversicherung a. G. für
Handwerk, Handel und Gewerbe
- b) DB Gleisbau Duisburg GmbH
(Chairman)

Dr. Karl-Friedrich Rausch

Technology,
Weiterstadt

– since January 1, 2001 –

- a) DB Energie GmbH
Lufthansa Service Holding AG

Diethelm Sack

Chief Financial Officer,
Frankfurt/Main

- a) DB Reise&Touristik AG
DB Regio AG
DB Cargo AG
DB Station&Service AG
DB Netz AG
DB Anlagen und Haus Service
GmbH
DB Informatik-Dienste GmbH
(Chairman)
Deutsche VerkehrsBank AG
DEVK Deutsche Eisenbahn
Versicherung Lebens-
versicherungsverein a. G.
dvm Deutsche
Verkehrsdienstleistungs- und
Management GmbH
Mannesmann Arcor
Verwaltungs-AG
TLC Transport-, Informatik-
und Logistik-Consulting GmbH
(Chairman)
- b) DVA Deutsche Verkehrs-
Assekuranz-Vermittlungs-GmbH
(Chairman)
EUROFIMA Europäische
Gesellschaft für die Finanzierung
von Eisenbahnmaterial
(Administrative Board)

Dr. Eberhard Sinnecker

Freight Transport,
CEO and Chairman of the Management
Board of DB Cargo AG,
Darmstadt

– until June 30, 2000 –

- a) Scandlines AG (Chairman)
Scandlines Deutschland GmbH
- b) ABX Logistics GmbH
NDX Intermodal B.V.

Dieter Ullsperger

Passenger Stations/Real Estate,
CEO and Chairman of the Management
Board of DB Station&Service AG,
Much

- a) DB Reise&Touristik AG
DB Regio AG
DB Anlagen und Haus Service
GmbH
DB Gastronomie GmbH
Deutsche Bahn
Immobilien-gesellschaft mbH
(Chairman)
dvm Deutsche
Verkehrsdienstleistungs- und
Management GmbH
Mitropa AG
- b) DBProjekt GmbH Stuttgart 21
Inter Auxilia GmbH (Advisory Board)
Verwertungsgesellschaft
für Eisenbahnmobilien
GmbH & Co. KG

- a) Membership in Supervisory Boards
required by law
- b) Membership in comparable
Supervisory Boards of domestic and
foreign companies

Information as of December 31,
2000/January 1, 2001, or the date
of resignation.

- 1) Mr. Daubertshäuser left the Manage-
ment Board of DB Regio on March 31,
2000, and took a position on DB AG's
Management Board with responsibility
for the newly-formed Marketing Board
Division as of April 1, 2000.
Dr. Franz also took the chair of
DB Regio AG's Management Board
on April 1, 2000
- 2) Mr. Heinisch was responsible for
Technology until August 31, 2000.
He became responsible for Track
Infrastructure/Integrated Systems
and took the chair of DB Netz AG's
Management Board on September 1,
2000.

Report of the Supervisory Board for the Financial Year 2000

Meetings of the Supervisory Board

In the past financial year, the Supervisory Board convened for four regular meetings and one constituent meeting. During its meetings, the Supervisory Board was briefed in detail by the Management Board on the business situation of Deutsche Bahn AG (DB AG) and its Group companies, important transactions, and planned policy. The Supervisory Board was extensively involved in the work of the Management Board and the company's position and development. In particular, it undertook in-depth consultations on business transactions that are subject to Supervisory Board approval according to the law or the Articles of Association.

The Executive Committee of the Supervisory Board maintained regular contact with the Management Board to discuss crucial business policy issues between these meetings. The Executive Committee of the Supervisory Board assembled for four regular meetings and one special meeting. During these meetings, the Executive Committee discussed in detail the major topics pending for the respective meetings of the full Supervisory Board, in addition to making the decisions referred to it on personnel-related issues involving the Management Board.

The Chairman of the Supervisory Board was in constant contact with the Management Board, and particularly with the CEO, and was continually briefed on all important business developments.

Work Focus

During the first six months of the year under review, the Supervisory Board was primarily involved in ongoing developments in the management structure of the DB Group. As a result of these consultations, the Supervisory Board passed a resolution to amend the Rules of Procedure of the Management Board of DB AG at its meeting of December 6, 2000.

During the year 2000, the Supervisory Board once again dealt with the DB Group's major construction projects – particularly the new Cologne-Rhine/Main line, the north-south link of the Berlin hub, and the construction and expansion of the Nuremberg–Ingolstadt–Munich line. The Supervisory Board paid special attention to the cost risks associated with these projects, drawing on the corresponding reports from the auditing firm PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

During its meeting on December 6, 2000, the Supervisory Board was presented with a preview of the year 2000 performance, the current status of budgetary and medium-term planning, and pending capital expenditures and other expense-related projects based on this status. Due to the large number of issues still unsolved after the 2000 situation assessment, the Management Board proposed to

postpone submission of the final budget planning for DB AG for the financial year 2001, the mid-term five-year plan, and the long-term strategic goals of DB AG until the next Supervisory Board meeting in March 2001. The Supervisory Board accepted this proposal and defined terms for the transition period. In its meeting on March 14, 2001, the Supervisory Board approved the 2001 budget plan and acknowledged receipt of the five-year plan and the long-term strategic goals of DB AG, which were brought to its attention.

Financial Statements

The annual accounts prepared by the Management Board and the Management Report of DB AG were audited, together with the corresponding Group documents, and were issued an unqualified audit certificate by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the auditors selected by the Annual General Meeting. The auditors' report was discussed at length during the meeting on May 16, 2001, in the presence of the auditors, who attested the audit reports. The auditors presented the primary results of the audit and made themselves available for questions. The Supervisory Board accepted the results of the audit.

The Supervisory Board examined the annual accounts, the Management Report of DB AG, the consolidated financial statements, the Group Management Report for the financial year 2000, and the proposal for appropriation of retained earnings and raised no objections. The annual financial statements of DB AG for the financial year 2000 have been approved. They have thus been adopted.

The auditors also inspected the report prepared by the Management Board on relations with associated companies and issued it an unqualified audit certificate. The Supervisory Board also examined this report and raised no objections to the Management Board's declaration at the end of this report nor to the result of the audit by PwC.

Furthermore, as part of their audit of the financial statements, the auditors also examined the company's risk management system, as required pursuant to the German Act on Corporate Control and Transparency (corporate governance reform, KonTraG).

Changes in the Composition of the Supervisory Board and the Management Board

The term of office of the Supervisory Board members ended upon the conclusion of the Annual General Meeting on July 5, 2000.

At the Annual General Meeting on July 5, 2000, Dr.-Ing. Dieter H. Vogel, Niels Lund Chrestensen, Dr. (hon.) Friedel Neuber, and Mr. Albert Schmidt were reelected as shareholder representatives to the Supervisory Board. Dr.-Ing. (hon.) Dipl.-Ing. Hermann Franz, Dr. rer. nat. Hermann Krämer, and Dr. (hon.) Helmut Maucher left the Supervisory Board at that time. Dr. Michael Frenzel, Dr. Ulrich Schumacher, and Mr. Heinrich Weiss were welcomed as new members of the Super-

visory Board. In his letter of June 8, 2000, the Federal Minister of Transport, Building and Housing reappointed Ms. Elke Ferner (State Secretary), Dr. Manfred Overhaus (State Secretary), and Dr. Alfred Tacke (State Secretary) to the Supervisory Board in accordance with Section 9 (2) of the Articles of Incorporation. Mr. Ralf Nagel (State Secretary) was appointed to the Supervisory Board effective February 5, 2001, as successor to Ms. Ferner (State Secretary – ret.).

The employee representatives were elected at the delegates' meeting in Berlin on June 29, 2000. Mr. Horst Fischer, Mr. Norbert Hansen, Mr. Horst Hartkorn, Mr. Günter Kirchheim, Mr. Lothar Krauß, and Mr. Günther Ostermann were re-elected to office. Ms. Marlies Helling, Mr. Christian Bormann, Mr. Manfred Probst, and Mr. Rolf Schökel left the Supervisory Board at the end of the Annual General Meeting and were succeeded by Ms. Heike Moll, Mr. Peter Debuschewitz, Mr. Jörg Hensel, and Mr. Horst Zimmermann.

The Supervisory Board thanked the former representatives for their committed work.

In its constituent meeting of July 5, 2000, the Supervisory Board confirmed Dr. Vogel as its Chairman, Mr. Hansen as its Deputy Chairman, and reelected Ms. Ferner (State Secretary – ret.), Dr. Vogel, Mr. Hansen, and Mr. Kirchheim to the Executive Committee of the Supervisory Board. The committee pursuant to Article 27 (3) of the German Codetermination Act was formed with the same composition.

Dr. Vogel resigned from his offices as Chairman and member of the Supervisory Board by his letter of March 7, 2001. Over the past two years, Dr. Vogel led the Supervisory Board with expertise and great circumspection. The Supervisory Board thanked Dr. Vogel in the name of the entire Group for his outstanding contributions to and solidarity with the DB Group.

At the Supervisory Board meeting on March 14, 2001, Dr. Frenzel was elected Chairman of the Supervisory Board and member of its Executive Committee. At the same meeting, Mr. Ralf Nagel (State Secretary) was appointed to the Executive Committee and the committee pursuant to Article 7, Paragraph 3, Codetermination Act, as successor to Ms. Ferner (State Secretary – ret.).

As a consequence of the reorganization of management structures in the DB Group, Dr. Christoph Franz was appointed head of the newly created "Passenger Transport" Board Division as of April 1, 2000. Dr. Franz is now responsible both for long-distance and local passenger transport. Also, Mr. Klaus Daubertshäuser assumed responsibility for the newly created "Marketing" Board Division as of that date.

The appointment of Dr. Eberhard Sinnecker, Management Board member in charge of the "Freight Transport" Board Division, ended on June 30, 2000. Dr. Bernd Malmström was appointed his successor effective July 1, 2000.

Mr. Peter Münchschwander resigned his office as the member of the DB AG Management Board responsible for "Track Infrastructure," in agreement with the

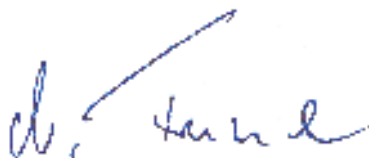
Supervisory Board, as of August 31, 2000. Mr. Roland Heinisch assumed responsibility for the "Track Infrastructure/Integrated Systems" Board Division effective September 1, 2000. Mr. Heinisch had been responsible for the "Technology" Board Division up to that point. Dr. Karl-Friedrich Rausch was appointed his successor to the "Technology" Board Division effective January 1, 2001.

Mr. Wolfgang Gemeinhardt, Management Board member responsible for the "Purchasing" Board Division, left the Board upon the conclusion of his contract on December 31, 2000. As a result of the restructuring of the management structure, this function was not filled by a Management Board member. Instead, it was vested with general power of representation and assigned to the CEO's area of responsibility.

The Supervisory Board would once again like to thank the retired members of the Management Board, who led the DB Group through difficult times and laid the foundation for the company's turnaround.

The Supervisory Board also thanks the Management Board, all employees, and employee representatives of DB AG and its associated companies for their dedication during the financial year 2000.

Berlin, May 2001
For the Supervisory Board



Dr. Michael Frenzel
Chairman

**Financial information can be requested
from Investor Relations:**

Phone: +49 (0)30.297-6 1678

Fax: +49 (0)30.297-6 1961

E-Mail: investor.relations@bku.db.de

**Corporate publications can be requested
from Corporate Communications:**

Fax: +49 (0)30.297-62086

E-Mail: medienbetreuung@bku.db.de

**The complete Annual Report and
additional information are available
on the Internet:**

<http://www.bahn.de>

Deutsche Bahn AG
Potsdamer Platz 2
D-10785 Berlin
Germany

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Deutsche Bahn AG

Potsdamer Platz 2
D-10785 Berlin
Germany

<http://www.bahn.de>