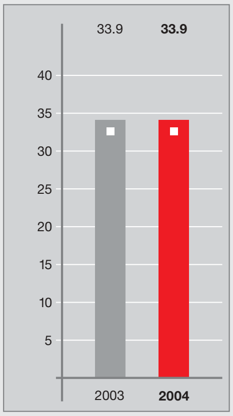
Die Bahn DB

Interim Report
January – June 2004

- Positive transport performance development in a continuing difficult market environment
- Revenues, at € 11,719 million, up by 4.1% on a comparable basis
- Gross capital expenditures, at € 2,922 million, remain at a high level
- Operating income after interest improved by € 81 million to € – 62 million
- Outlook for the financial year 2004: Return to positive operating income after interest

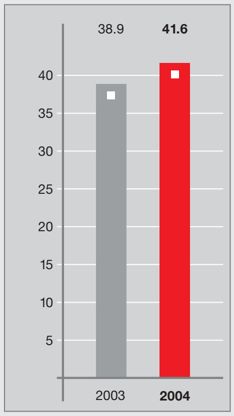
Development January – June 2004

Total rail passenger transport performance
in billion pkm



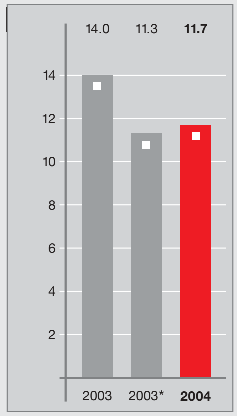
2003 to 2004: **+ 0.1 %**

Total rail freight transport performance
in billion tkm



2003 to 2004: **+ 7.0 %**

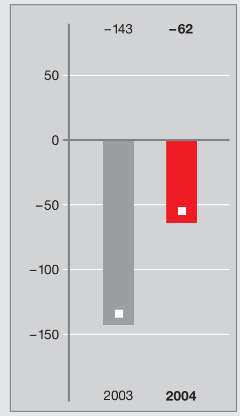
Revenues
in € billion



2003 to 2004: **– 16.3 %**

* comparable: **+ 4.1 %**

Operating income after interest
in € million



2003 to 2004:
€ + 81 million

Key figures in € million		**2004 Jan – Jun**	**2003 Jan – Jun**	**Change in %**
Revenues		11,719	13,995	– 16.3
Revenues – comparable [1]		11,719	11,262	+ 4.1
Income before taxes		– 62	– 148	+ 58.1
EBITDA		1,462	1,397	+ 4.7
EBIT		277	176	+ 57.4
Operating income after interest		– 62	– 143	+ 56.6
Total assets as of Jun 30 / Dec 31		46,742	47,647 [3]	– 1.9
Capital employed		30,936	30,832	+ 0.3
Return on capital employed	in %	1.8	1.1	–
Cash flow before taxes		1,158	1,101	+ 5.2
Gross capital expenditures		2,922	3,170	– 7.8
Net capital expenditures [2]		1,924	1,967	– 2.2
Employees as of Jun 30 / Dec 31		229,733	242,759 [3]	– 5.4

Performance figures – Rail transport		**2004 Jan – Jun**	**2003 Jan – Jun**	**Change in %**
Passenger Transport				
Passengers	million	854.6	832.3	+ 2.7
Passenger kilometers	million pkm [4]	33,908	33,880	+ 0.1
Train kilometers	million train-path km [5]	355.8	361.0	– 1.4
Transport and Logistics				
Freight carried	million t	140.8	138.9	+ 1.4
Transport performance	million tkm [6]	41,629	38,920	+ 7.0
Mean transport distance	km	296	280	+ 5.7
Train kilometers	million train-path km [5]	102.7	101.5	+ 1.2
Track Infrastructure				
Train kilometers	million train-path km [5]	496.7	489.0	+ 1.6

[1] First six months of 2003: adjusted for Brenntag / Interfer, Bayerische Oberlandbahn GmbH, Regionalbus Braunschweig GmbH
[2] Gross capital expenditures less investment grants from third parties
[3] as of Dec 31, 2003
[4] Passenger kilometers: product of number of passengers and mean travel distance
[5] Train-path kilometers: driving performance in km of trains on rail
[6] Ton kilometers: product of freight carried and mean transport distance

Chairman’s Letter

Dear Ladies and Gentlemen,

Hartmut Mehdorn
CEO and Chairman
of the Management Board
Deutsche Bahn AG

With the developments in the first six months of the year, we have continued along our track of returning to positive operating income after interest. In the core business, we were able to increase both transport performance and revenues, as well as improve our operating income. As planned, we focused our business portfolio by divesting Brenntag and Interfer on schedule, both business areas that we had acquired in 2002 in connection with the Stinnes acquisition.

As we had already expected early on, in the financial year 2004 we will also only be able to depend on positive market developments to a limited extent. Our international activities in the Schenker business unit have benefited from improved key economic data and have achieved corresponding growth rates. In contrast, however, market conditions in the domestic passenger and freight transport market have remained difficult. We were able to achieve increases in transport performance above the relevant market average in this respect. However, because considerable competitive intensity also translated into narrow margins, revenue performance was not able to keep pace.

Thus, further improvements in income are to be expected in the current financial year, especially as a result of the continued optimization of our processes and cost structures. We increased our efforts in this respect in midyear. At the same time, we continued the modernization process with extensive capital expenditures, especially in infrastructure and the vehicle fleet.

With the advances of the first six months, we believe that we are moving in the right direction. We are aware of the importance of the many small steps that we must complete systematically. During the second half of the year, we will continue to focus on convincing our customers with high service quality and on continuously and lastingly improving our key economic figures.

Hartmut Mehdorn
CEO and Chairman of the Management Board
Deutsche Bahn AG

Development of the Deutsche Bahn Group

Economic environment

The now-established upswing in the global economy has two centers, in North America and East Asia. However, development during the second half of the year is likely to weaken somewhat. The prices of raw materials, especially continued developments in petroleum prices, represent a general risk factor. After having come out of stagnation during the second half of the year 2003, the economy in the Euro zone continued in this direction in early 2004. The EU's newest members continue to enjoy a favorable outlook. In contrast, a consistent upswing in the economy in our core market, Germany, remained elusive despite a slight increase in the gross domestic product (GDP) in early 2004. Due to declines in real personal income and a continued lack of movement in the job market, positive market impulses, especially in the passenger transport market, are lacking. There has also been only a slight stabilization in market conditions for freight transport.

Business performance

In addition to the market conditions described above, business performance during the first six months of the year was characterized by our efforts to improve "Service and Quality", as well as by additional increases in efficiency. Changes in our business portfolio, as compared to the previous year, include, in particular, the following non-core activities that are no longer part of our portfolio: Brenntag/Interfer (sale as of January 1, 2004), Bayerische Oberlandbahn GmbH (BOB) (sale end of 2003), as well as Regionalbus Braunschweig GmbH (RBB) (no longer fully consolidated, following its inclusion in a joint venture). This especially affected Group revenues and the corresponding expense items. As a net result the divested activities no longer provide positive contributions to income in financial year 2004. The sale of Brenntag/Interfer itself did not affect income in the first six months of 2004.

As a result Group revenues at € 11,719 million were 16.3 % below the figure for the same period last year. On a comparable basis, a 4.1 % increase in revenues was achieved. This is especially attributable to positive development in the Group Transport and Logistics division as well as to growth in the Group Passenger Stations, Track Infrastructure, and Services divisions. With changes in inventories and internally produced capitalized assets at levels similar to those of last year, overall performance declined by 15.6 % to € 12,622 million. In contrast, other operating income amounted to € 776 million, which was € 219 million below last year's figure.

The change in revenues is supported by positive developments in key performance data. Despite an estimated 2 % decline in the German passenger transport market (according to preliminary figures), we were able to continue to expand our market share with a slight (+ 0.1 %) increase in rail passenger transport performance to 33.9 billion passenger kilometers (pkm). The increase in our rail freight transport performance by 7.0 % to 41.6 billion ton kilometers (tkm) was also above the forecasted total market development. Stinnes was also able to expand market positions in the Schenker business unit. This applies to both European overland transport and to the areas of air and sea transport. In air and sea transport, Schenker was able to successfully participate in what were in some cases double-digit market growth rates.

However, the positive development in performance data compared to the same period last year is offset by declines in specific revenues in long-distance rail passenger transport (higher discounts due to modification of the price system in August 2003) as well as in rail freight transport (competition-induced margin pressure). Accordingly, a major point of emphasis was on improving our cost structures. We also achieved further advances in this respect in the first half of 2004. Furthermore, in light of the continuing difficult market environment, we decided to intensify our investment and expenditure prioritization, so as to secure the income objective for the financial year 2004.

Primarily as a result of the Brenntag/Interfer sale, the cost of materials in the first six months of the year, at € 5,720 million, was 25 % below the comparable figure for last year. Other operating expenses were reduced by € 408 million to € 1,490 million, due to the sale as well as cost reductions. Personnel expenses were reduced by € 304 million to € 4,733 million, due to the aforementioned divestitures and continued streamlining measures and despite a slight increase in specific personnel costs. In terms of the development of depreciation, increases resulting from a continuing high rate of capital expenditures were overcompensated for by the aforementioned changes in the business portfolio as well as the loss of special factors included in the comparable period last year (€ 1,185 million; first six months of 2003: € 1,221 million).

As a result of a portion of our capital expenditure program being financed by drawing on the capital markets, net interest was slightly down by € 23 million to € – 342 million. Income from investments remained low (€ 10 million; first six months of 2003: € 4 million).

On the whole, there was a significant improvement in income before taxes by € 86 million to € – 62 million (first six months of 2003: € – 148 million).

Cash flow before taxes improved by 5.2 % to € 1,158 million.

The adjusted change in operating income is reflected in EBITDA, EBIT and operating income after interest. In light of only minor special factors, changes in these figures essentially corresponded to the figures reported in accordance with the German Commercial Code. EBITDA (operating income before interest, taxes, depreciation and amortization) increased by € 65 million, EBIT (operating income before interest and taxes) by € 101 million, and operating income after interest by € 81 million.

Reconciliation of operating income after interest[1]), EBIT, and EBITDA from the statutory accounts in € million	Jan – Jun 2004	Jan – Jun 2003
Income before taxes	– 62	– 148
Exclusion of investment income	– 10	– 4
Adjustment for special effects unrelated to operating activities	10	9
Operating income after interest	**– 62**	**– 143**
Exclusion of net interest	339[2)]	319
EBIT	**277**	**176**
Depreciation	1,185	1,221
EBITDA	**1,462**	**1,397**

1) Any variances between business management data and reporting in accordance with the German Commercial Code in the consolidated income statement result from adjustments performed to facilitate the comparability of trends in operating business.
2) Value adjusted, as compared to the consolidated statement of income IAW the German Commercial Code

The lower increases in EBITDA and cash flow before taxes as compared to those in EBIT and operating income after interest reflect slight decreases in depreciation.

The Return on Capital Employed (ROCE = EBIT/Capital Employed), with capital employed amounting to € 30,936 million (as of June 30, 2003: € 30,832 million) improved to 1.8 % (first six months of 2003: 1.1 %).

Balance sheet structure

Total assets declined slightly compared to the amount as of December 31, 2003 by 1.9 % to € 46.7 billion, due to overcompensation of the effects of our capital expenditure programs by the Brenntag/Interfer divestiture. On the assets side, the proportion attributable to fixed assets increased once again. The structure of the equity and liabilities side remained largely unchanged since the end of 2003. Due to redemption, there was a slight decline in the balances of interest-free loans to € 7.2 billion. Interest-bearing liabilities increased by 3.3 % to € 13.2 billion.

Capital expenditures and financing

Gross capital expenditures in intangible assets and properties, at € 2,922 million, were less than in the same period last year (€ 3,170 million) but remained high. Taking into account the € 205 million reduction in third-party investment grants, net capital expenditures amounted to € 1,924 million (first six months of 2003: € 1,967 million).

To cover financing requirements, in addition to cash flow, we also drew on the capital markets. During the first six months of the year, this was done through our subsidiary, Deutsche Bahn Finance B.V., Amsterdam, Netherlands, in three transactions for the equivalent of € 273 million. With its seven-year maturity, the first USD bond (USD 250 million, the equivalent of € 209 million) issued since 2002 was intended primarily for private investors. Asian investor groups acquired in recent years were specifically targeted with two ten-year private placements in the amount of 5 billion Yen (€ 37 million) and 250 million HKD (€ 27 million).

In light of the favorable market situation, the additional decision was made in July to once again increase the total value of the bond in the amount of € 1 billion issued in 2003 (4.75 %, 2003/2018) by an additional € 300 million.

Rating

The rating agencies, Moody's and Standard & Poor's, conducted their annual rating reviews in May. Both rating agencies subsequently confirmed their previous positive credit ratings of Deutsche Bahn.

Rating of Deutsche Bahn AG	Long-term rating	Short-term rating
Rating agency		
Moody's	Aa1 Outlook "Stable"	P-1
Standard & Poor's	AA Outlook "Stable"	A-1+

Employees

As a result of further streamlining measures as well as the significant impact of the Brenntag/Interfer, BOB, and RBB divestitures, the number of employees has declined since the end of 2003 by 13,026 to 229,733 employees. Compared to June 30, 2003, with 249,912 employees, this corresponds to a decrease in headcount by 20,179, with the adjusted decrease amounting to 9,360 employees (– 3.9 %).

Significant events in the first six months of 2004

- At the time of the Stinnes acquisition, we had already announced our intention to divest ourselves of activities that do not constitute core business activities from the perspective of the DB Group. In a comprehensive transaction, the sale of the Brenntag and Interfer Stahl activities to a financial investor (Bain Capital), approved by the Supervisory Board of DB AG in December 2003, was completed in the first quarter of 2004. The value of the sale on which the transaction was based was approximately € 1.4 billion.
- The third Report from the Competition Officer, published in March 2004, once again confirmed that access to the DB Netz AG rail network is non-discriminatory. The independent study "Rail Liberalisation Index 2004" also confirmed that Germany occupies a leading position internationally in terms of the implementation of deregulation.

Outlook and significant events after June 30, 2004

- There were no additional significant events between the end of the first half of the year and the editorial deadline for this report.
- In the second half of the year, in addition to continuing our modernization efforts, the focus of corporate efforts is primarily on improving quality of services. Our chief economic goal en route to become ready for a future IPO is a return to positive operating income after interest in the financial year 2004. In light of expectations concerning market, competitive, and underlying conditions, we will continue to emphasize the effects of internal measures during the second half of the year.

Outlook financial year 2004	Financial year 2004	2003 in € million
Revenues	↓ Decline due to divestiture of non-core operations; core business growth	28,228
EBITDA, EBIT, and ROCE	↗ Further improvements	
Operating income after interest	↗ Positive operating income after interest	– 172
Gross capital expenditures	↘ Decline	9,121

Statements relating to the future
This Interim Report contains forward-looking statements based on beliefs of the 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, its 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 from those projected here.

The company does not assume any obligation to update the statements contained herein.

Group Passenger Transport Division

- Transport performance at previous year's level signifies gains in market share
- Return to positive operating income after interest
- Vehicle fleet modernization continues

in € million		Jan – Jun 2004	Jan – Jun 2003	Change in %
Transport performance	million pkm	33,908	33,880	+ 0.1
External revenues		5,460	5,495	– 0.6
Intra-Group revenues		235	262	– 10.3
Divisional revenues		5,695	5,757	– 1.1
Operating income after interest		73	– 92	–
Operating cash flow		482	309	+ 56.0
Gross capital expenditures		551	536	+ 2.8
Employees as of Jun 30/Dec 31		65,677	68,180[1]	– 3.7

[1] as of Dec 31, 2003

Transport performance in rail passenger transport was slightly above the level of the comparable period in the previous year. In light of continuing declines in the general market (–2 %, according to preliminary data), this indicates a slight improvement in our market share. A slight decline in transport performance in the Regio business unit was offset by a slight increase in the Urban Transport business unit and by improvements in the performance of the Long-Distance Transport business unit. Transport performance in bus transport, at 5.2 billion pkm – adjusted for the omission of RBB from the scope of consolidation –, remained close to the previous year's level. Although there was a slight decline in revenues, we were able to reduce the loss in the Long-Distance Transport business unit and improve income in the Regio business unit through additional streamlining measures and adjustment of cost structures. As a result, the Group division as a whole returned to profitability, with an operating income after interest of € 73 million.

At € 551 million, gross capital expenditures – mainly for vehicle purchases – slightly exceeded the figure for the same period last year.

The more differentiated structure of the Group division (business units Long-Distance Transport, Regio, and Urban Transport) was taken into account in the following discussion of performance by business units. The figures for the previous year were adjusted accordingly.

Long-Distance Passenger Transport Business Unit

In long-distance passenger transport, rail transport performance compared to the same period last year was up 0.8 % to 15.4 billion pkm. The slight increase in demand, despite poor underlying economic conditions and a high degree of inter-modal competition, is due in part to improved quality of service (especially on-time performance). Growing use of high-speed transport on the Cologne–Rhine/Main rail link is another factor. With the support of additional, discounted summer specials, we expect this positive trend in transport performance to continue into the second half of the year.

The development of revenues (+0.3 % to € 1,395 million), operating income after interest (€ –214 million; first six months of 2003: € –263 million), and operating cash flow (€ – 68 million; first six months of 2003: € –106 million) indicated positive tendencies, which we plan to intensify in the second half of the year.

Regio Business Unit

Rail transport performance, at 16.3 billion pkm (–0.6 %), was slightly below the figure for the comparable period in the previous year. Performance was adversely affected by the continuing weak economic environment, especially the lack of movement in the employment market. External revenues declined as a result of retention of orderer fees, route changes, and a decrease in ticket revenues by a slight 0.3 % to € 3,180 million. In addition to further improving cost structures and service quality, we continue to focus on defending our excellent market position with imminent tenders and by signing long-term ordered-service contracts. By improving our cost structures, we were able to increase operating income after interest by € 113 million to € 243 million. Operating cash flow increased significantly by 39.3 % to € 418 million.

Since the beginning of the year, we have been able to sign transport agreements in the states of North-Rhine Westphalia and Saarland, and were also awarded the following contracts: Schwarzwaldbahn, Altmark–Börde–Anhalt, Flensburg-Express and Sachsen Anhalt-Süd (Burgenland railroad).

Urban Transport Business Unit

In the Urban Transport business unit (S-Bahn [metro] systems in Berlin and Hamburg, as well as regionally operating bus companies), the transport performance of the S-Bahn (metro) systems, at 2.3 billion pkm, was just above last year's level, while the transport performance of the bus companies was slightly below the figure for the same period last year. The 3.2 % decline in external revenues, to € 842 million, was mainly the result of the development of orderer fees at S-Bahn Berlin GmbH. This, in spite of favorable income development among the bus companies, resulted in a slight overall decline in operating income after interest to € 39 million. Operating cash flow, at € 114 million, was at the same level as for the same period last year. The decline in gross capital expenditures is based in part on vehicle capital expenditures brought forward to the second half of 2003.

The transport agreement between S-Bahn Berlin GmbH and the State of Berlin has been initialed and, once it has been signed in the second half of the year, is to apply retroactively to January 1, 2003.

Group Transport and Logistics Division

- Significant increase in traffic and transport performance
- Significant increase in revenues by 7.0 % to € 5.7 billion
- Income development burdened by the Railion business unit

in € million		Jan – Jun 2004	Jan – Jun 2003	Change in %
Transport performance	million tkm	41,629	38,920	+ 7.0
External revenues		5,678	5,306	+ 7.0
Intra-Group revenues		356	275	+ 29.5
Divisional revenues		6,034	5,581	+ 8.1
Operating income after interest		66	143	– 53.8
Operating cash flow		239	302	– 20.9
Gross capital expenditures		253	180	+ 40.6
Employees as of Jun 30 / Dec 31		62,165	60,973[1]	+ 2.0

[1] as of Dec 31, 2003

Development in the business units within the Group Transport and Logistics division compares favorably against underlying market developments. However, sharp competition in the German freight transport market, combined with a continuing weak economic environment, led to significantly lower profit margins in the Railion business unit. In this respect, external revenues in this Group division, which showed an increase of 7.0 % to € 5,678 million, do not fully reflect noticeably more positive developments in the Schenker business unit. Partly for the same reasons, the development of operating income after interest, at € 66 million, also fell short of the figure achieved in the same period last year. In light of the continuing modernization program – with a focus on the Railion business unit – gross capital expenditures increased by 40.6 % to € 253 million.

In connection with the successful launch of the new Group Transport and Logistics division in the second half of 2003, some individual subsidiaries were newly or differently assigned to the individual business units. The previous year's figures were adjusted accordingly.

Railion Business Unit

A 7.0 % increase in transport performance to 41.6 billion tkm was achieved. Railion Deutschland contributed 38.6 billion tkm (+ 7.1 %), Railion Nederland 2.1 billion tkm (+ 7.9 %), and Railion Danmark 1.0 billion tkm (+ 0.2 %).

Following a strong first quarter for Railion Deutschland, there was a slight decline in growth during the second quarter. Growth was driven primarily by the iron/steel and iron ore transport areas, as well as the construction materials, vehicles, chemicals, and forestry products areas. In contrast, there were declines in the transport of agricultural products as well as hard coal and coke. Again a significant positive contribution came from the combined rail/road transport. Thus, in comparison to other modes of transport, performance in rail freight transport was above average during the first half of 2004.

However, considerable price pressure, especially in conventional shipping transport, led to a decline in revenues. Because Railion Nederland and Railion Danmark also faced declines in revenue, overall external revenues for the business unit decreased by 2.4 % to € 1,454 million. Despite further streamlining of production processes, these revenue effects and the burdens of higher energy costs could not be fully offset. The operating income after interest decreased by € 77 million over the figure from the previous year, which was influenced by positive special factors, to € –19 million. Operating cash flow declined by € 63 million to € 81 million. To counteract this effect, additional streamlining measures were introduced.

Gross capital expenditures, at € 215 million, exceeded the value for the previous year. The focus in the current financial year remains on the purchase of new locomotives and freight cars/load units.

Schenker Business Unit

This business unit continued to experience successful performance in the first six months of the year, benefiting from market developments and from its own strong competitive position.

In Western Europe, European land transport is experiencing a moderate economic upswing, and Schenker was able to participate in this development by increasing its transport volume, especially in terms of domestic transport in Germany and France. Although this resulted in volume growth in cross-border transport, the transport market continues to be characterized by excess capacity, leading to pressure on freight rates. The implementation of price increases remains problematic, especially with major customers. Eastern European countries' entry into the EU has resulted in customers expecting increasingly short delivery times and higher service frequencies, due to the elimination of customs processing. Schenker enjoys a strong competitive position in this respect, due to its effective networks in Eastern Europe.

Air transport continued to be characterized by a considerable imbalance in the flow of goods. Asian exports to Europe and North America are experiencing strong growth rates. In some cases, these imbalances have led to capacity bottlenecks, and freight rate levels have remained correspondingly high. Lower volume in the opposite direction, that is, to Asia, has led to excess capacity in available freight space and significantly lower rate levels. A similar imbalance also applied to the transatlantic link, where westbound traffic from Europe remained relatively strong, despite the high Euro exchange rate. Despite slight increases, volume on eastbound links from North America to Europe remained low. A slight increase has been noted in traffic between North and South America, especially southbound to South America.

On the whole, rate surcharges in air transport have continued to increase, due to high energy prices and security requirements (fuel/security surcharges). In this environment, Schenker achieved 15 % average growth in volume as compared to the same period last year, with the bulk of this increase attributable to links from Asia to Europe and from Europe to North America.

Exports from Asia as well as inner-Asian traffic remained the growth engine of the global sea freight market. In key links, Schenker was able to participate in this development to an above-average extent, showing double-digit growth in transport volume over the same period last year. Ship capacity remained fully utilized on links from Asia to Europe and North America, allowing the shipping companies to implement rate increases. In contrast, freight rates on links from Europe to Asia declined again after a March 1 increase. On the transpacific westbound link (from North America to Asia), increased demand for materials in the Asian export industry lead to an increase in capacity utilization and, consequently, rate levels. In terms of transatlantic traffic, the weak USD exchange rate resulted in growth in the flow of goods, especially from North America to Europe, whereas volume from Europe to North America tended to range between stable and declining. South American traffic was also characterized by considerable imbalance. Whereas traffic from Europe or North America to South America continued to be extremely weak, capacities in the opposite direction remained fully utilized, resulting in substantial differences in rate levels.

On the whole, sea freight transport volume at Schenker experienced clear double-digit growth in the first half of 2004 in comparison to same period last year. As expected, growth has been focused on Asia, although significant increases were also noted for Europe and America.

This positive development is reflected in a 10.6 % increase in external revenues to € 3,947 million. All product areas, including fair business, contributed to this development with roughly equal rates of growth. Operating income after interest improved by € 16 million to € 93 million. There was also an increase in operating cash flow, by € 16 million to € 162 million.

Freight Logistics Business Unit (Participations)

The Freight Logistics business unit also developed in a positive direction, with revenues increasing by 8.2 % to € 250 million. As a result of the burdens on income imposed by two subsidiaries (due to the costs of integrating a terminal, in one case, and order delays on the part of customers, in the other), there was a slight decline in operating income after interest, by € 3 million to € 5 million.

Intermodal Business Unit (Participations)

The increase in external revenues, by € 10 million to € 27 million, is mainly attributable to a change in the status of a subsidiary, which was still operating as an agent for Railion Deutschland in first quarter 2003 and only began operating for its own account later on. Once again, the operating income after interest was slightly positive.

Group Passenger Stations Division

- Positive revenue performance in the traffic station and rentals business units
- Operating income after interest improved considerably
- Modernization program continued with substantial capital expenditures

in € million		Jan–Jun 2004	Jan–Jun 2003	Change in %
Station stops	million	69.5	67.7	+ 2.7
Thereof external customers		(5.5)	(4.4)	+ 23.8
External revenues		134	123	+ 8.9
Intra-Group revenues		304	291	+ 4.5
Divisional revenues		438	414	+ 5.8
Operating income after interest		30	2	–
Operating cash flow		84	50	+ 68.0
Gross capital expenditures		241	222	+ 8.6
Employees as of Jun 30/Dec 31		5,076	5,074[1]	0.0

[1] as of Dec 31, 2003

In the first six months of 2004, the Group Passenger Stations division increased its divisional revenues compared to the comparable period last year by 5.8 % to € 438 million. This increase is due in particular to the performance of external revenues (+ 8.9 % to € 134 million). On the whole, the effects of increased income in the traffic station business unit with non-Group railroads and in rentals were positive. However, performance in the rentals business unit continued to be affected by the weak economic environment. The number of station stops by non-Group railroads increased significantly by 23.8 % to 5.5 million stops.

In combination with ongoing cost management, the additional sources of revenue have led to a welcome improvement in operating income after interest to € 30 million (first six months of 2003: € 2 million). As a result of earnings performance and slightly higher depreciation, the operating cash flow also improved by € 34 million to € 84 million.

Gross capital expenditures, at € 241 million, were € 19 million higher than in the comparable period last year. Key projects in this regard were the North-South link in Berlin, the Cologne/Bonn airport link, and the Erfurt hub.

In June, the Cologne/Bonn airport became Germany's ninth airport to be connected to the German rail network. The new, four-track station is located directly underneath the airport's Terminal 2. Also in June, we were able to sign a master agreement with the State of Saarland for the modernization of 24 passenger stations and stops.

Group Track Infrastructure Division

- Steadily increasing revenues with non-Group railroads
- Modernization program continued at high level
- Operating income after interest increased significantly

in € million		Jan – Jun 2004	Jan – Jun 2003	Change in %
Train kilometers	million train-path km	496.7	489.0	+ 1.6
Thereof external customers		(42.8)	(33.1)	+ 29.4
External revenues		158	129	+ 22.5
Intra-Group revenues		1,807	1,702	+ 6.2
Divisional revenues		1,965	1,831	+ 7.3
Operating income after interest		– 2	– 170	+ 98.8
Operating cash flow		428	240	+ 78.3
Gross capital expenditures		1,715	2,098	– 18.3
Employees as of Jun 30/Dec 31		44,991	44,080[1]	+ 2.1

[1] as of Dec 31, 2003

Although intra-Group customers dominate the Group Track Infrastructure division on the revenue side, non-Group customers have non-discriminatory access and have been increasing their share for years. Based on more intensive track utilization compared to the same period last year, external revenues with non-Group customers were, in this way, increased by € 29 million to € 158 million. Revenues with intra-Group customers increased again following a decline in the same period last year (+ 6.2 % to € 1,807 million). Divisional revenues increased by 7.3 % to € 1,965 million, while the total number of train kilometers (train-path km) increased by 1.6 % to 496.7 million train-path km.

Due in part to positive revenue performance and seasonal declines in cost of materials, operating income after interest was up € 168 million to € –2 million. Operating cash flow, at € 428 million, was also significantly higher than last year's figure (first six months of 2003: € 240 million).

In March, the federal government established its budget guidelines for investments in the rail infrastructure. According to these guidelines, fewer funds will be available for rail infrastructure in 2004 and through 2008 than in the past. In a coordinated effort involving both the federal and state governments, the issuance of these guidelines was followed by the establishment of priorities for current and planned projects. In connection with cuts in the federal budget for rail infrastructure projects and the resulting strict prioritization of capital expenditures, gross capital expenditures declined by 18.3 % to € 1,715 million.

Group Services Division

- Consolidation of directly managed business units
- Revenues with non-Group customers expanded further
- Operating income after interest positive again

in € million	Jan – Jun 2004	Jan – Jun 2003	Change in %
External revenues	128	97	+ 32.0
Intra-Group revenues	1,526	1,658	– 8.0
Divisional revenues	1,654	1,755	– 5.8
Operating income after interest	10	– 4	–
Operating cash flow	136	126	+ 7.9
Gross capital expenditures	161	130	+ 23.8
Employees as of Jun 30 / Dec 31	32,531	33,463[1]	– 2.8

[1] as of Dec 31, 2003

The Group Services division includes the current business units for energy (DB Energie), fleet management (DB Fuhrpark), IT (DB Services, DB Systems), and telematics (DB Telematik), as well as heavy vehicle maintenance, which was spun off as of January 1, 2004 as DB Fahrzeuginstandhaltung GmbH. Since the beginning of the year, the project construction (DB ProjektBau) business unit is no longer part of the Group Services division, and is now managed directly. The figures for the previous year were adjusted accordingly for the purpose of comparing key figures.

In the first six months of 2004, the Group Services division earned divisional revenues of € 1,654 million (first six months of 2003: € 1,755 million; – 5.8 %). The external revenues, generated mainly by DB Energie GmbH, the DB Services group, as well as the DB Fuhrpark group and DB Telematik GmbH, were up 32.0 % to € 128 million. DB Energie, in particular, was able to significantly increase its external revenues, partly by optimizing its long-term power portfolio and growing its energy services and traction power business.

Due to the primarily supporting nature of its activities, the Group Services division is dominated by intra-Group customers. Intra-Group revenues with these customers decreased by 8.0 % to € 1,526 million, due to Group-wide streamlining measures.

The operating income after interest increased (€ 10 million, first six months of 2003: € – 4 million). This increase is due mainly to the performance of DB Energie GmbH and DB Telematik GmbH. Operating cash flow increased by 7.9 % to € 136 million. Gross capital expenditures increased significantly by 23.8 % to € 161 million. The DB Fuhrpark group is responsible for the bulk of capital expenditures, due to vehicle purchases.

Consolidated Balance Sheet

on June 30, 2004

Assets

in € million	as of Jun 30, 2004	as of Dec 31, 2003
Fixed assets		
Intangible assets	489	531
Properties	39,750	39,562
Financial assets	1,270	1,269
	41,509	**41,362**
Current assets		
Inventories	952	1,399
Accounts receivable and other assets	3,650	4,462
Securities	0	0
Cash and cash equivalents	462	265
	5,064	**6,126**
Prepayments and accrued income	**169**	**159**
	46,742	**47,647**

Equity and Liabilities

in € million	as of Jun 30, 2004	as of Dec 31, 2003
Equity		
Subscribed capital	2,150	2,150
Capital reserves	4,264	4,264
Other equity	– 1,480	– 1,338
	4,934	**5,076**
Special items	**0**	**0**
Provisions	**14,577**	**14,691**
Liabilities		
Interest-free loans	7,164	7,512
Interest-bearing debt	13,157	12,731
Other liabilities	6,081	6,759
	26,402	**27,002**
Accruals and deferred income	**829**	**878**
	46,742	**47,647**

Consolidated Statement of Income

January 1 through June 30, 2004

in € million	Jan–Jun 2004	Jan–Jun 2003
Revenues	11,719	13,995
Inventory changes	– 4	8
Other internally produced and capitalized assets	907	953
Overall performance	**12,622**	**14,956**
Other operating income	776	995
Cost of materials	– 5,720	– 7,628
Personnel expenses	– 4,733	– 5,037
Depreciation	– 1,185	– 1,221
Other operating expenses	– 1,490	– 1,898
	270	**167**
Investment income	10	4
Net interest	– 342	– 319
Income before taxes	**– 62**	**– 148**

Consolidated Statement of Cash Flows

January 1 through June 30, 2004

in € million	Jan – Jun 2004	Jan – Jun 2003
Income before taxes	**– 62**	**– 148**
Depreciation of properties[1]	1,185	1,221
Changes to pension provisions	35	28
Cash flow before taxes	**1,158**	**1,101**
Depreciation / write-back on financial assets	– 8	0
Changes to other provisions	– 108	– 229
Changes in special items	0	0
Gains / losses from disposal of properties[1] and financial assets	14	37
Changes to current assets (excl. cash and cash equivalents)	1,249	– 372
Changes to other operating liabilities (excl. financial debt)	– 840	– 85
Income taxes	– 62	– 66
Cash flow from business activities	**1,403**	**386**
Proceeds from disposal of properties[1]	579	49
Payments for purchase of properties[1]	– 2,922	– 3,170
Proceeds from investment grants	1,070	1,206
Proceeds from additions to interest-free loans from the federal government	54	59
Repayments of interest-free loans to the federal government and investment grants	– 420	– 361
Proceeds from disposal of financial assets and (partial) divestiture of consolidated companies	15	10
Payments for purchase of financial assets and (partial) acquisition of consolidated companies	– 8	– 15
Investing activities	**– 1,632**	**– 2,222**
Income payments to minority shareholders	–	–
Proceeds from long-term Group financing	0	1,494
Proceeds / payments from short-term Group financing	155	– 568
Proceeds from issuing bonds and new loans	273	1,000
Repayments of bonds and loans	– 2	– 42
Financing activities	**426**	**1,884**
Net increase (decrease) in cash	**197**	**48**
Cash and cash equivalents, beginning of year	265	271
Cash and cash equivalents, June 30	**462**	**319**

[1] Including intangible assets

Previous year's figures were adjusted for comparability reasons regarding the Aurelis transaction to match the structure of the presentation in the Annual Report 2003.

Segment Information

	External Revenues		Intra-Group Revenues		Divisional Revenues		Depreciation		Net Interest[1]	
	Jan–Jun		Jan–Jun		Jan–Jun		Jan–Jun		Jan–Jun	
in € million	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
Passenger Transport										
BU Long-Distance Transport	1,395	1,391	96	112	1,491	1,503	147	157	– 20	– 14
BU Regio	3,180	3,189	102	114	3,282	3,303	175	170	– 37	– 33
BU Urban Transport	842	870	15	13	857	883	76	71	– 18	– 18
Other	43	45	22	23	65	68	11	3	2	0
Total	5,460	5,495	235	262	5,695	5,757	409	401	– 73	– 65
Transport and Logistics										
BU Schenker	3,947	3,569	10	6	3,957	3,575	69	68	– 9	– 13
BU Railion	1,454	1,489	324	253	1,778	1,742	100	87	– 21	– 18
BU Freight Logistics	250	231	15	8	265	239	3	3	– 1	– 1
BU Intermodal	27	17	7	8	34	25	1	1	0	0
Other	0	0	0	0	0	0	0	0	– 4	0
Total	5,678	5,306	356	275	6,034	5,581	173	159	– 35	– 32
Passenger Stations	134	123	304	291	438	414	54	48	– 20	– 20
Track Infrastructure	158	129	1,807	1,702	1,965	1,831	430	410	– 97	– 91
Services	128	97	1,526	1,658	1,654	1,755	126	131	– 5	– 9
Other Operating Entities/ Consolidation Effects	161	2,845	393	464	554	3,309	– 7	72	– 109	– 102
Group	**11,719**	**13,995**	**4,621**	**4,652**	**16,340**	**18,647**	**1,185**	**1,221**	**– 339**	**– 319**

	Operating Income after Interest		Operating Cash Flow		Gross Capital Expenditures		Total Assets as of	as of	Employees[2] as of	as of
	Jan–Jun		Jan–Jun		Jan–Jun		Jun 30,	Dec 31,	Jun 30,	Dec 31,
in € million	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
Passenger Transport										
BU Long-Distance Transport	– 214	– 263	– 68	– 106	149	119	4,181	4,540	16,449	24,058
BU Regio	243	130	418	300	358	316	6,402	6,432	29,542	29,878
BU Urban Transport	39	44	114	115	44	99	1,731	1,783	12,510	12,725
Other	5	– 3	18	0	0	2	4,665	4,335	7,176	1,519
Total	73	– 92	482	309	551	536	16,979	17,090	65,677	68,180
Transport and Logistics										
BU Schenker	93	77	162	146	27	19	3,166	3,121	34,792	33,279
BU Railion	– 19	58	81	144	215	147	3,063	3,255	25,305	25,651
BU Freight Logistics	5	8	8	11	11	13	159	150	1,072	997
BU Intermodal	0	0	1	1	0	1	28	26	358	327
Other	– 13	0	– 13	0	0	0	2,125	3,040	638	719
Total	66	143	239	302	253	180	8,541	9,592	62,165	60,973
Passenger Stations	30	2	84	50	241	222	2,893	2,843	5,076	5,074
Track Infrastructure	– 2	– 170	428	240	1,715	2,098	21,711	21,874	44,991	44,080
Services	10	– 4	136	126	161	130	3,453	2,933	32,531	33,463
Other Operating Entities/ Consolidation Effects	– 239	– 22	– 246	51	1	4	– 6,835	– 6,685	19,293	30,989
Group	**– 62**	**– 143**	**1,123**	**1,078**	**2,922**	**3,170**	**46,742**	**47,647**	**229,733**	**242,759**

BU = Business Unit

[1] Management figure, deviates from net interest reported in consolidated income statement with regard to non-operational special effects

[2] Including civil servants, excluding apprentices

This Interim Report is based on German Accounting Standard (Deutscher Rechnungslegungsstandard) DRS 6. The figures correspond to the methods used for the Annual Report 2003 and correspond to the requirements defined in the German Commercial Code (HGB) and the German Stock Corporations Act (AktG). The consolidation, account balancing, and valuation methods are identical to those applied to the same period of last year and those used in the Annual Report 2003.

Additional comments:

- Compared to the same period last year, essential structural changes have been implemented, especially as a result of the divestitures of activities that were not part of the core business, Brenntag/Interfer (sold effective January 1, 2004), as well as Bayerische Oberlandbahn GmbH (sold at the end of the financial year 2003) and Regionalbus Braunschweig GmbH (no longer fully consolidated, following its inclusion in a joint venture in the second half of 2003). These divestitures are discussed in the commentary. Other changes to the composition of the Group are minor, as are their effects on the Group's asset, financial, and revenues situation.
- The change in equity between December 31, 2003 and June 30, 2004 results from income before taxes, income taxes, and changes resulting from exchange rate differences in the amount of € –18 million, which did not affect income.
- As part of our updated analyses of risks, counter-measures, security measures, and precautionary measures in the first six months of 2004 within the framework of our risk management strategy, on the basis of the current risk assessment, no risks capable of threatening the Group's continued existence are discernible, now or in the foreseeable future.
- In addition, the following information applies to the individual segments (figures for the previous year have been adjusted accordingly):
  (1) In the Group Passenger Transport division, the Regio and Urban Transport business units, in addition to the Long-Distance Transport business unit, are now being reported separately for the first time.
  (2) The presentation of the Group Transport and Logistics division is based on the structure that was newly established in the second half of 2003 and presented in the Annual Report 2003.
  (3) The Group Services division now also includes heavy vehicle maintenance, which was spun off as of January 1, 2004 as DB Fahrzeuginstandhaltung GmbH. In contrast, the project construction (DB ProjektBau) business unit is no longer part of the Group Services division, since the beginning of the year, and is now managed directly.

Berlin, August 10, 2004

Deutsche Bahn AG
The Management Board

The Boards of Deutsche Bahn AG

Supervisory Board

Dr. Günther Saßmannshausen
Honorary Chairman
of the Supervisory Board

Dr. Michael Frenzel
Chairman
of the Supervisory Board

Norbert Hansen*
Deputy Chairman
of the Supervisory Board

Niels Lund Chrestensen

Peter Debuschewitz*

Horst Fischer*

Volker Halsch

Horst Hartkorn*

Jörg Hensel*

Klaus-Dieter Hommel*

Günter Kirchheim*

Lothar Krauß*

Heike Moll*

Ralf Nagel

Dr. rer. nat. h.c. Friedel Neuber

Prof. Dr. Ekkehard D. Schulz

Dr. Ulrich Schumacher

Dr. Alfred Tacke

Dr.-Ing. E.h. Heinrich Weiss

Margareta Wolf

Horst Zimmermann*

* Employee representative on the Supervisory Board

Management Board

Hartmut Mehdorn
CEO and Chairman
of the Management Board

Diethelm Sack
Chief Financial Officer

Dr. Norbert Bensel
Personnel

Klaus Daubertshäuser
Marketing and
Political Relations

Dr. Karl-Friedrich Rausch
Passenger Transport

Dr. Bernd Malmström
Transport and Logistics

Roland Heinisch
Track Infrastructure

Last modified: July 31, 2004

Financial Calendar

March 16, 2005	Preliminary figures for financial year 2004
May 25, 2005	Annual Results Conference / Annual Report for financial year 2004

Imprint

Financial information can be requested from Investor Relations:

Phone: +49(0)30 297-61678
Fax: +49(0)30 297-61961
E-Mail: investor.relations@bahn.de
Internet: www.db.de/ir

The Interim Report and additional information are available on the Internet.

This Interim Report is published in German and English. In case of any discrepancies, the German version shall prevail.

Corporate publications can be requested from Corporate Communications:

Fax: +49(0)30 297-62086
E-Mail: medienbetreuung@bahn.de

Deutsche Bahn AG
Potsdamer Platz 2
D-10785 Berlin
Germany

www.db.de