Deutsche Bahn

Integrated Interim Report January–June 2020

Germany needs a strong rail system

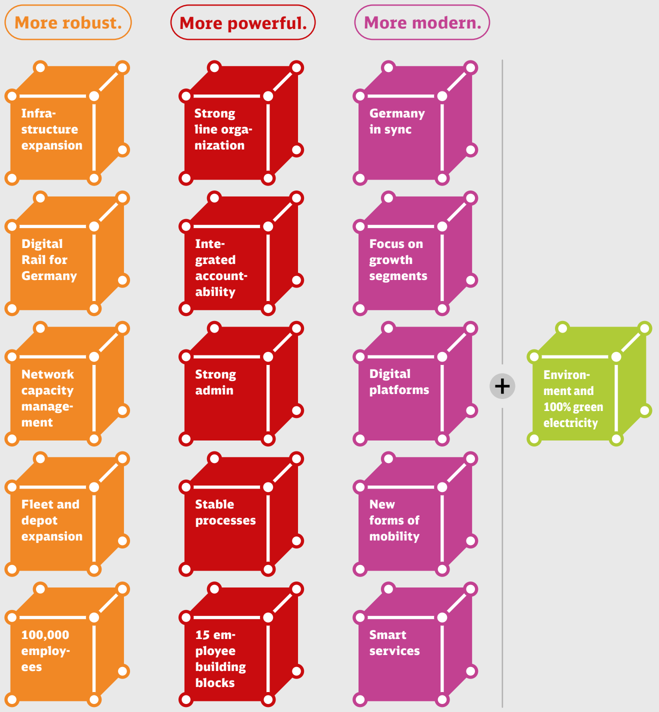
Strong Rail strategy

We have a key ambition: to bring more traffic to the rails. Our Strong Rail strategy is laying the groundwork for this.

The building blocks of the Strong Rail strategy

Building blocks for organizing the shift in the mode of transport

Building block of the Green Transformation



Online report

An online version and a PDF version are available on the Internet: DB.DE/ZB-E

At a glance

To the interactive
key figure comparison

	H1		Change	
Selected key figures	**2020**	2019	absolute	%
KEY FINANCIAL FIGURES (€ MILLION)				
Revenues adjusted	19,423	22,013	- 2,590	- 11.8
Revenues comparable	19,469	21,972	- 2,503	- 11.4
Profit / loss before taxes on income	- 3,669	277	- 3,946	–
Net profit / loss (after taxes)	- 3,749	205	- 3,954	–
EBITDA adjusted	157	2,534	- 2,377	- 93.8
EBIT adjusted	- 1,780	757	- 2,537	–
Equity as of Jun 30 / Dec 31	9,851	14,927	- 5,076	- 34.0
Net financial debt as of Jun 30 / Dec 31	27,513	24,175	+ 3,338	+ 13.8
Total assets as of Jun 30 / Dec 31	64,493	65,828	- 1,335	- 2.0
Capital employed as of Jun 30 / Dec 31	41,840	42,999	- 1,159	- 2.7
Return on capital employed (ROCE) (%)	- 8.5	3.6	–	–
Debt coverage (%)	- 1.2	13.8	–	–
Gross capital expenditures	5,552	4,825	+ 727	+ 15.1
Net capital expenditures	2,770	2,350	+ 420	+ 17.9
Cash flow from operating activities	- 235	1,386	- 1,621	–
KEY PERFORMANCE FIGURES				
Passengers (million)	1,448	2,456	- 1,008	- 41.0
RAIL PASSENGER TRANSPORT				
Punctuality DB passenger transport (rail) in Germany (%)	95.7	94.3	–	–
Punctuality DB Long-Distance (%)	83.5	77.2	–	–
Passengers (million)	779.3	1,293	- 513.7	- 39.7
thereof in Germany	662.5	1,050	- 387.5	- 36.9
thereof DB Long-Distance	41.0	71.8	- 30.8	- 42.9
Volume sold (million pkm)	26,620	47,250	- 20,630	- 43.7
Volume produced (million train-path km)	330.1	381.4	- 51.3	- 13.5
RAIL FREIGHT TRANSPORT				
Freight carried (million t)	103.0	122.4	- 19.4	- 15.8
Volume sold (million tkm)	38,190	43,738	- 5,548	- 12.7
TRACK INFRASTRUCTURE				
Punctuality (rail) in Germany [1] (%)	95.0	93.6	–	–
Punctuality DB Group (rail) in Germany (%)	95.6	94.2	–	–
Train kilometers on track infrastructure (million train-path km)	512.7	543.0	- 30.3	- 5.6
thereof non-Group railways	185.0	179.9	+ 5.1	+ 2.8
Share of non-Group railways (%)	36.1	33.1	–	–
Station stops (million)	74.9	77.7	- 2.8	- 3.6
thereof non-Group railways	21.2	19.5	+ 1.7	+ 8.7
BUS TRANSPORT				
Passengers (million)	668.7	1,163	- 494.3	- 42.5
Volume sold [2] (million pkm)	2,010	3,368	- 1,358	- 40.3
Volume produced (million bus km)	662.7	795.5	- 132.8	- 16.7
FREIGHT FORWARDING AND LOGISTICS				
Shipments in land transport (thousand)	51,659	53,860	- 2,201	- 4.1
Air freight volume (export) (thousand t)	495.3	578.9	- 83.6	- 14.4
Ocean freight volume (export) (thousand TEU)	992.1	1,115	- 122.9	- 11.0
ADDITIONAL KEY FIGURES				
Order book for passenger transport as of Jun 30 / Dec 31 (€ billion)	84.7	87.9	- 3.2	- 3.6
Rating Moody's / S&P Global Ratings	Aa1 / AA-	Aa1 / AA-	–	–
Employees as of Jun 30 (FTE)	320,116	321,765	- 1,649	- 0.5

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

[2] Excluding DB Arriva.

Contents

REDISCOVER GERMANY – BY RAIL

In June 2020, together with the marketing organizations for all 16 German states, we launched a large-scale campaign under the slogan "Discover Germany." At first glance, the campaign plays on the wanderlust and shows the dream destinations of many Germans – but the motifs focus exclusively on destinations in Germany.

Chairman's letter

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

Ladies and gentlemen,

This year, the Covid-19 pandemic is presenting people worldwide with enormous challenges – privately, professionally and economically. When public life comes to a standstill, key industries temporarily cease to operate, and the avoidance of personal contact is paramount, then the anchors stabilizing a society start to come loose. Nothing is taken for granted. What went before was suddenly no longer certain.

Deutsche Bahn has proven its worth as a constant feature during this time and has highlighted the importance of the rail system. We were still operating. People were able to rely on us even in a crisis. We guaranteed the mobility and logistics needed for Germany and Europe, thereby ensuring some semblance of normality. We were driven by the guiding principle behind our Strong Rail strategy: to be there for our customers. This social responsibility is particularly important to us.

Financially, Covid-19 has hit us hard. The virus suddenly put the brakes on our path to success, after reporting record passenger numbers in January and February. A temporary drop in passenger numbers of up to 90 percent is not without its implications for a transport company. The same applies to freight transport, where the slump in global economic activity has left a deep mark. It is not until 2022 that we expect to return to anything close to the original plans of the pre-Covid-19 period. We will have to live with the economic aftermath of the crisis for a long while yet. Companies and owners, managers and employees, unions and operating partners — the extent of the financial challenge requires joint and supportive action by all to continue the course of the Strong Rail strategy.

With prudent and consistent steps, we will forge the path ahead of us and steer DB Group back toward sustainable growth. In doing so, we will stick to our future investment plans. By further expanding our infrastructure, fleet and personnel, and relying even more heavily on the opportunities offered by digitalization, we are strengthening the heart of rail operations. At the same time, we are able to increase capacity and bring more transport to the rails.

We are getting enormous support and backing from our owner. The main thread running through all recent political decisions is the conviction that the railway will play a key role in shaping a worthwhile future. We are very grateful for this endorsement of everything we have done so far, and for the substantial strengthening of the rail system.

Aside from Covid-19, climate change continues to be a reality, and a massive shift in the mode of transport toward the rails is vital for a sustainable and successful climate and transport policy. We are and remain the guarantor of sustainable mobility and logistics.

The initial signs of recovery give us cause for cautious optimism. However, an exact prediction of how our business will develop is contingent on a number of general conditions that are still extremely fragile. Only one thing is certain: Covid-19 has shown how important the railway is for Germany and Europe.

We have received a lot of praise and recognition for having proven ourselves as a company and managing to maintain our products and services during the past challenging months. This is thanks to the employees of DB Group, who are doing an excellent job even under these exceptional conditions, and, of course, to our customers who have placed their trust in us.

Sincerely,

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

Interim Group management report (unaudited)

Fundamentals

Agreement with the Federal Government on dealing with the impact of Covid-19

Deutsche Bahn AG (DB AG) has agreed with its owner, the Federal Republic of Germany (Federal Government), a joint approach on dealing with the impact of the Covid-19 crisis on Deutsche Bahn Group (DB Group). DB Group will compensate for half of the impact on the integrated rail system by means of countermeasures (in particular, savings with respect to personnel expenses and costs of materials). The Federal Government will compensate for 80% of the remaining negative impact (after the implementation of countermeasures) by means of an equity measure. Up to € 5 billion is included in the Federal budget for 2020, of which € 0.5 billion is subject to the approval of the Federal Budget Committee. DB Regional will receive funding from the industry solution for net contracts in regional rail transport, as part of the ECONOMIC STIMULUS PACKAGE OF THE FEDERAL GOVERNMENT 5. The payments are still subject to consultation with the European Commission under state aid law.

Sustainability

- Since January 2020, Sustainability and Environmental Protection have been combined into one organizational unit and are assigned directly to the CEO and Chairman of the Management Board. This clearly shows that both topics are being given top priority within the scope of the Strong Rail strategy and are becoming even more closely intertwined with each other.
- DB Group has once again been given the top "A" rating by the international rating agency CDP. This means that DB Group has been recognized as one of the most climate-friendly companies within the global transport and logistics sector. This "A" rating puts DB Group in the top group along with 182 global companies (the "A List"). In total, more than 8,400 companies took part in the rating.

Changes in the executive bodies

The following changes were made to the Management Board of DB AG in the first half of 2020:

- Since January 1, 2020, Dr. Sigrid Nikutta is in charge of the newly created Management division Freight Transport of DB AG and has also assumed the position of Chairwoman of the Management Board of DB Cargo AG.
- On February 1, 2020, Dr. Levin Holle took over the Management division Finance and Logistics of DB AG, which also incorporates the business units DB Schenker and DB Arriva.
- During its meeting on February 19, 2020, the Supervisory Board reappointed Mr. Martin Seiler as Member of the Management Board for Human Resources and Legal Affairs for the period from January 1, 2021, to December 31, 2025.

The following changes were made to the Supervisory Board of DB AG during the first half of 2020:

- the period of office of the members of the Supervisory Board elected by the General Meeting, Dr. Ingrid Hengster, Prof. Dr. Susanne Knorre, Dr. Jürgen Krumnow, Ms. Kirsten Lühmann, Mr. Michael Odenwald, Mr. Eckhardt Rehberg and Mr. Christian Schmidt, as well as the period of office of the members of the Supervisory Board delegated by the Federal Government, State Secretary Werner Gatzer (Federal Ministry of Finance; BMF), Mr. Oliver Wittke and State Secretary Dr. Tamara Zieschang (Federal Ministry of Transport and Digital Infrastructure; BMVI), along with that of the employee representatives on the Supervisory Board, duly expired at the end of the Annual General Meeting on March 25, 2020. At this Annual General Meeting, Dr. Ingrid Hengster, Prof. Dr. Susanne Knorre, Ms. Kirsten Lühmann, Mr. Michael Odenwald, Dr. Immo Querner, Mr. Eckhardt Rehberg and Mr. Christian Schmidt were elected to the Supervisory Board as shareholder representatives for the period from March 25, 2020, up to the end of the Annual General Meeting, which resolves on their discharge for the fourth financial year following the start of their period of office.

- State Secretary Werner Gatzer (BMF), State Secretary Dr. Tamara Zieschang (BMVI) and Parliamentary State Secretary Elisabeth Winkelmeier-Becker (Federal Ministry for Economic Affairs and Energy; BMWi) were sent directly to the Supervisory Board by the BMVI as additional shareholder representatives, with effect from March 25, 2020.

Against the background of the Covid-19 pandemic, the delegate meetings scheduled on February 10/11, 2020, for the election of employee representatives to the Supervisory Board of DB AG, among others, could not take place; instead, it was requested that employee representatives be legally appointed to the Supervisory Board of DB AG. On March 12, 2020, the Berlin-Charlottenburg District Court appointed the following persons as members of the Supervisory Board, with effect from March 25, 2020:

- Ms. Cosima Ingenschay as successor to Ms. Rusch-Ziemba, who retired from the Supervisory Board on March 25, 2020,
- Mr. Torsten Westphal as successor to Mr. Alexander Kirchner, who also retired from the Supervisory Board on March 25, 2020,
- along with Mr. Jürgen Beuttler, Mr. Jörg Hensel, Mr. Klaus-Dieter Hommel, Mr. Jürgen Knörzer, Ms. Heike Moll, Mr. Mario Reiß, Mr. Jens Schwarz and Mr. Veit Sobek.

At the constituent Supervisory Board meeting, which also took place on March 25, 2020, Mr. Michael Odenwald was again elected Chairman of the Supervisory Board, while Mr. Torsten Westphal was elected Deputy Chairman of the Supervisory Board. On April 25, 2020, Mr. Torsten Westphal resigned his mandate as Deputy Chairman of the Supervisory Board with immediate effect and his mandate on the Supervisory Board of DB AG with effect from May 31, 2020; Mr. Klaus-Dieter Hommel was elected Deputy Chairman of the Supervisory Board at the Supervisory Board meeting on May 15, 2020. On June 18, 2020, the Berlin-Charlottenburg District Court then appointed Mr. Martin Burkert to the Supervisory Board as employee representative.

Changes in the Group portfolio

- In February 2020, we sold Ameropa Reisen GmbH (Ameropa) to Liberta Partners. We will continue to cooperate with Ameropa after the sale.
- At the beginning of 2020, we first increased our stake in Station Food GmbH to 100% and then sold it outright to SSP Deutschland GmbH.

Political and legal topics

POLITICAL ENVIRONMENT

Regulatory and transport policy topics

IMPLEMENTATION OF MEASURES FROM THE CLIMATE ACTION PROGRAM 2030

On the basis of the Federal Government's Climate Action Program 2030, additional Federal funds totaling € 11 billion will be made available by 2030 to strengthen the rail system. At the end of January 2020, the BMF and BMVI as well as DB AG, DB Netz AG, DB Station&Service AG and DB Energie GmbH agreed in a memorandum of understanding on the inflow and use of the funds. The funds will be used exclusively for infrastructure; half of it will be paid as equity (to increase the equity of DB Netz AG and DB Station&Service AG) and half as grants. In terms of content, the funds will be used in the categories of robust network, digital rail, attractive railway stations and economically self-reliant infrastructure measures.

The funds to be made available as an equity increase are still subject to consultation with the European Commission under state aid law. The payment of all funds until 2030 is subject to the decision of the budgetary legislator.

Other key measures of the Climate Action Program 2030 relating to rail and public transport have also been set out in concrete terms or implemented:

- On January 1, 2020, the reduction in VAT from 19% to 7% for long-distance tickets came into effect. DB Long-Distance passes this reduction on in full to its customers.
- At the beginning of 2020, the German Parliament and the Bundesrat (Upper House of Parliament) resolved to amend the Regionalization Act (Regionalisierungsgesetz; RegG) in order to increase regionalization funds of the states for regional rail transport. As a result, the € 8.8 billion planned for 2020 which will be increased by 1.8% per year by 2031, will be increased further: in 2020, 2021 and 2023 by an additional € 150 million (cumulative). Since this raise will also be increased at 1.8% per year, this will result in a total increase of € 5.2 billion between 2020 and 2031.
- At the same time, the German Parliament and the Bundesrat (Upper House of Parliament) have also increased funding for the construction and expansion of rail-linked local public transport (primarily underground trains, metro (S-Bahn) and trams). The Federal funds from the Municipal Transport Financing Act (Gemeindeverkehrsfinanzierungsgesetz; GVFG) will increase from € 332 million to € 665 million in 2020, to € 1 billion from 2021. A further increase is planned in 2025 to € 2 billion. From 2026, this amount will be increased by 1.8% per year, in the same

way as the RegG. In addition, more types of projects are eligible for funding than before, and the Federal Government will assume a higher proportion of financing for each of the funded GVFG projects.

ECONOMIC STIMULUS PACKAGE OF THE FEDERAL GOVERNMENT

On June 3, 2020, the Coalition Committee agreed on comprehensive measures in relation to the topic of "Tackling the Covid-19 Impact, Securing Prosperity, Strengthening Readiness for the Future." These include a number of general relief measures for the German economy, while simultaneously providing industry-specific stimuli. The measures are divided into a stimulus/crisis-management package, a more wide-reaching package for the future, and measures based upon European and international responsibilities. Some of these measures have already been implemented. The temporary reduction of VAT from 19% to 16% or from 7% to 5% until December 31, 2020, which is significant for rail and for DB Group, came into effect on July 1, 2020, along with a number of other tax relief measures. The Act on Accompanying Measures for the Implementation of the Economic Stimulus and Crisis Management Package implements the additional, one-off increase of € 2.5 billion in regionalization funds in 2020 and the possibility of reducing the Renewable Energy Sources Act (EEG) levy to 6.5 ct/kWh in 2021 and 6 ct/kWh in 2022 through compensation payments. The second supplementary budget for 2020 includes an equity measure at DB AG in order to COMPENSATE FOR DAMAGES RESULTING FROM THE COVID-19 PANDEMIC 3 and additional subsidies for interference-proof GSM-R terminals so as to improve mobile phone reception along the tracks. The funding initiative to increase the attractiveness and accessibility of railway stations was increased by € 40 million for 2020 as part of the parliamentary procedure. Other parts of the package also aim to strengthen public transport, for example by giving priority to contracts and investments worth € 10 billion, by boosting the "Smart City" program for sustainable and integrated urban development, by temporarily simplifying procurement law in order to speed up the implementation of public investment support measures, and through the announcement that the EU Presidency will be used to speed up planning regulations through the reintroduction of statutes of repose. These and other measures will now be set out in concrete terms by the specialist government departments.

NATIONAL PLATFORM FUTURE OF MOBILITY

The National Platform Future of Mobility (NPM), which was established by the Federal Government, aims to maintain competitive companies and jobs in Germany and to ensure viable, affordable, needs-based, climate-friendly and sustainable mobility. DB Group is represented in the steering committee and in the working groups Climate Protection in Transport and Digitalization for the Mobility Sector. The Climate Protection in Transport working group has devised ways of achieving climate objectives for 2030 in the transport sector, several aspects of which are touched upon in the Climate Action Program 2030. Reports commissioned by the Federal Ministry of the Environment, Nature Conservation and Nuclear Safety (BMU) and by the German Environment Agency (Umweltbundesamt) as well as by the BMWi published in March 2020 show that the measures taken to date to achieve the climate protection targets for 2030 are making important contributions, particularly in the transport sector, but are not yet sufficient. The NPM will therefore continue to be closely involved in monitoring the implementation of, and further developing, these measures.

RAIL PACT BY THE RAIL FUTURE ALLIANCE

On June 30, 2020, the second Rail Summit took place at the BMVI. Federal Minister Andreas Scheuer, the Federal Government representative for rail transport, Enak Ferlemann, and representatives of the rail industry signed a pact designed to strengthen the rail sector, and presented the Master Plan for Rail Transport along with a target schedule for Germany in sync (Deutschland-Takt). The Master Plan is the result of the Rail Future Alliance, as part of which Federal ministry and industry representatives have, over the course of the past two years and in six working groups, examined key challenges in the rail sector and developed a concept for the future of rail transport in Germany. The objectives of the Master Plan are to attract twice as many passengers to rail passenger transport by 2030 and to shift more freight to environmentally friendly rail while increasing its modal share to at least 25% by 2030. The key conditions for growth and for a shift to rail will be an increase in capacity with respect to infrastructure, vehicles and personnel; the use of innovative technologies and products; and an increase in the attractiveness and competitiveness of rail from the perspective of its users. In order to create these conditions, 32 areas for action and 96 measures were agreed as part of the Master Plan for Rail Transport, including the step-by-step implementation of a Germany-wide, synchronized schedule for all modes of transport. The implementation of measures is to be continuously monitored by a working group of sector representatives, together with the BMVI, and reported to the steering committee. DB Group is involved in the steering committee and will participate in implementing the measures. Another rail summit has been announced for the summer of 2021.

MASTER PLAN FOR RAIL FREIGHT TRANSPORT

The implementation of the Master Plan for Rail Freight Transport will continue as per the procedure thus far in order to supplement the work of the Rail Future Alliance. The rail freight transport round table once again met with top BMVI and industry representatives on March 30, 2020. Immediate measures to be taken also include the Federal program Future of Rail Freight Transport, which seeks to strengthen innovation in the sector. A total of € 30 million has been set aside in the Federal budget for 2020. The funding guideline was published on May 12, 2020. As an additional measure aimed at strengthening rail freight transport, the Federal budget for 2020 includes a facility price promotion of € 40 million. A funding guideline will be agreed for this purpose between the government departments and notified in Brussels.

LAWS ON THE ACCELERATION OF TRANSPORT PROJECTS

- In future, significant transport projects in Germany will be planned and implemented more quickly. This is the objective of an additional Acceleration Act, adopted by the German Parliament and the Bundesrat (Upper House of Parliament) at the beginning of 2020. It includes the removal of level crossings that slow down trains or cars. In return, local authorities are to be relieved of costs if bridges or underpasses are built instead. For replacement structures – in particular, bridges and platforms – the law makes it possible to dispense with approval procedures to a greater extent than previously. With the so-called Measures Law Preparation Act (Maßnahmengesetzvorbereitungsgesetz; MgvG) it is planned that for eight selected projects on the rail the building right can be granted in future directly from the German Parliament instead of the authorities.
- In March 2020, the Federal Government also published key points for an additional Investment Acceleration Act, which is to be launched in 2020.
- The Planning Assurance Act was also adopted in May 2020 for a limited term until the end of March 2021. Its aim is to ensure that approval procedures with public participation can be carried out without significant delays, even under the challenging conditions presented by the Covid-19 pandemic. Its measures include the possibility of online consultation.

LEGAL BASIS FOR COMPENSATION PAYMENTS FOR LEVEL CROSSINGS HAS BEEN RESTORED

In June 2020, the German Parliament and the Bundesrat (Upper House of Parliament) approved an amendment to the General Railways Act (Allgemeines Eisenbahngesetz; AEG), which extends the regulations relating to compensatory payments to federal-owned railways. This will provide a legal basis for compensation payments relating to the operation and maintenance of level crossings for all public railways, with retroactive effect from January 1, 2018.

CHANGES TO THE RAILWAY REGULATION ACT RELATING TO TRAIN-PATH AND STATION PRICING IN REGIONAL RAIL TRANSPORT

With retroactive effect from January 1, 2020, the Federal Government amended the provision set out in Section 37 (2) of the Railway Regulation Act (Eisenbahnregulierungsgesetz; ERegG). This fixes the increase in train-path and station prices in regional rail passenger transport at 1.8 % per year, irrespective of the actual development of regionalization funding.

IMPLEMENTATION OF THE NATIONAL RAIL NOISE PROTECTION ACT

In 2017, the German legislature passed a law prohibiting the operation of noisy freight wagons (Rail Noise Protection Act). This law prohibits the use of noisy freight wagons on the German network from December 13, 2020, coinciding with the 2020/2021 timetable change. DB Netz AG has updated its rail network terms and conditions of use in implementing the law. In a formal notice to the Federal Government, the European Commission expressed its opinion that the Rail Noise Protection Act contradicts EU rules and that it considers the act to be in breach of interoperability requirements.

TELECOMMUNICATIONS SIGNAL SUPPLY THROUGHOUT RAIL TRACKS

The period for supplying the main rail tracks with a cell phone signal from the spectrum auction 2015 expired at the end of 2019. According to information from the telecommunications network operators, the main transport routes had not yet been fully supplied by late 2019. The Federal Network Agency (Bundesnetzagentur; BNetzA) will examine overall compliance and any consequences arising from it.

Taking into account the customer desire for seamless connectivity and uninterrupted telephony during rail journeys, the implementation of supply requirements under the 2019 5G auction come to the fore. By late 2024, all rail tracks should be provided with a cell phone signal. As per the auction conditions, the railways are asked to cooperate with respect to the provision of coverage along the rail tracks. To fulfill this obligation to cooperate, DB Group has initiated the Rail Connectivity Master Plan project with the aim of identifying the mobile phone companies' needs for cooperation and offering targeted actions for each. The offer of broadband GmbH also contributes to the cooperation with the extensive offer of fiber-optic capacities along the rail tracks. By December 20, 2020, the European Electronic Communications Code must be implemented under the National Telecommunications Act (Telekommunikationsgesetz; TKG). The Federal Government worked on this during the first half of 2020 and intends to present the draft bill shortly. The TKG amendment could have an impact on the scope and conditions of participation by DB Group.

COMPROMISE ON SOCIAL LEGISLATION IN EUROPEAN ROAD FREIGHT TRANSPORT

In April and July 2020 respectively, the European Council and the European Parliament accepted a compromise in relation to the so-called MOBILITY PACKAGE I (2019 INTEGRATED REPORT 69). With this the legislative procedure relating to new European standards for driving and rest periods, posting and cabotage are concluded after about three years of intensive negotiations. In future, truck drivers will have the right to return to their home town in the future at least every three or four weeks. Regular weekly rest periods (45 hours) must be spent outside the driver's cab. In the case of cabotage, three transports within seven days should remain possible. In addition, a cooling-off period of four days must be upheld. This rule also applies to the inflow and onward carriage of combined transport.

To improve monitoring, in future new trucks will need to be equipped with an intelligent tachograph.

PROPOSALS FOR A MULTI-YEAR EU FINANCIAL FRAMEWORK AND THE EUROPEAN RECOVERY PLAN

To remedy the financial impact of the Covid-19 crisis, boost recovery and employment, and protect jobs, the European Commission proposed on May 27, 2020, a revision of the 2021–2027 Multiannual Financial Framework (MFF), along with a Recovery Plan for Europe. This includes a recovery instrument Next Generation EU for the economic recovery of Europe after the Covid-19 crisis. A total of € 750 billion will be made available for this purpose. In light of the European Green Deal, the Commission has cited sustainable transport and logistics, boosting rail travel and clean mobility in the cities and regions as elements of its reconstruction strategy. The Commission is proposing a budget of € 1.1 billion for the MFF. The European Council reached a compromise in relation to the Commission's proposals on July 21, 2020. The key elements remain, however a greater proportion of the money provided by the Commission will be allocated as loans, rather than as grants. The Connecting Europe Facility (CEF) funding will remain the same compared with the original Commission proposal.

EU RESTRICTS USE OF LOUD FREIGHT CARS ACROSS EUROPE FROM 2024

The technical specification for interoperability (TSI) relating to the subsystem "rolling stock – noise" (TSI Noise) provides for a prohibition on operating loud freight cars on heavily frequented lines throughout the European Union (EU) from the end of 2024. So-called quieter routes are all routes of more than 20 km on which more than 12 freight trains operate overnight. Under this regulation, the Commission is to submit a report on the observed reduced braking performance of freight cars equipped with composite brake shoes in severe Nordic winter conditions. Should the report show that the use of these freight cars creates safety issues that cannot be solved by means of operational and technical measures, the Commission shall propose amendments to this TSI. The European Union Agency for Railways (ERA) set up a task force in order to assess the extent of the reported lack of braking performance. The results were sent to the Commission at the beginning of June 2020. It was therefore not possible to draw any final conclusions due to a number of factors, including insufficient weather conditions at the time of testing. The ERA therefore recommends that further tests be carried out next winter before a final assessment is made.

LEGAL TOPICS

Procedure regarding additional financing contributions for Stuttgart 21

At the end of 2016, in order to avoid risks under the statute of limitations, we initiated proceedings in the Stuttgart Administrative Court against the project partners seeking additional financing contributions on the basis of what is known as the negotiation clause. The project partners gave a comprehensive response to the lawsuit in Spring 2018. DB Group has now responded to the statement of defense. In the course of the response, the lawsuit was extended. This was based on the increase in the total value to € 7.7 billion at the time. Following the repeated increase in the total value to € 8.2 billion, the lawsuit will be extended once again. The Stuttgart Administrative Court gave the project partners the opportunity to reply to the response by the end of April 2020. The project partners have applied for, and been granted, an additional deadline extension until the end of August 2020. It is likely that this delay will also have an impact on the Stuttgart Administrative Court's original consideration to schedule a hearing in the fourth quarter of 2020. As a result, we currently assume that there will no longer be a hearing date this year. A verbal hearing on the lawsuit is, therefore, likely to take place in the first half of 2021.

Strong Rail

Implementation of the Strong Rail strategy

Under our Strong Rail umbrella strategy, we have acknowledged our social responsibility and defined our contribution to the transport and climate policy goals of the Federal Government. The guiding principle behind the Strong Rail strategy is the shift in the mode of transport towards rail with the aim of a sustainable change in climate and mobility policy. We have formulated this claim in the form of our inner ambition: "Germany needs a strong rail system. For the climate. For people. For the economy. For Europe."

The rail industry already received a huge boost last year as part of the political decisions, including the Climate Action Program 2030, the Rail Future Alliance and the Master Plan for Rail Freight Transport. In the first half of 2020, specific signals such as our owner's decision of an equity measure, confirm that we are on the right track with our chosen course and will continue to receive political support. The successes at the start of 2020 show that we are on the right track. Last but not least, events during the Covid-19 pandemic show that we are setting the right priorities with the strategic areas **MORE ROBUST, MORE POWERFUL** and **MORE MODERN.**

STRATEGIC AREA: MORE ROBUST

With the strategic area **MORE ROBUST,** we have set ourselves the target of expanding capacity in terms of the infrastructure, vehicles and personnel to transport significantly more people and goods with a higher level of quality.

- Despite the Covid-19 restrictions, we have stuck to our course and continued to build at record levels. Of the about 13,000 construction projects, fewer than 1% had to be canceled or postponed. From February to May 2020 alone, more than 850 km of tracks were built, 675 switches and 600,000 tons of gravel were replaced, and work commenced on modernizing about 330 stations. The **CAPITAL EXPENDITURE VOLUME** 25 increased correspondingly.
- At the same time, expansion of existing depots and the establishment of new maintenance depots are continuing without restriction. From 2023, we will continue to plan for significant increases in the capacity of our depots in Berlin, Hamburg and Frankfurt am Main, among others, and consistently continue to drive the planning for new depots in Nuremberg and Cottbus forward.
- With the Strong Rail strategy, we have also set out to recruit, qualify and retain about 100,000 new employees in order to make DB Group as a whole **MORE ROBUST.** For 2020, we had set ourselves the target of attracting about 23,000 new employees (plus young professionals). By means of digital recruitment and compliance with distancing rules, we have been able to continue to drive our staff recruitment forward despite the Covid-19 restrictions, and have already made over 11,460 hires.
- Moreover, we were able to find solidarity mechanisms for our employees so as to minimize the social consequences of the Covid-19 pandemic and to enable individuals to work as effectively as possible (**ALLIANCE FOR OUR RAILWAY** 10, **TOGETHER AGAINST COVID-19** 10 and arrangements for working from home).

STRATEGIC AREA: MORE POWERFUL

The strategic area **MORE POWERFUL** has formed the anchor for our claim to increase our impact as an organization. We are focusing on achieving a high and sustainable level of performance by means of structural changes and a consistent focus on the common goal of a strong rail system.

Meeting the recent and future challenges requires good cooperation across all business units. To also anchor the Strong Rail strategy in the company's culture, we have developed the compass for powerful collaborations with each other. It serves as an orientation and benchmark for all employees and managers at DB Group – for better cooperation and performance in the interests of our customers.

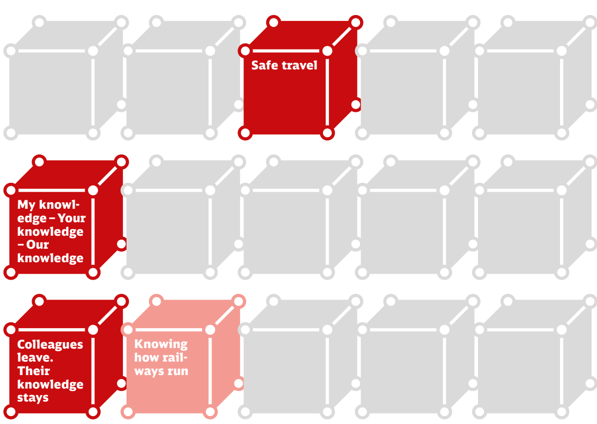
In the first half of 2020, it became clear that we as an organization act quickly, pragmatically and in a customer-oriented manner, even in exceptional situations. Whether **SHIPPING MASKS FROM CHINA** 10, new **GOODWILL ARRANGEMENTS** 11, the implementation of new **HYGIENE MEASURES** 11 or for the establishment of digital travel centers – cohesion and customer orientation in the integrated rail system have increased in intensity with our new alignment. These positive developments are also evident in the high level of participation of our employees in the development process for the 15 employee building blocks.

Four new employee building blocks

With 15 employee building blocks, we are involving our employees in the implementation of the strategy. The objective is to develop additional building blocks that reflect the central concerns of employees and support the implementation of the Strong Rail strategy. These building blocks are created in what are referred to as Expansion Workshops. The first of these workshops was held in autumn 2019. The result was the building block **SAFE TRAVEL** (2019 INTEGRATED REPORT 25). We started implementing the building block in January 2020. At the same time, the subject of unified knowledge was identified as another area of concern. In February and March 2020, three additional Expansion Workshops were held under this focus, resulting in the creation of three building blocks:

- "My knowledge – Your knowledge – Our knowledge" addresses the need of employees to be able to access documented knowledge more clearly and easily and to gain better access to internal knowledge carriers by means of a central search function.
- "Colleagues leave. Their knowledge stays" aims to provide an effective structure for safeguarding and transferring empirical knowledge. Among other things, the use of innovative, digital tools and overlapping staff appointments will help to structure the handover better and, in addition, the standardization of processes will ensure that the empirical knowledge of outgoing colleagues is documented and transferred to new colleagues.
- "Knowing how railways run" aims to establish a broader understanding of system and interconnected knowledge. This building block contains mandatory seminars for selected target groups and the more consistent use of e-learning courses, as well as the development of new solutions for the comprehensive training and further education in the integrated rail system.

Already defined employee building blocks



Implementation start in 2020.
Implementation agreed. Start of implementation planned for 2021.

STRATEGIC AREA: MORE MODERN

With the strategic area **MORE MODERN**, we are meeting the needs of our customers for more modern and attractive products and services. Even during the Covid-19 restrictions, despite a sharp decline in capacity utilization, we have maintained as many of our passenger transport and freight transport services as possible in order to ensure the mobility of people and the basic logistical supplies to industry and the population. In addition, we have used digital services such as video travel centers, the utilization display in the DB Navigator or contactless payment to quickly increase the security and service level for our customers. We also continue to work on becoming faster, broader, more versatile and more intermodal for our customers.

In the area of **NEW MOBILITY** 13, we have continued to focus our activities on the Strong Rail strategy. We are convinced that new forms of mobility, similar to conventional mass transport as part of public transport in the form of integrated public transport services, provide meaningful added value for customers, society and climate protection. As a complementary offer to rail, new forms of mobility, such as sharing and pooling, create a convenient and climate-friendly alternative to motorized individual transport and provide incentives forgoing one's own car. New forms of mobility are therefore revealing their potential for greater climate protection and the shift in the mode of transport to rail.

In our opinion, a range of new forms of mobility must be supported by the public sector in order to ensure meaningful development across the board. In the future, we will therefore be offering tailor-made, holistic mobility solutions for customers, cities and municipalities. Together with the public sector, we intend to extend rail to the doors of homes in a climate-friendly way and also take mobility to places where the use of conventional mean of transport carriers would otherwise be extremely costly.

GREEN TRANSFORMATION

Within the framework of the building block **ENVIRONMENT AND 100% GREEN ELECTRICITY**, we have set ourselves the goal of pushing forward the **GREEN TRANSFORMATION** 14 in climate protection, conservation of resources, noise mitigation and nature conservation.

Customer and quality

Measures taken as a result of Covid-19

CRISIS MANAGEMENT

Thanks to our crisis management and the commitment of our employees, we were able to maintain mobility across Germany even during the Covid-19 crisis. The crisis management began in January 2020 in a task force under the control of the health management. In February 2020, work continued in a Group-wide pandemic crisis team convened by the member of the Management Board for Human Resources and Legal Affairs. Thanks to these efforts, over the following months we were able to implement the requirements of the authorities quickly and in a structured manner for both customers and employees, and develop and communicate effective hygiene and safety plans, all while ensuring railway operations continued to run smoothly across Germany.

"Together against Covid-19" agreement

At the end of March 2020, we concluded an agreement, "Together against Covid-19," with the Railway and Transport Workers Union (Eisenbahn- und Verkehrsgewerkschaft; EVG) and the German Train Drivers' Union (Gewerkschaft Deutscher Lokomotivführer; GDL) for the integrated rail system. This agreement is intended to provide widespread support for parents grappling with the closure of kindergartens and schools and a commitment to secure jobs. The aim is to protect the health of employees, their families and our customers while maintaining railway operations to ensure the stability of transport services in Germany. The agreement is temporary until July 31, 2020.

Alliance for Our Railway

In May 2020, we signed the "Alliance for Our Railway" together with the German Transport Minister, the EVG, the Group Works Council and the Employers' Association of Mobility and Transport Service Providers (Arbeitgeber- und Wirtschaftsverband der Mobilitäts- und Verkehrsdienstleister; Agv MoVe). The aim is to manage the economic and social consequences of the Covid-19 pandemic within DB Group in such a way that we can continue to pursue the Strong Rail strategy. All parties involved have undertaken to be part of a joint, mutually supportive solution. This alliance is subject to the condition that the tariff partners (DB Group, Agv MoVe and the EVG) agree on a joint, viable solution to counteract the consequences of the pandemic.

Production of disinfectant

Since the end of March 2020, we have been producing disinfectant ourselves and are manufacturing about 1,600 liters a day. This is designed to meet the needs of DB employees on trains, at stations and at other facilities.

SUPPORT MEASURES

Support for the repatriation of holidaymakers

We helped the Federal Government bring holidaymakers back to Germany. Airline boarding passes were accepted as a train ticket for onward travel to passengers' actual destination in Germany.

Relieving the burden on train operating companies

DB Netz AG waived all flat-rate line cancellation fees from March 17 to May 10, 2020. Also fees from DB Station&Service AG for missing station stops were not charged during this period. This measure was coordinated with the BNetzA.

Transport of medical supplies

- DB Cargo and DB Schenker quickly came to the aid of the retail sector by transporting tens of thousands of additional tons of food and everyday products to replenish supermarket shelves. As part of this effort, the "Pasta Express" was set up to bring pasta to Germany via road and rail.
- DB Schenker responded to a shortage of capacity for air freight. With a daily China shuttle (reconfigured passenger jets), medical equipment such as masks, goggles and protective clothing was imported into Europe at short notice. The trans-Eurasian land bridge operated jointly with DB Cargo was used to provide extra shipping capacity. By intelligently linking freight trains, aircraft, ships and trucks, we were able to help healthcare systems in regions particularly affected by the Covid-19 pandemic by transporting much-needed supplies to them.

PASSENGER TRANSPORT

Comprehensive goodwill arrangements

- Passengers who had booked tickets before March 13, 2020, were able to convert the value of their ticket into a travel voucher free of charge up to and including May 4, 2020.
- Since May 4, 2020, our customers have been able to use any long-distance tickets booked up to and including March 13, 2020, for journeys up to and including October 31, 2020 without being tied to a specific train.
- Passengers with a flexible ticket or flexible business ticket were able to cancel their tickets free of charge, irrespective of the special goodwill policy.

Mandatory use of masks on public transport

The Federal states have agreed to make face masks compulsory on trains throughout Germany and have implemented this requirement in their respective regulations. We welcome this measure and are supporting the Federal states in its implementation. We provide information about this mask requirement on trains and at stations and in all media and call on passengers to comply. We continue to rely on the cooperation, understanding and mutual consideration of all passengers. At present, the vast majority of our passengers are complying with the requirement to cover mouth and nose.

Our employees are also required to wear face masks on board our trains and to actively inform our guests about the obligation to wear a mask. If our employees encounter passengers who are not wearing a face mask on our trains, the passengers concerned are asked to comply with the mask obligation. If necessary, the Federal police are involved. The health of our employees and passengers is our top priority.

Our prevention teams raise awareness among railway customers regarding the need to wear a face mask and tell them how they can protect themselves from being infected with Covid-19 while traveling. Passengers without a mask are given a free disposable mask by DB employees.

Hygiene and cleaning campaign

We have launched a hygiene and cleanliness campaign: additional cleaning personnel and modified cleaning plans ensure that passengers are safe on trains and at train stations even during this Covid-19 era.

- From the middle of May 2020, we significantly increased the number of cleaning personnel on board long-distance trains: by July 2020, we will have 500 employees – twice as many as before – cleaning Intercity Express (ICE) and Intercity trains during journeys. By August 2020, there will be 600 cleaners on board. Nationwide, more than 4,300 employees are working hard to keep trains and stations clean.
- Long-distance trains are cleaned on deployment at the depot and every two hours during journeys. DB Regional trains are cleaned three times a day on average, and more frequently on busy lines. The main focus of the cleaning is on contact surfaces. These surfaces in trains are cleaned several times during the journey and at turning stations.
- At stations, DB employees clean door handles, handrails, the buttons in elevators and the controls on ticket and vending machines particularly frequently.
- Disinfectant dispensers are currently available at over 600 stations.

Capacity utilization display for online bookings

For online bookings, we now provide a real-time capacity utilization warning that indicates how busy a long-distance train already is.

Attractive price offers

- We are passing on the VAT cut provided as part of the ECONOMIC STIMULUS PACKAGE OF THE FEDERAL GOVERNMENT 5 to our long-distance customers.
- With the 20-trip ticket, customers can purchase 20 individual journeys for a fixed route including a long-distance stretch. These can be redeemed flexibly within one month. Passengers are not tied to a specific train.

TRANSPORT AND LOGISTICS

No-touch signature for delivery of goods

The innovative no-touch signature system from DB Schenker enables the reliable documentation of the delivery of goods while maintaining the necessary Covid-19 distance. DB Schenker uses the proprietary technology, which allows personal signatures to be provided from up to 3 meters away, in various European countries, including Spain, Austria, Finland, Portugal and Sweden. The IT solution for contactless proof of delivery (POD) is currently available in 12 languages and will soon be used throughout Europe for the delivery of goods.

Strong with excellence

The OPEX (operational excellence) program was launched with the aim of sustainably changing DB Group's performance culture. Since the beginning of 2020, a further 12 maintenance sites have embarked on the OPEX transformation in the sixth and final wave (with a total of about 100 maintenance sites).

Work on the transition from OPEX to DB Excellence is currently underway, as OPEX will gradually transition to DB Excellence after the end of the sixth wave and continue in this format. The DB Excellence system provides a Group-wide set of methods and tools for process improvement. It applies to both production and administrative processes as well as planning processes. The DB Excellence system aims to establish uniform standards throughout the Group, reduce losses at interfaces and improve the performance of DB Group.

Since April 2020, the Lean Excellence Basecamps (information and exchange platform) have been extended to all other management levels and continued online. Other training formats have been introduced, such as the Lean Excellence Micro Sessions. Any employees who are interested in lean excellence and want to initiate improvements in their own area can participate.

Focus on punctuality

SIGNIFICANTLY IMPROVED DEVELOPMENT

Punctuality (%)	H1 2020	2019	H1 2019
Rail in Germany [1]	95.0	93.1	93.6
DB Group (rail) in Germany	95.6	93.7	94.2
DB rail passenger transport in Germany	95.7	93.9	94.3
DB Long-Distance	83.5	75.9	77.2
DB Regional	96.0	94.3	94.7
DB Cargo (Germany)	79.7	73.8	73.1
DB Arriva (rail: Great Britain, Denmark, Sweden, the Netherlands and Poland)	91.5	89.3	92.3
DB Regional (bus) [2]	82.8	81.6	82.1
DB Cargo (Europe)	79.1	74.0	73.8

[1] Non-Group and DB Group train operating companies.
[2] Change in method from 2020 onwards, with retroactive adjustments.

In spite of great challenges, there was a significant improvement in punctuality in rail transport in Germany.

The reason for this is our excellent CRISIS MANAGEMENT 10. Reducing services to a robust basic level had a positive effect on operating performance during the Covid-19 restrictions and took the pressure off particularly busy lines. In addition, the lower number of passengers meant that there were fewer delays due to excessive stopping times.

Besides the Covid-19 pandemic, a number of other challenges affecting punctuality were successfully addressed in the first half of 2020. These included the massive disruption to services caused by storm Sabine in February 2020. Furthermore, the negative effects of significant construction work on punctuality were kept to a minimum thanks to effective site management by the Construction Management Center.

PLAN CORRIDORS FOR THE MANAGEMENT OF OPERATIONS

The plan corridors established on particularly busy lines help to improve the punctuality of trains and the robustness of rail operations on highly utilized infrastructure. In addition to the West (Cologne—Dortmund) and Middle (Fulda—Mannheim) corridors already established, regular operations started along the North and South corridors at the beginning of 2020. Since then, planning measures have been implemented across business units in operations on the 267 km lines in and around Hamburg and on 227 km of the Würzburg—Nuremberg line (including all feeder lines). Furthermore, additional maintenance resources will be available in the coming years to reduce the number of technical faults on tracks and switches along the corridor. The special feature of the North plan corridor is that the very highly frequented lines converge at the Hamburg hub in a star shape. Hamburg central station is effectively the heart of the corridor, as it is both a long-distance train station and a final and turning station for regional traffic from the north, east and south. As the spacing between trains is very tight, even smaller delays are considered, as these can have a major impact on the punctuality of the entire network.

CONSTRUCTION AND PUNCTUALITY MANAGEMENT CENTERS

- The Construction Management Center has continued to work on improving forecasting capacity. In the first half of 2020, the focus was on the nationwide management of construction measures that were deemed to be risky as a result of Covid-19. During the period from mid-March to the end of May 2020, 116 construction measures were identified as being risky and actively managed by a construction task force convened at short notice. About 50 fundamental issues were also identified and managed in an additional strand of work (such as regulations for housing construction workers, occupational health and safety measures, coordination with building associations and the Federal Ministry). This meant that almost all planned construction measures were executed on time despite considerable restrictions.
- In the first half of 2020, the Punctuality Management Center continued to work on the development and implementation of measures to improve punctuality. Its core tasks include the analysis of punctuality discrepancies during the year, the identification and management of measures and the monitoring of the implementation of measures. A major focus was on the development of a plan to manage the network from a punctuality perspective.

In addition, a punctuality simulation was performed for construction corridor 601 (high-speed line Stuttgart—Mannheim) and stabilization measures were derived. The Punctuality Management Center continued its core tasks, including:

- the continuous development of PlanRadar, a comprehensive early warning system for punctuality-related planning and operations,
- preparing and holding conversations about performance at Management Board level,
- establishing a project team to support the regional production operations of DB Netze Track in order to reduce disruptions and delays. The focus was on production operations in Frankfurt am Main and Hanover.

OVERARCHING PROCESSES MAKING A POSITIVE CONTRIBUTION

The integrated processes defined as part of the Strong Rail strategy are making an important contribution to the achievement of our punctuality targets. Two of the six overarching processes (managing major disruptions and PlanStart/deployment) are already fully established:

- Major disruptions, which can be caused by weather and environmental influences or impairments to infrastructure systems that have nationwide effects (interlockings disruptions), for example, represent a particular challenge. Rapid decisions and an extremely high level of operational readiness are required to provide customers and employees with the best-possible information at all times and to manage the traffic-operating situation. The focus is therefore on customer communication and operational management. All objectives relating to the management of major disruptions are covered by key performance indicators. This makes the overarching process measurable and provides the basis for continuous process improvements. Storm Sabine revealed how well the management of major disruptions is already working. The storm caused extensive disruptions, but the internal targets for disruption management were exceeded and the recovery time was kept short.
- The PlanStart/deployment overarching process focuses on the deployment process. The aim is to ensure on-schedule departures at starting stations on long-distance and regional lines, to ensure that facilities and trains are fully functional, and to guarantee the full availability of trains with all carriages and train sections. The overarching process therefore also focuses on other quality criteria, such as the correct carriage order and clean trains.

Digitalization

ECOSYSTEMS AND PARTNERSHIPS

To achieve our strategic targets, we are open to more innovation, and are systematically building strong partnerships in ecosystems on equal terms. In the future, large-scale developments of innovative solutions achieved in partnerships will complement our traditional service contracting activities. To this end, we are driving forward the systematic development of ecosystem management. For a uniform market and partner approach, as well as the focused positioning of DB Group, an umbrella brand "Beyond1435 | DB" has been developed and established for the Ecosystem&Partnership Hub that comprises all partner activities of DB Group. Partnerships are developed in specific ecosystem units. Following the strategic setup of ecosystem units, Ecosystem Management supports the development of the respective portfolio of partnerships and projects and provides the necessary expertise as an overarching team for DB Group. The overriding goal of the partnerships developed in the ecosystem units is always the implementation of the Strong Rail strategy and the fields of action of the digital and technology strategy. As the first ecosystem unit, New Mobility was transferred to the Passenger Transport division on June 1, 2020. The New Logistics ecosystem unit is currently still in development. In the first half of 2020, the focus was on the design, development and launch of the following ecosystem units:

- Production Tech: the digitalization of production processes enables a significant increase in efficiency through cost savings, capacity increases and quality improvements in the integrated rail system. Initially, the focus of this ecosystem unit is on digital maintenance.
- Sustainability Tech: the development of sustainable offers addresses customers' growing need for environmentally friendly consumption. The aim is to create a cross-industry partner network for the joint development of sustainable products and solutions so as to support our climate and sustainability goals. The issue being prioritized initially is smart buildings, especially in the area of maintenance depots, and alternative fuels and propulsion in rail vehicles.

INVESTMENTS AND PARTNERSHIPS

Deutsche Bahn Digital Ventures GmbH (DB DV) is the corporate venture capital arm of DB Group. The performance of the portfolio companies in the first half of 2020 was significantly impacted by the effects of the Covid-19 pandemic, which resulted in impairments in four portfolio companies.

Green Transformation

The Green Transformation

As one of Europe's largest transport infrastructure operators, we take responsibility for the environment. At the same time, we are feeling the effects of climate change in our core business. According to a study by the Potsdam Institute for Climate Impact Research, Germany is one of the three countries most affected by extreme weather in the world. With our focus on climate protection, nature and resources conservation and noise reduction, we are working on the key issues affecting the environment and people in line with our social responsibility and the implementation of the fundamental conviction of our Strong Rail strategy. They are included in our targets and form part of our identity as a sustainable transport service provider.

Our Strong Rail strategy creates the framework for the sustainable reduction of climate-damaging emissions and for biodiversity in the numerous adjacent nature reserves or the compensating natural spaces we have created. We ensure resource conservation, in particular by recycling building materials in the development of our infrastructure and by sorting construction and municipal waste for recycling. With noise barriers and sound-absorbing windows on new and existing lines, and whisper brakes on our freight trains, we are reducing the impact of our transport growth on local residents.

We report on the individual environmental measures taken at the business unit level in the section DEVELOPMENT OF BUSINESS UNITS 27 FF.

Climate protection

EXPANDING THE RAIL NETWORK

With a comprehensive capital expenditures program running up to 2030, together with the Federal Government we are laying the foundation for the climate-friendly transport of the future: infrastructure, tracks, energy supply and stations are being modernized to make the green railway fit for the future as an environmentally friendly mode of transport. This is a central foundation of the transport transition.

SCIENCE-BASED TARGETS INITIATIVE CONFIRMS CLIMATE TARGETS

On June 9, 2020, our climate target was approved as science-based by the Science-Based Targets initiative (SBTi). This means that DB Group is doing its bit to help achieve the targets of the Paris Agreement.

The starting point for the calculation by SBTi is the Paris climate objectives and the associated absolute reduction pathways for businesses. When assessing the company-specific reduction targets, SBTi takes into account both the sector and the size of the company. By the end of June 2020, the climate targets of 387 companies worldwide, including just four railways, were confirmed as science-based.

This confirmation by SBTi underlines the leading role that DB Group is playing in climate protection. By 2030, we want to more than halve our greenhouse gas emissions compared to 2006 and increase the share of renewable energies in the current traction mix to 80%. We are aiming to be climate neutral by 2050.

Nature and resources conservation

NEW HABITATS ON DB LAND

In collaboration with the Bodensee Stiftung, the Global Nature Fund and the Institute of Life-based Architecture, new diverse habitats are being created for plants, insects and animals on DB Group sites in a three-year project, which is part of the EU LIFE BoogiBOP project. One of the aims of these green spaces is to counter the loss of insects. Thanks to the range and diversity of areas that we have available, the potential for biodiversity is huge. The measures range from nesting aids for birds to the planting of flowering areas and sound-absorbing walls. The first projects have already been started, including a 280 m² flowering meadow at Nuremberg vehicle maintenance depot, a 1,100 m² area at Potsdam Sanssouci Park station and a sustainably managed area as part of the Six-Lakes project in Duisburg-Wedau.

ADAPTING TO CLIMATE CHANGE

After the extremely hot and dry summers of recent years, we are preparing for the possibility of more heat waves. As part of our heat program, infrastructure facilities that are susceptible to heat and dry conditions have been identified, existing processes improved and new measures piloted. The aim is to establish a modern and sustainable heat prevention system for rail infrastructure. Even before the hot season started, the annual inspection and maintenance of the infrastructure, in particular the air-conditioning systems in interlockings, have been completed. In addition to the information provided by the switch diagnostics solution DIANA (diagnostic and analysis platform), new temperature sensors are being installed on tracks and in interlockings at critical points. The use of innovative materials is being tested for cooling older concrete switching stations. The testing of WHITE TRACKS 41, which began in the previous year, was expanded in spring 2020 to include real-time temperature measurements at Pieffetalbrücke (high-speed line Hanover–Würzburg).

CHANGE IN WASTE MANAGEMENT

Since the start of 2020, waste disposal at our stations and on long-distance trains has been switched from four-way separation to two-way separation (paper and mixed waste). Waste disposal companies handle the sorting of mixed waste at state-of-the-art sorting facilities, thereby ensuring that over 85% of recyclable materials are reused. Up to now, only about 40% of waste was sorted. The paper collected continues to be recycled as before. The new collection system yields more recyclable materials and helps to achieve a better environmental balance.

Noise reduction

HALVING RAIL NOISE

Noise pollution along the tracks has already dropped significantly. More than 600 km of noise barriers have now been built as part of the voluntary Federal noise reduction program. DB Group and the Federal Government have announced further investments worth hundreds of millions of euros for the coming years to reduce the noise in particular hot spots in the Middle Rhine Valley and the Inntal Valley and along the Elbe (between Dresden and the Czech border).

The target of halving rail noise by the end of 2020 is now on the verge of being achieved. On average, rail noise is to be reduced by 10 dB(A), which is equivalent to halving the volume in terms of human hearing. Our two-pillar strategy aims to provide location-specific noise protection as an infrastructure measure on the one hand and to reduce the noise generated by the vehicle fleet on the other. The reference year is 2000. Location-specific measures primarily include noise barriers and solutions such as low noise barriers, rail dampers and rail lubrication systems directly on the track. As part of the Federal Government's voluntary noise reduction program, about 1,885 km of track have already been noise remediated and over € 1.6 billion spent since 1999. This money has also equipped tens of thousands of homes with passive soundproofing. The two-pillar strategy also aims to make freight wagons quieter. To this end, we are equipping our freight wagons with modern composite brake blocks (V-block, whisper brake) and creating new, quiet freight wagons. By the end of June 2020, over 97% of our freight wagons (about 59,500) were already traveling quietly along the tracks. DB Cargo's entire active fleet in Germany will be quiet by the end of 2020, in line with the scheduled completion date for the conversion.

MEASURES IN THE MIDDLE RHINE VALLEY

- Since December 2014, DB Group has operated two measuring stations in the Middle Rhine Valley, one in Osterspai and the other in Bad Salzig. In June 2020, about 45% of trains operating in the Middle Rhine Valley were quiet. A train is considered to be quiet if it consists of more than 90% quiet freight wagons. The proportion of quiet trains has almost tripled in the Middle Rhine Valley since 2015.
- Across 35 individual projects, noise protection measures such as rail dampers, rail lubrication systems and low and high noise barriers are being implemented to further reduce rail traffic noise in the Upper Middle Rhine Valley World Heritage Site between Koblenz/Lahnstein and Bingen/Rüdesheim. The first projects to be implemented are those that do not require an approval procedure lasting several years – like the installation of rail dampers, which are fitted directly to the rails. By May 2020, rail dampers had already been installed along some 65 km of track. Rail lubrication systems have also been installed, reducing the squealing of the rails along 1.2 km of track.

Other topics

MEETINGS WITH ENVIRONMENTAL ASSOCIATIONS

On February 25, 2020, Dr. Richard Lutz met with the heads of a number of environmental associations: Federation for the Environment and Nature Conservation Germany (Bund für Umwelt und Naturschutz Deutschland; BUND), the German Nature Conservation Association (Deutscher Naturschutzring; DNR), Environmental Action Germany (Deutsche Umwelthilfe; DUH), Greenpeace, the German Nature and Biodiversity Conservation Union (Naturschutzbund Deutschland; NABU) and the German Transport and Environmental Association (Verkehrsclub Deutschland; VCD). The discussions focused on the expansion of the network and the ongoing electrification work, the increase in the use of renewable energies and the acceleration of planning and construction processes.

Social

Number of employees and employee structure

Employees by business units	Full-time employees (FTE) [1]					Natural persons (NP)				
			Change					Change		
	Jun 30, 2020	Jun 30, 2019	absolute	%	Dec 31, 2019	Jun 30, 2020	Jun 30, 2019	absolute	%	Dec 31, 2019
DB Long-Distance	18,320	16,938	+1,382	+8.2	17,289	19,411	18,018	+1,393	+7.7	18,370
DB Regional	36,980	36,362	+618	+1.7	36,374	39,142	38,450	+692	+1.8	38,462
DB Cargo	29,874	29,198	+676	+2.3	29,525	30,409	29,660	+749	+2.5	29,998
DB Netze Track	49,832	48,021	+1,811	+3.8	48,787	51,211	49,275	+1,936	+3.9	50,107
DB Netze Stations	6,302	6,002	+300	+5.0	6,216	6,645	6,351	+294	+4.6	6,595
DB Netze Energy	1,804	1,747	+57	+3.3	1,772	1,868	1,802	+66	+3.7	1,829
Other	56,735	54,926	+1,809	+3.3	55,497	59,383	57,550	+1,833	+3.2	58,131
Integrated rail system	**199,847**	**193,194**	**+6,653**	**+3.4**	**195,460**	**208,069**	**201,106**	**6,963**	**+3.5**	**203,493**
DB Arriva	46,477	52,590	-6,113	-11.6	52,331	49,544	55,584	-6,040	-10.9	55,283
DB Schenker	73,792	75,981	-2,189	-2.9	76,153	76,873	78,993	-2,120	-2.7	79,136
DB Group	**320,116**	**321,765**	**-1,649**	**-0.5**	**323,944**	**334,486**	**335,683**	**-1,197**	**-0.4**	**337,911**
± Changes in the scope of consolidation	-115	-109	-6	+5.5	-	-119	-124	+5	-4.0	-
DB Group - comparable	**320,001**	**321,656**	**-1,655**	**-0.5**	**323,944**	**334,367**	**335,559**	**-1,192**	**-0.4**	**337,911**

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

The number of DB Group employees worldwide has decreased slightly as of June 30, 2020. The driving factors behind this decrease were the cessation of the ARRIVA RAIL NORTH FRANCHISE 46 F. on March 1, 2020 (about 6,300 FTE), and the global decrease in DB Schenker's workforce for economic reasons, partly as a result of the Covid-19 pandemic.

The number of employees in the integrated rail system, on the other hand, grew as the recruitment campaign continued in the first half of 2020 despite the Covid-19 pandemic. There has been a significant increase in the number of employees in particular in maintenance and construction project fields as well as in the operations at DB Netze Track. In addition, the number of employees in Group management and at the service providers (area Other) has increased, especially at DB Systel, for the development of innovative subject areas. DB Long-Distance, DB Regional and DB Cargo also recorded an increase in the number of employees, particularly in operating areas, due to the recruitment of employees from the external labor market and the employment of vocational trainees who have completed their training.

As of June 30, 2020, the share of employees outside Germany was about 36% (as of June 30, 2019: about 38%).

Employees by regions (FTE)	Jun 30, 2020	Jun 30, 2019	Change absolute	Change %	Dec 31, 2019
Germany	205,578	199,830	+5,748	+2.9	202,328
Europe (excluding Germany)	85,823	92,413	-6,590	-7.1	92,106
Asia/Pacific	16,694	16,737	-43	-0.3	16,890
North America	8,664	9,396	-732	-7.8	9,285
Rest of world	3,357	3,389	-32	-0.9	3,335
DB Group	**320,116**	**321,765**	**-1,649**	**-0.5**	**323,944**

Employees by regions (NP)	Jun 30, 2020	Jun 30, 2019	Change absolute	Change %	Dec 31, 2019
Germany	214,735	208,718	+6,017	+2.9	211,300
Europe (excluding Germany)	90,666	97,257	-6,591	-6.8	96,901
Asia/Pacific	16,740	16,847	-107	-0.6	16,980
North America	8,984	9,470	-486	-5.1	9,390
Rest of world	3,361	3,391	-30	-0.9	3,340
DB Group	**334,486**	**335,683**	**-1,197**	**-0.4**	**337,911**

Recruiting

DIGITAL AND WITH DISTANCING RULES

In line with our Strong Rail strategy, we have continued our major employment campaign. About 19,000 applicants received an employment commitment in the first half of 2020. When the crisis hit, we were able to adapt the recruitment strategy to the new situation within just a few days. Since then thousands of virtual interviews have been carried out. Recruitment events are also taking place in digital formats. Vocational training has also largely continued using virtual learning formats. In these Covid-19 times, we are using virtual preboarding to ensure that new employees get off to a good start.

Management, qualification and transformation

WOMEN IN LEADERSHIP POSITIONS

We want to significantly increase the number of women in leadership positions and have set a 30% target for leadership positions: over the next four years, we are aiming to increase the share of women in management from the current 20% to 30%. The aim is to further advance the equal participation of women and men.

The Management Board has decided on an extensive package of measures to ensure the implementation. This includes the introduction of a veto right on top management appointments. This comes into play if a suitable female candidate is not considered when filling a management position. In addition, the new target will be anchored in the agreed targets for managers in the future. The new targets relate to all 4,000 DB Group senior executives and concern the executive management of the 33 codetermined Group companies and the two management levels below. DB Group is thus in compliance with the legal requirements and at the same time meets the demands of the top female DB managers and the Women at DB Network. In the long term, DB Group is aiming to achieve a figure that enables truly equal participation. DB Group is also striving to further increase the share of women in the workforce as a whole. As of June 30, 2020, 49,946 of the 214,735 DB employees in Germany are women. This corresponds to 23.3%. In this context, we celebrated the longest International Women's Day under the motto #wearein on March 8, 2020. One of the highlights was the artistic illumination of Berlin's central station from March 7 until March 9, 2020. The 3D light show included the many faces of DB employees, providing an insight into the diverse DB working environment.

Other topics

15 EMPLOYEE BUILDING BLOCKS

In April 2020, we decided to implement three FURTHER BUILDING BLOCKS 9 on the topic of unified knowledge.

WORK IS RELOCATED TO WORKING FROM HOME

Thanks to the advanced digitalization of DB Group, tens of thousands of employees were able to move their work to their home at short notice during the Covid-19 pandemic. At the start of the pandemic, over 80,000 employees already had laptops and tablets equipped with the technology and tools required for efficient mobile working.

HOUSING CAMPAIGN EXPANDED

With a new digital housing exchange, DB Group is making it easier for its employees to access affordable housing. At the same time, our cooperation with other housing companies has grown and been updated from a contract perspective.

The housing campaign for vocational trainees is also continuing to take off. In February 2020, we opened the second residential home run by the nonprofit foundation Stiftung Auszubildendenwerk in Hamburg. Trainees now have access to 38 additional rooms in shared flats there.

NEW CORPORATE WEAR

Since January 2020, about 43,000 employees with customer contact have been able to order their collection of new corporate wear. Production of the clothes started in spring 2020, subsequently up to 900,000 individual pieces have been sent out. From August 1, 2020, employees will be showing off their new outfits on trains and buses, at train stations and in travel centers. The collection consists of up to 80 individual pieces, mainly in burgundy and blue. Burgundy replaces the previous DB traffic red.

Business development

Covid-19 pandemic: significantly worsening environment

DEMAND FOR MOBILITY AND FREIGHT TRANSPORT IS DECLINING SHARPLY

The first half of 2020 was characterized by the Covid-19-pandemic. As a result of this pandemic, countries about the world have imposed restrictions on leaving homes, ordered businesses to shut down and imposed entry bans. The primary objectives of these measures were to stop the spread of the pandemic and to prevent national health systems being overstretched by unmanageable numbers of patients in need of treatment.

The measures placed severe restrictions on public life. The demand for mobility therefore plummeted. At the same time, the need for consumer and capital goods fell significantly worldwide, resulting in freight transport also suffering with a considerable reduction in volumes and prices. The increased transport required for medical goods and foodstuffs only slightly mitigated this effect.

GLOBAL ECONOMY IN DEEP RECESSION

The severe constraints on economic activity have hit the global economy at a time when growth had already lost momentum. Political uncertainties such as the trade and customs disputes between the USA and China, the USA and the EU, or the possibility of a no-deal Brexit, were adversely affecting trade and demand for capital goods, leading to high levels of uncertainty among companies. The Covid-19 pandemic has significantly increased this negative trend, with the result that the economic development of all regions of the world was negative in the first half of 2020. Trade in goods also declined sharply.

In addition, the Covid-19 pandemic has exacerbated any existing weaknesses in Europe. Industrial production had already fallen in 2019 and is set to decline sharply in 2020 in view of the production shutdowns and the fall in demand.

At the same time, restrictions and bans on leaving homes also severely restricted consumer options. Moreover, the threat of unemployment and the fall in incomes, among others as a result of short-time working programs, are causing households to reduce their spending. In countries such as Great Britain, Italy, Spain and France, which have been particularly affected by the Covid-19 pandemic, these developments are more pronounced than, for example, in Germany.

In Germany, almost all sectors of the economy have been negatively impacted by the effects of the pandemic and the measures taken to combat it. Despite the lower tax income that this entails, the German Federal Government has responded with a wide RANGE OF MEASURES 5, thus attempting to cushion some of the negative development. However, compared to the first half of 2019, economic value added declined significantly overall.

ENERGY MARKETS

The central hedging policy of DB Group aims to minimize the effects of energy price fluctuations. Our activities are therefore not exposed to the full impact of changes in market prices, at least not in the short term.

Gas and diesel

			Change	
Brent crude *(USD/bbl)*	**H1 2020**	2019	absolute	%
Average price	42.1	64.2	-22.1	-34.4
Highest price	71.8	75.6	–	–
Lowest price	16.0	52.5	–	–
Final price as of Jun 30/Dec 31	41.2	66.0	-24.8	-37.6

Source: Thomson Reuters

- At the beginning of the year 2020, tensions with Iran pushed prices on the oil market to their highest level for the year so far.
- The Covid-19 pandemic caused a massive slump of about 25% in demand for oil. The considerable surplus resulted in record-high stocks. In the USA, the development of storage capacity quickly triggered a historic collapse in prices with negative oil prices following bad speculations on the futures market.

Electricity and emissions certificates

Electricity market	H1 2020	2019	Change absolute	Change %
BASE LOAD POWER (FOLLOWING YEAR) (€/MWH)				
Average price	39.5	48.1	- 8.6	- 17.9
Highest price	45.4	53.5	-	-
Lowest price	33.9	41.6	-	-
Final price as of Jun 30/Dec 31	41.9	45.0	- 3.1	- 6.9
EMISSIONS CERTIFICATES (€/T CO_2)				
Average price	22.1	24.9	- 2.8	- 11.2
Highest price	27.2	30.0	-	-
Lowest price	14.3	18.4	-	-
Final price as of Jun 30/Dec 31	27.0	24.6	+ 2.4	+ 9.8

Source: Thomson Reuters

The data for the first half of 2020 and for the year 2019 are based on information and estimates available as of July 2020.

- The Covid-19-related lockdown resulted in a decline in electricity demand. Hourly prices were always severely negative in the afternoons. The expected deep recession also caused the price for the base load for delivery in 2021 to fall.
- CO_2 pricing is supported by climate policy (EU Green deal, German climate package). The emissions trading system is to be revised across Europe.

Income situation

- *Economic development is under considerable pressure due to the effects of the Covid-19 pandemic.*
- *Revenues and operating profit figures declined significantly.*
- *Measures to expand capacity, improve quality and digitalization continued.*

COMPARABILITY WITH THE FIRST HALF OF 2019

The first half of 2020 saw the income, financial and net assets situation of DB Group significantly impacted by measures to contain the Covid-19 pandemic. Restrictions on leaving homes and traveling have meant a sharp drop in the number of travelers since March 2020. Demand in freight transport also declined significantly as a result of interruptions to international supply chains and production shutdowns on customer premises. Demand has been rising again since May 2020.

CHANGES IN THE SCOPE OF CONSOLIDATION 66 have not significantly affected income and expense development.

REVENUES

Revenues (€ million)	H1 2020	H1 2019	Change absolute	Change %
Revenues	19,423	22,014	- 2,591	- 11.8
± Special items	-	- 1	+ 1	- 100
Revenues adjusted	**19,423**	**22,013**	**- 2,590**	**- 11.8**
thereof integrated rail system	9,036	10,958	- 1,922	- 17.5
± Changes in the scope of consolidation	- 17	- 41	+ 24	- 58.5
± Exchange rate changes	63	-	+ 63	-
Revenues comparable	**19,469**	**21,972**	**- 2,503**	**- 11.4**
thereof integrated rail system	9,021	10,917	- 1,896	- 17.4

Revenues fell significantly mainly as a result of Covid-19-related declines in demand for passenger and freight transport. In addition, the CESSATION OF THE ARRIVA RAIL NORTH FRANCHISE 46 F. and the downturn at DB Cargo triggered by the economic conditions had a negative impact. By contrast, growth in revenues, mainly performance-related, at DB Long-Distance and DB Netze Track in particular has had a positive impact in the first two months of 2020.

Changes in the scope of consolidation and exchange rate changes had no noticeable effect:

- The effects of changes in the scope of consolidation related to DB Long-Distance (€ −38 million), DB Netze Stations (€ −3 million) and DB Cargo (€ +17 million).
- The effects of exchange rate changes applied primarily to DB Schenker (€ −52 million) and DB Arriva (€ −9 million).

Revenue development of business units

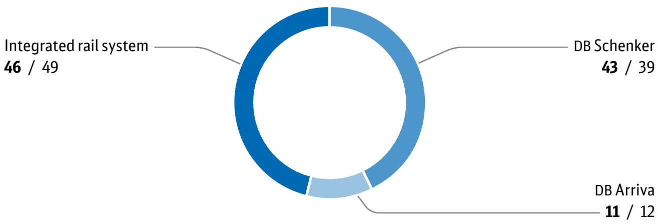
External revenues by business units (€ million)	H1 2020	H1 2019	Change absolute	Change %
DB Long-Distance	1,417	2,310	- 893	- 38.7
DB Regional	3,676	4,361	- 685	- 15.7
DB Cargo	1,845	2,141	- 296	- 13.8
DB Netze Track	877	812	+ 65	+ 8.0
DB Netze Stations	292	303	- 11	- 3.6
DB Netze Energy	601	640	- 39	- 6.1
Other	228	280	- 52	- 18.6
Integrated rail system	**8,936**	**10,847**	**- 1,911**	**- 17.6**
DB Arriva	2,058	2,687	- 629	- 23.4
DB Schenker	8,429	8,491	- 62	- 0.7
Consolidation other	-	- 12	+ 12	- 100
DB Group adjusted	**19,423**	**22,013**	**- 2,590**	**- 11.8**

External revenue development of the carriers in the INTEGRATED RAIL SYSTEM 28 FF. declined significantly. The development of the infrastructure business units was more stable, and DB Netze Track even showed an increase in external revenues as a result of the expansion of the performance of non-Group railways. In addition to the effects of the Covid-19 pandemic, the CESSATION OF THE ARRIVA RAIL NORTH

FRANCHISE 46 F. in March 2020 led to a considerable decline in revenues at DB Arriva. DB Schenker's revenues remained fairly stable.

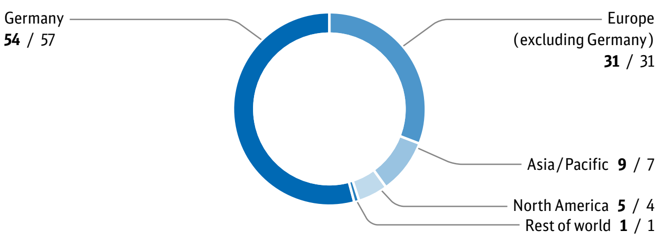
Revenue structure

External revenues by divisions *(%)* **H1 2020** / H1 2019



As a result of the decline in revenues in the business units of the integrated rail system and at DB Arriva combined with relatively stable revenue performance at DB Schenker, the revenue structure shifted slightly in favor of DB Schenker in the first half of 2020.

External revenues by regions *(%)* **H1 2020** / H1 2019



External revenues by regions *(€ million)*	H1 **2020**	H1 2019	Change absolute	Change %
Germany	10,557	12,457	-1,900	-15.3
Europe (excluding Germany)	5,934	6,836	-902	-13.2
Asia/Pacific	1,665	1,504	+161	+10.7
North America	1,022	947	+75	+7.9
Rest of world	245	269	-24	-8.9
DB Group adjusted	**19,423**	**22,013**	**-2,590**	**-11.8**

The regional revenue development took a downward trend:

- In Germany, revenues fell significantly. This was particularly due to Covid-19-related declines in demand at DB Long-Distance, DB Regional and DB Cargo.
- The revenue performance in Europe (excluding Germany) was also weaker. In addition to the effects of Covid-19, the cessation of the Arriva Rail North franchise and negative exchange rate effects also impacted the development of revenues.
- In the Asia/Pacific and North America regions, revenues increased mainly due to price effects. Exchange rate effects had a dampening effect.

INCOME DEVELOPMENT

Transition to the adjusted statement of income

The transition to the adjusted income statement is a two-step process. The RECLASSIFICATION AND ADJUSTMENT PROCEDURE (2019 INTEGRATED REPORT 102 F.) has not changed.

Operating profit figures

The following presentation describes the changes in the key items on the statement of income, adjusted for special items. Overall, exchange rate changes had only a minor effect on income and expenses. Effects resulting from changes in the scope of consolidation were not significant.

The effects of the Covid-19 pandemic have significantly impacted the economic development of DB Group during the first half of 2020. As a result, the operating profit figures showed a significant decline, primarily driven by the integrated rail system. In the integrated rail system countermeasures could only compensate for a smaller part of the effects caused mainly by Covid-19-related declines in revenues, additional personnel expenses (capacity expansion and wage increases), as well as improvements in quality and digitalization. The development of DB Arriva was also significantly weaker, primarily due to Covid-19. The increase in the operating profit at DB Schenker had a positive impact, mainly driven by the development in air freight:

- The REVENUE DEVELOPMENT 19 F. took a significantly downward trend, mainly due to Covid-19.
- Other operating income increased considerably, driven by DB Arriva. This was mainly due to the higher use of the provisions for contingent losses and the grants received by UK Bus in connection with the Covid-19 pandemic.

Operating expenses increased only marginally, mitigated by the decline in performance:

- Cost of materials fell slightly. In the integrated rail system, volume-driven lower energy expenses and purchased transport services at DB Cargo were partly compensated for by higher maintenance expenses at DB Netze Track. In addition to the Covid-19-related declines in performance, the cessation of the Arriva Rail North Franchise also reduced expenses at DB Arriva. At DB Schenker, lower purchased transport services due to declining volumes were mainly offset by higher freight rates.
- Personnel expenses increased. In addition to wage effects, the higher number of employees also impacted the integrated rail system. Mainly the cessation of the Arriva Rail North franchise and countermeasures at DB Schenker have had a mitigating effect.

Transition to the adjusted statement of income (*€ million*)	H1							Change			
		Reclassifications									
	2020	**IFRS compounding/discounting**	**Net investment income**	**PPA amortization**	**Adjustment for special items**	**2020 adjusted**	2019 adjusted	absolute	thereof due to changes in the scope of consolidation	thereof due to exchange rate effects	%
Revenues	19,423	–	–	–	–	19,423	22,013	- 2,590	- 24	- 63	- 11.8
Inventory changes and other internally produced and capitalized assets	1,695	–	–	–	–	1,695	1,490	+ 205	–	–	+ 13.8
Other operating income	1,276	–	–	–	-19	1,257	1,116	+ 141	+ 1	- 1	+ 12.6
Cost of materials	- 10,767	–	–	–	1	- 10,766	- 10,876	+ 110	+ 13	+ 46	- 1.0
Personnel expenses	- 9,155	–	–	–	78	- 9,077	- 8,902	- 175	+ 3	+ 9	+ 2.0
Other operating expenses	- 2,380	–	–	–	5	- 2,375	- 2,307	- 68	+ 3	+ 5	+ 2.9
EBITDA / EBITDA adjusted	92	–	–	–	65	157	2,534	- 2,377	- 4	- 4	- 93.8
Depreciation	- 3,375	–	–	26	1,412	- 1,937	- 1,777	- 160	- 1	+ 3	+ 9.0
Operating income (EBIT) | EBIT adjusted	**- 3,283**	**–**	**–**	**26**	**1,477**	**- 1,780**	**757**	**- 2,537**	**- 5**	**- 1**	**–**
Net interest income | Net operating interest	- 347	65	–	–	0	- 282	- 333	+ 51	- 0	- 0	- 15.3
Operating income after interest	**- 3,630**	**65**	**–**	**26**	**1,477**	**- 2,062**	**424**	**- 2,486**	**- 5**	**- 1**	**–**
Result from investments accounted for using the equity method | Net investment income	- 9	–	0	–	–	- 9	–	- 9	–	+ 0	–
Other financial result	- 30	- 65	0	–	–	- 95	- 18	- 77	- 17	+ 1	–
PPA amortization of customer contracts	–	–	–	- 26	–	- 26	- 32	+ 6	–	+ 1	- 18.8
Extraordinary result	–	–	–	–	- 1,477	- 1,477	- 97	- 1,380	–	+ 4	–
Profit / loss before taxes on income	**- 3,669**	**–**	**–**	**–**	**–**	**- 3,669**	**277**	**- 3,946**	**- 22**	**+ 5**	**–**

- Other operating expenses in the integrated rail system increased significantly, mainly as a result of the Covid-19-related revaluation of the provisions for contingent losses at DB Regional. The decline in rents and travel expenses at DB Schenker, among other things, had a mitigating effect.
- Depreciation increased significantly in the integrated rail system in particular, due to higher depreciation on vehicles, among other things, as a result of capital expenditures.

Net operating interest improved, mainly due to a fundamentally lower interest rate level. However, this had no significant mitigating effect on the significant drop in operating income.

The decline in net investment income was driven mainly by the at-equity company Barraqueiro at DB Arriva and Covid-19-related depreciations of investments at, among others, Verimi GmbH.

The significant deterioration in the other financial result was mainly due to the net higher expenses from the compounding/discounting of provisions.

Extraordinary charges increased considerably as a result of an impairment at DB Arriva:

Extraordinary result (*€ million*)	H1			
	2020	**thereof affecting EBIT**	2019	thereof affecting EBIT
DB Long-Distance	1	1	–	–
DB Regional	0	0	0	0
DB Cargo	- 13	- 13	- 2	- 2
DB Netze Track	- 2	- 2	- 2	- 1
DB Netze Stations	3	3	3	3
DB Netze Energy	–	–	–	–
Other/consolidation integrated rail system	- 70	- 70	- 68	- 68
Integrated rail system	**- 81**	**- 81**	**- 69**	**- 68**
DB Arriva	- 1,396	- 1,396	- 26	- 26
DB Schenker	0	0	- 1	- 1
Consolidation other	0	0	- 1	- 1
DB Group	**- 1,477**	**- 1,477**	**- 97**	**- 96**

The extraordinary result in the first half of 2020 consisted primarily of the following special items:

- IMPAIRMENT OF GOODWILL 64 F. as a result of the lower income and cash flow expected during the planning period due to Covid-19 (DB Arriva),
- restructuring measures (mainly under Other and at DB Cargo in the Netherlands and Germany), and
- positive effects from the adjustment of hedging transactions (DB Arriva) had a partially mitigating impact.

The composition of the extraordinary result in the first half of 2019 is shown in the 2019 INTEGRATED INTERIM REPORT 18.

Net profit / loss (after taxes)

Excerpt from statement of income (€ million)	H1 2020	H1 2019	Change absolute	Change %
Profit / loss before taxes on income	-3,669	277	-3,946	-
Taxes on income	-80	-72	-8	+11.1
Actual taxes on income	-80	-90	+10	-11.1
Deferred tax expenses (-) / income (+)	-	18	-18	-100
Net profit / loss (after taxes)	**-3,749**	**205**	**-3,954**	**-**
DB AG shareholder	-3,753	198	-3,951	-
Hybrid capital investors	13	-	+13	-
Other shareholders (non-controlling interests)	-9	7	-16	-

The significant decline in profit before taxes on income was not mitigated by the development of the income tax position, as the new tax losses incurred did not result in deferred tax income. The decline in deferred tax income was partially offset by a slightly reduced actual tax expense.

Operating profit development of business units

EBIT adjusted by business units (€ million)	H1 2020	H1 2019	Change absolute	Change %
DB Long-Distance	-720	224	-944	-
DB Regional	-597	186	-783	-
DB Cargo	-352	-132	-220	+167
DB Netze Track	170	379	-209	-55.1
DB Netze Stations	53	123	-70	-56.9
DB Netze Energy	16	23	-7	-30.4
Other/consolidation integrated rail system	-471	-376	-95	+25.3
Integrated rail system	**-1,901**	**427**	**-2,328**	**-**
DB Arriva	-153	101	-254	-
DB Schenker	278	238	+40	+16.8
Consolidation other	-4	-9	+5	-55.6
DB Group	**-1,780**	**757**	**-2,537**	**-**

The development of the ADJUSTED PROFIT FIGURES FOR THE BUSINESS UNITS 27 FF. was mainly weaker:

- The business units of the integrated rail system saw a significant decline due to the collapse in demand caused by Covid-19. Moreover, additional expenses for employees, capacity and quality measures had a negative impact.
- The performance of DB Arriva was also significantly below the level of the first half of 2019, driven mainly by the negative effects of Covid-19.
- DB Schenker saw a positive development, driven mainly by the development in air freight. Price effects more than compensated for the negative effects of Covid-19.

Financial position

- *A total of eight senior bond transactions (total volume of about € 4.2 billion).*
- *S&P adjusts the long-term rating and outlook.*

INTEREST RATE ENVIRONMENT

Yield on ten-year German Federal bonds (%)	H1 2020	2019	Change (percentage points)
Average yield	-0.43	-0.22	-0.21
Highest yield	-0.14	+0.28	-0.42
Lowest yield	-0.91	-0.74	-0.17
End yield as of Jun 30 / Dec 31	-0.46	-0.19	-0.27

Source: Thomson Reuters

Yields in the Eurozone are still very low. For example, the interest rate on ten-year German Federal bonds (bunds) consistently remained in the negative range.

FINANCIAL MANAGEMENT SYSTEM

Financial instruments (€ billion)	Volume as of Jun 30, 2020	thereof utilized	Volume as of Dec 31, 2019	thereof utilized
European debt issuance program	30.0	23.3	25.0	20.2
Australian debt issuance program	3.1	0.8	3.1	0.8
Multi-currency commercial paper program	3.0	1.7	3.0	0.9
Guaranteed unutilized credit facilities	2.0	-	2.0	-

In addition to sustainably increasing the value of the company, the financial management of DB Group also aims to maintain a capital structure that is appropriate for ensuring a very good credit rating. The key figure used for this is the DEBT COVERAGE 24.

- For long-term debt financing, DB Group has a European debt issuance program (EDIP), the volume of which was increased from € 25 billion to € 30 billion. Through Deutsche Bahn Finance GmbH (DB Finance), seven EUR bonds and one JPY bond for a total of about € 4.2 billion were issued under the EDIP. The terms ranged from 4 to 20 years. Three bonds in euros and Swiss francs totaling almost € 1.1 billion were repaid. The utilization rate declined slightly as a result of the increase in the program volume as of June 30, 2020, to about 78 % (as of December 31, 2019: about 81 %).

- Moreover, we also have access to an Australian debt issuance program (Kangaroo Program). Since bonds were neither issued nor repaid, the utilization rate as of June 30, 2020, was unchanged at about 24%.
- A multi-currency commercial paper program is available for short-term debt financing. As of June 30, 2020, the program was used with 22 EUR issues and a GBP issue with remaining terms of up to three months. As of June 30, 2020, the utilization rate rose to about 57% (as of December 31, 2019: about 30%)
- In addition, as of June 30, 2020, we had guaranteed unutilized credit facilities with residual maturities of between 1 and 2 years of € 2.0 billion, as well as a further guaranteed unutilized credit facility unchanged from before of € 0.1 billion.
- We were also able to draw on credit lines, unchanged from before, of € 2.7 billion for the operating business. These credit lines, which are made available to our subsidiaries around the world, include provision for financing working capital as well as sureties for payment.

To finance regional rail passenger transport vehicles, we have concluded a sale-and-leaseback contract for 18 new Siemens electric multiple units for the Lausitz network. The lease contract begins on December 11, 2022, and has a calculated term running until December 10, 2047. DB Regional is a lessee for the first transport contract period of 13 years with a nominal lease volume of € 62 million.

Bond issues

SENIOR BONDS

Bond issues H1 2020/ISIN	Issuer	Currency	Volume (million)	Volume (€ million)	Coupon (%)	Maturity	Term (years)
XS2102380776	DB Finance	EUR	500	500	0.750	Jul 2035	15.5
XS2117462627	DB Finance	EUR	300	300	0.000	Feb 2024	4.0
XS2136613457 [1]	DB Finance	EUR	150	150	0.232	Mar 2032	12.0
XS2152932542	DB Finance	EUR	900	900	0.500	Apr 2027	7.0
XS2156768546	DB Finance	EUR	750	750	1.375	Apr 2040	20.0
XS2193666042	DB Finance	EUR	850	850	0.375	Jun 2029	9.0
XS2193666125	DB Finance	EUR	650	650	0.875	Jun 2039	19.0
XS2195499111 [1]	DB Finance	JPY	12,000	100	0.100	Jun 2024	4.0

[1] Private placement.

The significantly higher financial needs resulting from the effects of the Covid-19 pandemic have been met with, among other things, a more intense issuance of senior bonds. We have issued eight new senior bonds through DB Finance. The equivalent value of the transactions was about € 4.2 billion (in the first half of 2019: € 2.0 billion). The demand for EUR issues came from institutional investors from Europe and Asia; the JPY senior bond was placed directly in Japan. The proceeds of the JPY senior bond were swapped in euros.

CREDIT RATINGS

Ratings DB AG	First issued	Last publication	Ratings: Short-term	Ratings: Long-term	Ratings: Outlook
S&P Global Ratings	May 16, 2000	Jun 11, 2020	A-1+	AA–	negative
Moody's	May 16, 2000	Jun 5, 2020	P-1	Aa1	negative

The creditworthiness of DB Group is constantly monitored and assessed by the rating agencies S&P Global Ratings (S&P) and Moody's. Credit ratings are an independent and up-to-date judgment on the creditworthiness of a company. Due to the ownership structure of DB AG, the approaches of the rating agencies take into account not only the quantitative and qualitative analysis of DB Group, but also an assessment of the relationship with our owner, the Federal Government, and the potential support possibilities for DB AG by the Federal Government. This means that the ratings of the Federal Government are also important for the ratings of DB AG.

S&P and Moody's published an update on the assessments of DB AG in the first half of 2020. S&P has adjusted the long-term rating of DB AG from "AA" to "AA–" due to changes in the expected short and medium-term development of DB Group attributable to Covid-19 from the perspective of S&P. This takes the rating back to the level it was at prior to the last adjustment in autumn 2019. At the same time, S&P has adjusted its rating outlook from "stable" to "negative" due, among other things, to current Covid-19-related uncertainties regarding the speed with which demand in rail transport will pick up again and the impact of Covid-19 on the development of the economic environment. The short-term rating has remained unchanged.

Moody's has left the ratings and outlook unchanged.

Further information on the topic DB.DE/RATING-E and the full analyses of the rating agencies for DB AG are available on our Investor Relations Web site.

Key economic performance indicators

Effects of the Covid-19 pandemic drive down ROCE and debt coverage.

ROCE

ROCE	H1 2020	H1 2019	Change absolute	Change %
EBIT adjusted (€ million)	-1,780	757	-2,537	-
/ Capital employed as of Jun 30 (€ million)	41,840	42,114	-274	-0.7
ROCE (%)	**-8.5**	**3.6**	**-**	**-**
Target value (%)	≥6.5	≥7.0	-	-

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

ROCE deteriorated as a result of the significant decline in adjusted EBIT, mainly due to Covid-19. Capital employed remained almost unchanged.

DEBT COVERAGE

Debt coverage (€ million)	H1 2020	H1 2019	Change absolute	Change %
EBITDA adjusted[1]	157	2,534	-2,377	-93.8
+ Net operating interest[1]	-282	-333	+51	-15.3
+ Actual taxes on income[1]	-80	-90	+10	-11.1
Operating cash flow after taxes	**-205**	**2,111**	**-2,316**	**-**
Net financial debt as of Jun 30	27,513	25,409	+2,104	+8.3
+ Pension obligations as of Jun 30	5,917	5,270	+647	+12.3
+ Hybrid capital[2] as of Jun 30	1,003	-	+1,003	-
/ Net debt as of Jun 30	**34,433**	**30,679**	**+3,754**	**+12.2**
Debt coverage (%)	**-1.2**	**13.8**	**-**	**-**
Target value (%)	≥20	≥20	-	-

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

[2] As assessed by the rating agencies, half of the hybrid capital shown on the balance sheet is taken into account in the calculation of the adjusted net debt.

Debt coverage has fallen. Operating cash flow after taxes declined significantly as a result of the fall in income caused by Covid-19. In addition, net debt increased significantly more than net financial debt as a result of the proportional inclusion of HYBRID CAPITAL (2019 INTEGRATED REPORT 107) and the increase in pension obligations.

Statement of cash flows

Summary statement of cash flows (€ million)	H1 2020	H1 2019	Change absolute	Change %
Cash flow from operating activities	-235	1,386	-1,621	-
Cash flow from investing activities	-2,414	-1,857	-557	+30.0
Cash flow from financing activities	2,397	584	+1,813	-
Net change in cash and cash equivalents	-297	119	-416	-
Cash and cash equivalents as of Jun 30/Dec 31	3,696	3,993	-297	-7.4

- The significant drop in cash flow from operating activities was mainly due to Covid-19-related DECLINES IN INCOME DEVELOPMENT 20 FF. Working capital effects partially compensated for these declines.
- The outflow of funds from investing activities continued to increase, driven mainly by the development of NET CAPITAL EXPENDITURES 25.
- The inflow of funds from financing activities increased significantly mainly due to a higher net inflow of funds from SENIOR BONDS 23 (€ +2,362 million). This increase was mitigated by the decline in the inflow of funds from financial loans (€ −546 million).
- On balance, DB Group had, as of June 30, 2020, a slightly lower level of cash and cash equivalents than at the end of the previous year.

Asset situation

- *Net financial debt has risen due to Covid-19 and capital expenditure activities.*
- *Infrastructure and rail vehicle capital expenditures in Germany are driving an increase in capital expenditures.*
- *Equity ratio has declined.*

NET FINANCIAL DEBT

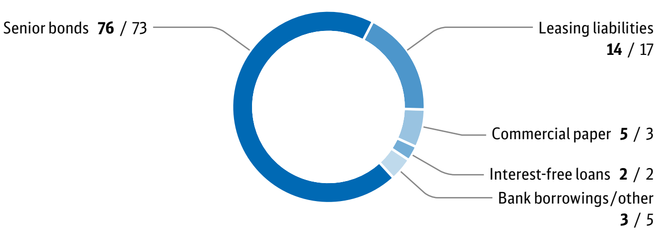
Net financial debt (€ million)	Jun 30, 2020	Dec 31, 2019	Change absolute	Change %
Senior bonds	23,788	20,966	+2,822	+13.5
Lease liabilities	4,357	5,015	-658	-13.1
Commercial paper	1,677	890	+787	+88.4
Interest-free loans	560	707	-147	-20.8
Other financial debt	1,029	1,115	-86	-7.7
Financial debt	**31,411**	**28,693**	**+2,718**	**+9.5**
− Cash and cash equivalents and receivables from financing	-4,025	-4,397	+372	-8.5
− Effects from currency hedges	127	-121	+248	-
Net financial debt	**27,513**	**24,175**	**+3,338**	**+13.8**

Net financial debt rose significantly. This was mainly due to a net need for capital, mainly as a result of the significant DECREASE IN REVENUES 19 F. due to Covid-19. As a result of the effects of the Covid-19 pandemic, working capital and capital costs could only be partially covered with internal financing. This brought about a noticeable increase to the financial debt:

- The euro value of outstanding **SENIOR BONDS** 22 F. was significantly higher due to issues. Currency rate effects did not play a key role in the development as a result of closed hedging transactions.
- Leasing liabilities declined significantly, mainly due to the cessation of the **ARRIVA RAIL NORTH FRANCHISE** 46 F.
- Commercial paper liabilities increased significantly due to issues.
- Interest-free loans fell as a result of redemptions.

- Most of our foreign currency senior bonds are hedged against exchange rate fluctuations primarily through corresponding derivatives, meaning that the exchange rate effects are largely offset by the corresponding counterpart position of the hedging transaction.
- Cash and cash equivalents fell slightly, with the result that net financial debt increased a touch more than the financial debt.

Composition of financial debt *(%)* — **as of Jun 30, 2020** / as of Dec 31, 2019



CAPITAL EXPENDITURES

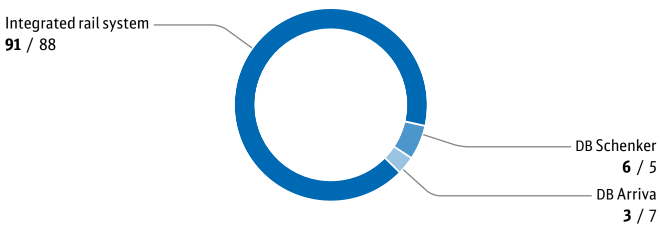
Capital expenditures *(€ million)*	H1 2020	H1 2019	Change absolute	Change %
Gross capital expenditures	5,552	4,825	+727	+15.1
thereof integrated rail system	5,034	4,241	+793	+18.7
− Investment grants	2,782	2,475	+307	+12.4
thereof integrated rail system	2,777	2,468	+309	+12.5
Net capital expenditures	**2,770**	**2,350**	**+420**	**+17.9**
thereof integrated rail system	2,257	1,773	+484	+27.3

The significant increase in gross capital expenditures was driven by the integrated rail system and resulted primarily from higher capital expenditures in rail infrastructure and vehicles at DB Long-Distance.

Investment grants, which are almost exclusively attributable to the integrated rail system, also increased significantly. They accounted for about 50% of gross capital expenditures (in the first half of 2019: about 51%).

Net capital expenditures were also significantly higher. In the integrated rail system, the increase in capital expenditures to expand capacity had a particular impact on DB Long-Distance.

Gross capital expenditures by divisions *(%)* — **H1 2020** / H1 2019



The focus of our capital expenditure activities continues to center on the integrated rail system for measures to improve performance and efficiency in the rail infrastructure sector as well as measures to rejuvenate and develop our vehicle fleet.

Capital expenditure priorities

Gross capital expenditures by regions *(€ million)*	H1 2020	H1 2019	Change absolute	Change %
Germany	5,092	4,299	+793	+18.4
Europe (excluding Germany)	393	457	-64	-14.0
Asia/Pacific	61	53	+8	+15.1
North America	25	28	-3	-10.7
Rest of world	2	9	-7	-77.8
Consolidation	-21	-21	-	-
DB Group	**5,552**	**4,825**	**+727**	**+15.1**

Net capital expenditures by regions *(€ million)*	H1 2020	H1 2019	Change absolute	Change %
Germany	2,315	1,831	+484	+26.4
Europe (excluding Germany)	388	450	-62	-13.8
Asia/Pacific	61	53	+8	+15.1
North America	25	28	-3	-10.7
Rest of world	2	9	-7	-77.8
Consolidation	-21	-21	-	-
DB Group	**2,770**	**2,350**	**+420**	**+17.9**

In the regional breakdown of gross capital expenditures, the focus remained on the integrated rail system, especially in Germany. The increase is mainly due to infrastructure measures and vehicle procurements at DB Long-Distance.

BALANCE SHEET

Balance sheet (*€ million*)	**Jun 30, 2020**	Dec 31, 2019	Change absolute	Change %
Total assets	64,493	65,828	-1,335	-2.0
ASSETS				
Non-current assets	51,797	53,213	-1,416	-2.7
Current assets	12,696	12,615	+81	+0.6
EQUITY AND LIABILITIES				
Equity	9,851	14,927	-5,076	-34.0
Non-current liabilities	36,170	32,820	+3,350	+10.2
Current liabilities	18,472	18,081	+391	+2.2

Balance sheet structure (*%*) **as of Jun 30, 2020** / as of Dec 31, 2019

There were no material changes to the International Financial Reporting Standards (IFRS) regulations for DB Group's consolidation and accounting principles that would result in any changes to the consolidated financial statements.

The total assets were slightly below the level of the previous year-end:

- Non-current assets fell. In particular, the decline in intangible assets (€ –1,522 million) was mainly due to an **IMPAIRMENT AT DB ARRIVA** 64 f. By contrast, property, plant and equipment (€ +119 million), among other things, rose. In the integrated rail system, mainly due to vehicle acquisitions at DB Long-Distance, as well as the effects of an increase in the Group's share in infrastructure capital expenditures in connection with the Performance and Financing Agreement (Leistungs- und Finanzierungsvereinbarung; LuFV) III.
- Current assets increased slightly. The main factor was an increase in inventories (€ +408 million), particularly at DB Regional. Other receivables and assets (€ +166 million) also rose due to balance sheet date effects. In contrast, cash and cash equivalents (€ –297 million) and derivative financial instruments (€ –108 million) declined.

In structural terms, this did not result in any major changes on the asset side.

On the equity and liabilities side, equity declined significantly. The net loss (after taxes) attained (€ –3,749 million) was considerable. In addition, the dividend payment to the Federal Government (€ –650 million) and the decrease in the changes posted in the reserves in connection with the revaluation of pensions (€ –571 million) also had the effect of reducing equity, mainly due to significantly lower interest rates.

The disproportionate decline in equity also led to a considerable decline in the equity ratio.

- Non-current liabilities increased significantly. In essence, this development was characterized by:
  - higher non-current **FINANCIAL DEBT** 24 f. (€ +2,422 million);
  - an increase in pension obligations (€ +563 million) mainly due to a decrease in the interest rate on revaluation (this was partly offset by the **CESSATION OF THE ARRIVA RAIL NORTH FRANCHISE** 46 f.); and
  - higher other liabilities (€ +257 million).
- Current liabilities rose slightly. In essence, this development was characterized by:
  - higher other liabilities (€ +392 million) due to the balance sheet date;
  - increased current financial debt (€ +296 million) due to commercial paper issues (€ +787 million), mitigated, among other things, by lower bonds falling due in the short term (€ –334 million); and
  - higher other provisions (€ +198 million), mainly as a result of revaluations.
  - Offsetting this, a decline in trade liabilities (€ –498 million).

The structure of the equity and liabilities side has shown a shift toward, in particular, an increased share of non-current liabilities, due to the decrease in equity.

PROCUREMENT VOLUME

The procurement volume amounted to € 18.6 billion (first half of 2019: € 18.1 billion) and corresponds to the contractual obligations entered into by DB Group with suppliers. In the case of later realization, these become capital expenditures or expenses.

- Freight and freight forwarding services fell slightly to € 5.3 billion (first half of 2019: € 5.4 billion).
- Industrial products rose to € 4.8 billion (first half of 2019: € 4.2 billion), in particular due to the procurement of trains for the metro (S-Bahn) in Berlin.
- The purchasing volume of construction and engineering services fell to € 3.6 billion (first half of 2019: € 3.9 billion).
- Third-party services increased to € 3.7 billion (first half of 2019: € 3.2 billion), partially due to a greater demand for IT services.
- Cable- and pipe-bound power and fuel fell significantly to € 1.2 billion (first half of 2019: € 1.4 billion).

The procurement of protective products for customers and employees to manage the pandemic was significantly expanded.

Development of business units

28 — Business units in the integrated rail system
46 — DB Arriva business unit
50 — DB Schenker business unit

Overview of business units

Revenues adjusted *(€ million)*	Total revenues				External revenues			
	H1		Change		H1		Change	
	2020	2019	absolute	%	2020	2019	absolute	%
DB Long-Distance	1,485	2,392	- 907	- 37.9	1,417	2,310	- 893	- 38.7
DB Regional	3,727	4,412	- 685	- 15.5	3,676	4,361	- 685	- 15.7
DB Cargo	1,968	2,270	- 302	- 13.3	1,845	2,141	- 296	- 13.8
DB Netze Track	2,732	2,803	- 71	- 2.5	877	812	+ 65	+ 8.0
DB Netze Stations	647	680	- 33	- 4.9	292	303	- 11	- 3.6
DB Netze Energy	1,309	1,410	- 101	- 7.2	601	640	- 39	- 6.1
Other	2,488	2,398	+ 90	+ 3.8	228	280	- 52	- 18.6
Consolidation integrated rail system	- 5,320	- 5,407	+ 87	- 1.6	–	–	–	–
Integrated rail system	**9,036**	**10,958**	**- 1,922**	**- 17.5**	**8,936**	**10,847**	**- 1,911**	**- 17.6**
DB Arriva	2,059	2,690	- 631	- 23.5	2,058	2,687	- 629	- 23.4
DB Schenker	8,463	8,525	- 62	- 0.7	8,429	8,491	- 62	- 0.7
Consolidation other	- 135	- 160	+ 25	- 15.6	–	- 12	+ 12	- 100
DB Group	**19,423**	**22,013**	**- 2,590**	**- 11.8**	**19,423**	**22,013**	**- 2,590**	**- 11.8**

Operating profit figures *(€ million)*	EBITDA adjusted				EBIT adjusted			
	H1		Change		H1		Change	
	2020	2019	absolute	%	2020	2019	absolute	%
DB Long-Distance	- 552	367	- 919	–	- 720	224	- 944	–
DB Regional	- 276	512	- 788	–	- 597	186	- 783	–
DB Cargo	- 176	20	- 196	–	- 352	- 132	- 220	+ 167
DB Netze Track	516	708	- 192	- 27.1	170	379	- 209	- 55.1
DB Netze Stations	124	201	- 77	- 38.3	53	123	- 70	- 56.9
DB Netze Energy	60	65	- 5	- 7.7	16	23	- 7	- 30.4
Other/consolidation integrated rail system	- 196	- 156	- 40	+ 25.6	- 471	- 376	- 95	+ 25.3
Integrated rail system	**- 500**	**1,717**	**- 2,217**	**–**	**- 1,901**	**427**	**- 2,328**	**–**
DB Arriva	93	326	- 233	- 71.5	- 153	101	- 254	–
DB Schenker	569	499	+ 70	+ 14.0	278	238	+ 40	+ 16.8
Consolidation other	- 5	- 8	+ 3	- 37.5	- 4	- 9	+ 5	- 55.6
DB Group	**157**	**2,534**	**- 2,377**	**- 93.8**	**- 1,780**	**757**	**- 2,537**	**–**
Margin (%)	0.8	11.5	–	–	- 9.2	3.4	–	–

Capital expenditures *(€ million)*	Gross capital expenditures				Net capital expenditures			
	H1		Change		H1		Change	
	2020	2019	absolute	%	2020	2019	absolute	%
DB Long-Distance	573	169	+ 404	–	573	169	+ 404	–
DB Regional	189	273	- 84	- 30.8	188	269	- 81	- 30.1
DB Cargo	136	163	- 27	- 16.6	136	163	- 27	- 16.6
DB Netze Track	3,309	2,875	+ 434	+ 15.1	841	636	+ 205	+ 32.2
DB Netze Stations	497	397	+ 100	+ 25.2	236	216	+ 20	+ 9,3
DB Netze Energy	68	67	+ 1	+ 1.5	21	23	- 2	- 8.7
Other/consolidation integrated rail system	262	297	- 35	- 11.8	262	297	- 35	- 11.8
Integrated rail system	**5,034**	**4,241**	**+ 793**	**+ 18.7**	**2,257**	**1,773**	**+ 484**	**+ 27.3**
DB Arriva	203	323	- 120	- 37.2	198	316	- 118	- 37.3
DB Schenker	315	261	+ 54	+ 20.7	315	261	+ 54	+ 20.7
Consolidation other	–	–	–	–	–	–	–	–
DB Group	**5,552**	**4,825**	**+ 727**	**+ 15.1**	**2,770**	**2,350**	**+ 420**	**+ 17.9**
thereof investment grants	2,782	2,475	+ 307	+ 12.4	–	–	–	–

Business units in the integrated rail system

DEVELOPMENTS IN RELEVANT MARKETS

The developments described below are based on preliminary data available to date and data which sometimes have different time horizons, since full information about developments in the first half of 2020 was not available as at the time of writing.

German passenger transport market

- In the first half of 2020, the Covid-19 pandemic had a serious impact on German passenger transport, with mobility providers either restricting their services or suspending them completely. The extent to which this happened differed across individual market segments.
- Motorized private transport reduced at some points by up to 40 % in large cities and up to 60 % on federal highways, but recovered faster than other modes of transport as public life and economic performance resumed. The underlying reasons for this are an increased preference for private transport, along with low fuel prices.
- Even at the beginning of 2020, journeys on domestic German air transport had significantly reduced; the Covid-19 pandemic saw volume sold fall by up to 99 %. Supply and demand are increasing again, albeit slowly.

RAIL PASSENGER TRANSPORT

- Following an abrupt collapse of demand, rail passenger transport saw a significant reduction in volume sold (–14.1 %) in the first quarter of 2020.
- Regional rail passenger transport experienced a considerable decline (–15.9 %) due to a lack of private and commuter journeys; DB Regional saw a corresponding decrease in performance (–17.3 %) in the first quarter of 2020.
- Long-distance rail passenger transport saw substantial increases at the beginning of 2020 due to a number of factors including a reduction in VAT on long-distance tickets, however from mid-March 2020 it experienced significant losses due to a sharp fall in the number of private and business journeys; DB Long-Distance recorded a corresponding loss of volume sold (–12.2 %) in the first quarter 2020; FlixTrain has suspended its range of services since mid-March 2020.

PUBLIC ROAD PASSENGER TRANSPORT

- Public road passenger transport experienced significant losses in volume (–10.4 %) for scheduled services in the first quarter of 2020.
- Local bus transport declined less sharply (–9.5 %) due to publicly ordered basic services; DB Regional Bus saw a significant drop in volume (–26.8 %) in the first quarter of 2020.
- Long-distance bus services completely ceased operations between mid-March and the end of May 2020; market leader FlixBus has offered services on limited routes since the end of May and BlaBlaBus since the end of June 2020.

German freight transport market

The reduction in demand that was already evident during the previous year, due to the economic slowdown and decline in industrial production, continued at the beginning of 2020. This means that even before the Covid-19 measures, which were implemented in March 2020, there was a decline in performance across the different modes of transport, which then became massively more pronounced in subsequent months.

- Domestic and foreign demand dropped sharply in almost all industrial sectors. Production and incoming orders fell in terms of percentage, in some cases noticeably in double digits, for example in the steel and automotive industries.
- Special items not related to the economic situation – for example, structural changes as part of the ongoing energy transition and initial shipping restrictions in the Rhine and Elbe due to low water levels – also had a negative impact.
- Overcapacity across modes of transport as a result of the drop in demand has led to a noticeable increase in price pressure. This applies not only to inter- and intramodal transport, but also to the forwarders.
- In the inland waterway sector, volume sold has already fallen by about 10 % in the first quarter of 2020. Particularly affected were transport in the coal, ore / building materials, coke / petroleum products and chemical sectors. The situation has worsened further over subsequent months; according to the Federal Office of Freight Transport, this was also reflected in sharp volume declines in seaport hinterland transport.

RAIL FREIGHT TRANSPORT

In accordance with previous publications by the Federal Statistical Office, the volume sold for rail freight up to April 2020 fell by almost 9 %. The most significant decreases were observed in the automotive, coal / coke, ore and steel sectors. In light of the developments of DB companies during the subsequent months and the train-path kilometers, a double-digit percentage drop in performance is expected for the first half of 2020 across the entire rail freight transport sector. Intramodal shifts between DB companies and non-Group railways were observed in both directions.

- At the DB companies, the weak performance of the previous year, primarily due to recession, continued in the first quarter of 2020 and was significantly aggravated from mid-March 2020 onwards by Covid-19-related measures. The assumption of additional supply transport during the Covid-19 lockdown was only partially able to mitigate these effects, as the sectors and industries with a high transport share also recorded the sharpest declines. These include, in particular, combined transport as well as the steel, ore, coal, automotive and chemical industries.
- According to our calculations, the non-Group railways also remained considerably below the previous year's level and experienced a comparable situation to DB companies up to April 2020. Losses were particularly evident in automotive and coal/coke operations.

ROAD FREIGHT TRANSPORT

Truck transport also exhibited a decline in performance; however, this was less pronounced than for rail freight and inland waterway, not least due to the significantly different freight structure. The increased transport share from consumer goods and construction industries had a stabilizing effect, as did parcel shipments, in particular relating to e-commerce. The difficulties and uncertainties of the haulage companies are also reflected in the significant decline in new truck registrations. Although the reduced cost of diesel compared with the previous year is relieving cost pressures in the industry, this is being offset by a number of increased costs, including higher organizational expenses. The issue of driver shortages also continued during the crisis.

- According to our calculations, volume sold fell by about 5% until June 2020.
- This development is also reflected in toll statistics from the Federal Office of Freight Transport in the first half of 2020. Mileage fell by 4.5% on the toll road network. In contrast to previous years, the development of vehicles registered abroad was weaker than that of trucks from Germany.

European rail freight transport market

Volume sold in European rail freight transport (EU 27, Switzerland, Norway and Great Britain) fell by about 10% in the first months of 2020. The main reason for the drop in demand for transport is the Covid-19 pandemic. As a result, routes via the North Sea ports of Antwerp, Rotterdam and Hamburg also lost their stabilizing function. The continuing decline of coal transport has put an additional burden on the rail freight market.

- Rail freight transport volume sold in Great Britain fell by about 13% in the first half of 2020. The most severe decreases were observed in the coal, petroleum and building materials sectors, along with international transports. At DB Cargo UK, as well as in the overall market, volume sold declined significantly in the first half of 2020.
- In Poland, rail freight transport volume sold fell by more than 14% up to May 2020. This decline in volume impacted all industrial sectors, while the most significant declines were seen in ore, metal and building material transport. According to the UTK rail transport office, combined transport has developed above average with a share of about 12% of the total market volume. DB Cargo Polska also recorded a double-digit percentage decline in volume.
- In France, volume sold for rail freight fell by more than 15% in the first quarter of 2020, mainly due to nationwide strikes against pension reform that took place at the beginning of 2020. A sharp decline in demand for transport is also expected in the second quarter 2020 as a result of the Covid-19 pandemic. At the end of March 2020, freight transport in France had already fallen to between about 50 and 60% of its normal volume. A weak development of volume sold was also seen in Euro Cargo Rail (ECR), which experienced a drop well into the double-digit percentage range.

DB LONG-DISTANCE BUSINESS UNIT

Events in the first half of 2020

DEALING WITH THE COVID-19 PANDEMIC

From the beginning of March to the end of April 2020, we steadily reduced our range of long-distance transport services to a stable basic schedule which represented about 75% of the regular schedule. To do this, the DB Group was in constant dialog with the health authorities of the Federal Government and the Federal states, the Federal Ministry of the Interior and the BMVI in order that appropriate operating decisions could be made in relation to the current situation. Government regulations meant that at times there were severe restrictions on national and, in particular, international long-distance transport. From mid-May 2020, services gradually started up again.

VEHICLE AVAILABILITY

Vehicle availability was also affected by the Covid-19 pandemic. By rapidly implementing a stable basic schedule, DB Long-Distance has seized opportunities to increase vehicle availability. A balance could be struck between decreased volume produced and the performance capability of the facilities. Technical vehicle faults and malfunctions in the passenger area (for example WiFi, reservations) could be reduced as a result of decreased use. During the ramp-up of traffic to the initial level, a disproportionate increase in disruptions was avoided by reducing Covid-19-related restrictions in traffic facilities, while train quality was maintained in the destination area.

The conversion of ICE T multiple units to new-design wheel sets has been completed. This will reduce scheduled maintenance requirements and increase punctuality. The ICE T Quality Plan program, launched in the previous year, will replace or upgrade technical components of ICE T multiple units. This will stabilize the technical reliability – and thus vehicle availability – of the ICE T fleet for the next few years.

In the case of Stadler Intercity 2 trains, a further important milestone has been reached since the start of operations in March 2020. DB Long-Distance and Stadler Pankow GmbH have signed a contract for the development, integration, testing and approval of the European Train Control System (ETCS) vehicle equipment. This will involve an upgrade to the most recent version of ETCS. Approved for operation at 200 km/h in Germany, these trains represent a high-quality and future-proof part of the long-distance transport fleet.

The ICE 1 scheduled service to Switzerland ended with the timetable change in June 2020. These services are now fully covered by ICE 4. By the end of 2021, the Swiss-capable ICE 1 sub-fleet will be fully aligned with the main fleet and, among other modifications, will be converted to the new ETCS standard baseline 3.4.0.

VEHICLE PROJECTS IN LONG-DISTANCE TRANSPORT

- The prototype train for ICE 1 modernization was completed and will begin its trial operation at the beginning of the second half of 2020. Among other modifications, the trains will be equipped with new seat covers, carpets, a modern passenger information system and improved drive technology.
- The contract for 30 new high-speed trains (ICE 3 neo) was awarded to Siemens AG. The first vehicles are to be used on the Cologne/Rhine-Main high-speed railway line from 2022. Seating capacity will increase by about 13,000 seats. The order volume amounts to about € 1 billion. There is the option to order a total of 90 vehicles.

Digitalization and innovation

EXTENSION OF COMFORT CHECK-IN

Comfort check-in allows passengers with a mobile or online ticket to check themselves in and pass through ticket control without interruption. This service is available on ICE, on individual Intercity routes, as well as select cross-border routes. Comfort check-in can now also be used via Web browser at bahn.de/jetzt-einchecken. It is also possible to change your seat after check-in and select a new seat.

Development in the first half of 2020

- *Very good development of customer satisfaction, even before Covid-19 restrictions.*
- *Positive punctuality performance.*
- *Volume increases at the beginning of 2020.*
- *From March 2020, noticeable burdens due to the impact of the Covid-19 pandemic.*
- *Capital expenditures significantly higher – further commissioning of new vehicles.*

	H1		Change	
DB Long-Distance	**2020**	2019	absolute	%
Punctuality (rail) (%)	83.5	77.2	–	–
Customer satisfaction (SI)	80.4	77.4	–	–
Passengers (rail) (million)	41.0	71.8	- 30.8	- 42.9
Passengers (long-distance bus) (million)	0.1	0.3	- 0.2	- 66.7
Volume sold (rail) (million pkm)	11,634	20,894	- 9,260	- 44.3
Volume sold (long-distance bus) (million pkm)	25.0	83.0	- 58.0	- 69.9
Volume produced (million train-path km)	68.1	73.0	- 4.9	- 6.7
Load factor (%)	31.6	53.3	–	–
Total revenues (€ million)	1,485	2,392	- 907	- 37.9
External revenues (€ million)	1,417	2,310	- 893	- 38.7
EBITDA adjusted (€ million)	- 552	367	- 919	–
EBIT adjusted (€ million)	- 720	224	- 944	–
Gross capital expenditures (€ million)	573	169	+ 404	–
Employees as of Jun 30 (FTE)	18,320	16,938	+ 1,382	+ 8.2

Punctuality was noticeably improved. Covid-19 measures and the resulting significant decline in passenger numbers, along with reduced capacity utilization across the network, had a positive effect in this regard. Punctuality improvement measures in the period before the Covid-19 pandemic also contributed to this.

Customer satisfaction also increased. One of the main reasons for this was a good level of punctuality, but also the fact that capacity-related categories received better ratings due to the reduced volume of passengers (for example satisfaction with the number of free seats, cleanliness on board and train personnel). Customers also view positively the fact that operations were largely maintained during the Covid-19 restrictions and that precautionary measures were taken.

The performance development in rail transport declined sharply:

- At the beginning of 2020, the number of passengers and the volume sold saw a positive development due to price measures resulting from the reduction in VAT, along with the extension of services on – among others – the Berlin—Munich and North Rhine-Westphalia—Stuttgart lines. Since March 2020, this positive development has been overshadowed by the negative effects of the Covid-19 pandemic.
- At the beginning of the year 2020, volume produced developed equally positively, in particular due to the expansion of services on the Berlin—Munich line and the commissioning of KISS trains. The negative impact of the Covid-19 pandemic and the corresponding reduction in services to a stable basic schedule resulted in a reduction in volume produced. However, this decline was considerably lower in relation to volume sold.
- Load factor reduced significantly as a result of the decline in volume sold and passenger numbers.

In the case of bus transport, the effects of the Covid-19 pandemic also led to a reduction in volume sold and passenger numbers.

As a result of the impact of the Covid-19 pandemic, operating profit figures have deteriorated significantly and the economic situation is tense:

- At the beginning of 2020, revenues continued to develop positively even further, particularly as a result of a reduction in VAT on tickets and the expansion of services. Overall, however, the first half of 2020 saw a significant drop in revenues as a result of declining demand due to the Covid-19 pandemic.
- The decrease in other operating income (–13.0 %/€ –13 million) is due, among other things, to reduced revenues from vehicle sales and international routes as a result of the Covid-19 pandemic.

On the expenses side, there was some relief as a result of the decreased volume produced, although this was disproportionately low in relation to revenue development. Personnel and maintenance expenses also increased, along with depreciation:

- The decline in the cost of materials (–2.3 %/€ –31 million) was primarily driven by performance-related reduced infrastructure and energy expenses resulting from the Covid-19 pandemic. Conversely, the maintenance expenses increased as a result of additional measures during the restricted schedule.
- The higher personnel expenses (+7.2 %/€ +37 million) were primarily due to wage increases and the increased number of employees.
- Other operating expenses remained nearly unchanged (–1.5 %/€ –4 million). This was largely due to reduced expenses for marketing, car rental and training being for the most part offset by increased expenses for IT and consulting services.
- The significant increase in depreciation (+17.5 %/€ +25 million) is due primarily to newly procured ICE 4 and Intercity 2 trains (including KISS vehicles) and the capitalization of the ICE 3 redesign program. The fact that ICE T trains have reached the end of their useful life in terms of accounting had a counteractive effect.

Capital expenditure activity increased significantly. Alongside vehicle procurements, in particular of ICE 4 trains, capital expenditures in the redesign of ICE 3 trains and in new projects (WiFi on Intercity 1 trains, production platform) have had an impact.

The number of employees increased as of June 30, 2020, due to the continued implementation of the Strong Rail strategy.

DB REGIONAL BUSINESS UNIT

Development of transport contracts and order book

RAIL TRANSPORT

Transport contracts awarded (rail) (H1 2020)	Term	Volume (million train km) p. a.[1]	total[1]
Franconia—South Thuringia	12/2023 - 12/2035	5.7	68.4
S-Bahn (metro) Rhine-Ruhr, subnetwork A (S1/S4)	12/2021 - 12/2031	4.9	49.0
VVO diesel network	12/2021 - 12/2031	2.1	20.6
RB 20 (Euregiobahn)[2]	12/2021 - 12/2025	1.6	6.3
Electro-network Saar RB lot 2 Saarbrücken – Sankt Wendel	02/2020 - 12/2020	0.3	0.3
Total[1]		**14.5**	**144.5**

[1] Differences due to rounding are possible.

[2] Possible option to shorten/extend contracts.

Since January 1, 2020, only procedures for which a new contract has been concluded have been included in the calculation of the award figures. The previous year's figures were adjusted accordingly.

In the regional rail passenger transport market in Germany, seven tender procedures were concluded by the contracting organizations in the first half of 2020 (first half of 2019: ten tender procedures). In total, about 19 million train-kilometers (train km) were awarded (first half of 2019: 45 million train km). Of the train km awarded in the first half of 2020, some 63 % were previously provided by DB Group companies.

DB Regional was able to win five contracts (first half of 2019: five contracts), or 77% (first half of 2019: 45%) of train km awarded p.a.

BUS TRANSPORT

Transport contracts awarded (bus) *(H1 2020)*	**Term**	**Volume (million cvkm)** p.a.[1]	total[1]
RD-ECK North-west (lot 1)	01/2021-2/2030	3.2	31.9
RD-ECK South-west (lot 3)	01/2021-2/2030	2.2	22.3
RZ8 (center) Lauenburg lot 1 (Schwarzenbek)	12/2020-2/2030	2.1	21.2
RD-ECK North-east (lot 2)	01/2021-12/2030	1.9	19.3
RD-ECK South-east (lot 4)	01/2021-12/2030	1.8	17.8
Germersheim lot 3 (South)	12/2020-2/2030	1.0	10.4
District Erlangen–Höchstadt LB 5	01/2021-2/2030	1.0	9.7
KVV–Ettlingen 01	12/2020-2/2028	1.0	7.7
Other (18 contracts)	2-10 years	5.2	39.4
Total [1]		**19.5**	**179.7**

[1] Differences due to rounding are possible.

In bus services, a volume of 61 million commercial vehicle kilometers (cvkm) were awarded in Germany in the first half of 2020 (first half of 2019: 70 million cvkm) in 91 tenders (first half of 2019: 83 tenders). Of the newly awarded cvkm, 44% (first half of 2019: 36%) were previously operated by DB Regional Bus.

In the first half of 2020, we participated in 59 tenders (first half of 2019: 44 tenders) with a volume of 40 million cvkm (first half of 2019: 48 million cvkm). We won 48% of the tender procedures in which we participated (first half of 2019: 31%).

ORDER BOOK

Order book *(€ billion)*	**Jun 30, 2020**	Dec 31, 2019	Change absolute	Change %
DB Regional	71.4	72.6	-1.2	-1.7
secured	55.1	56.0	-0.9	-1.6
unsecured	16.3	16.6	-0.3	-1.8

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

Order book has declined slightly overall. The additions from won transport contracts of about € 2.9 billion were offset by disposals of about € 4.2 billion, mainly as a result of services rendered.

Events in the first half of 2020

DEALING WITH THE COVID-19 PANDEMIC

From mid-March 2020, we reduced our regional transport services to a stable basic schedule, which represented about 70% of normal services. To this end, DB Group maintained constant dialog with the contracting organizations of the Federal states in order to make appropriate operating decisions based on the current situation. From April 2020, services gradually started up again.

VEHICLE CONVERSION MEASURES

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

- Since 2016, 72 vehicles from a total of 111 vehicles of the 474 series have been converted for the S-Bahn (metro) Hamburg.
- A total of 36 vehicles of the 420 series and 238 vehicles of the 423 series are to be refurbished for the S-Bahn (metro) Munich. In the first half of 2020, 11 electric multiple units of the 420 series and 39 electric multiple units of the 423 series were modernized. There have been delays for both modernization projects.
- Six additional vehicles of the 425 series were converted for regional railway 27 in the East Rhine network.
- For the Haarachse network, conversion work was completed on 20 double-deck cars and five locomotives.
- Twenty of the 27 diesel multiple units from the 642 series were converted for the North West Hesse network.
- For the Hohenlohe–Franken–Untermain network, a total of 35 diesel multiple units from the 642 series were converted.
- Seventeen diesel multiple units from the 648 series were modernized for the Nuremberg diesel network.
- Seven diesel multiple units from the 612 series were modernized for the Allgäu II diesel network.

NEW VEHICLE PURCHASES

- For the Rhine-Mosel-Express, delivery of vehicles of the 1440 series from Alstom was completed and all 26 vehicles were accepted as scheduled. Delivery of the same vehicle type has also begun for the Nuremberg S-Bahn (metro); 21 out of a total of 27 vehicles have now been accepted.
- 18 multiple units of the 463 series were ordered by Siemens for the Lausitz network. Following delivery at the end of 2022, the vehicles will be transferred to a leasing company and leased from them.
- After the award of the contract for the Franken–South Thuringia network, a total of 26 double-deck electric multiple units of the 1462 series are to be procured from Siemens. Following delivery in 2023/2024, the vehicles will be transferred to a leasing company and leased from them.

VEHICLE AVAILABILITY

Vehicle availability improved in the first half of 2020. However, delays and restrictions still affected the delivery of new trains:

- For the S-Bahn (metro) Hamburg transport contract, which began in December 2018, so far 69 of the total 82 vehicles of the 490 series have been contractually accepted. An additional five vehicles are being employed within the scope of a transfer of use.
- Acceptance began in the first half of 2020 for PESA Link diesel multiple units from the 633 series for the Allgäu D-network transport contract. By the end of June 2020, 13 vehicles were accepted and successively handed over to the leasing company. The last vehicle from the 632 series was successfully delivered for the Dreieich transport contract.
- Delivery of Škoda vehicles ordered for the Nuremberg–Ingolstadt–Munich Express is not expected to be completed until the last quarter of 2020 due to existing defects.
- Not all of the trains ordered for the Rhine Valley network could be made available before the start of operations at the small timetable change. The 15 Siemens vehicles from the 1462 series were delivered in full by the end of June 2020, but have not yet been finally approved. Of the 24 vehicles from the 463 series ordered, two vehicles have been delivered.
- Of the five vehicles planned for the first half of 2020, no deliveries have yet been made for the Rhine-Neckar network, network 6b.

Digitalization and innovation

- WiFi equipment is being installed in many regions. From September 2020, it will also begin for the Munich S-Bahn (metro). Hamburg S-Bahn (metro) is also working on WiFi expansion at its stations. In the meantime, over 90% of Hamburg's S-Bahn stations are supplied with WiFi. Expansion to all remaining stations will begin in 2020 as well.

Environmental measures

- Since January 2020, regional trains in Baden-Württemberg have for the first time been operating along six routes using 100% green energy. Rail transport on these routes requires about 125 gigawatt-hours (GWh) per year. This corresponds to the consumption of about 40,000 two-person households.
- About 850 rail vehicles have been equipped with telematics systems that measure fuel consumption and make driving recommendations for the driver. Indications of significant energy savings have already been seen during initial test drives. After the system has been completely rolled out, energy-efficient driving should save about 30,000 t CO_2e annually.
- Since 2013, long-distance bahn.business customers have been traveling on 100% green energy. This has also applied to domestic local transport since January 2020. All indirect greenhouse gas emissions are offset by service provider Atmosfair as part of the bahn.business customer program.

Legal topics

STATE AID PROCEDURES AND REQUESTS FOR INFORMATION ON TRANSPORT CONTRACTS

A formal investigation procedure by the EU Commission against the Federal Goverment is still pending concerning the alleged granting of unlawful state aid following conclusion of a transport contract between DB Regional and the Federal states of Brandenburg and Berlin. This also applies to preliminary assessment procedures for the Berlin S-Bahn (metro) transport contract, the transport contract with the Rhine-Ruhr Transport Association (Verkehrsverbund Rhein-Ruhr; VRR) and the Baden-Württemberg transport contract.

Development in the first half of 2020

- *The Covid-19 pandemic and performance losses result in negative revenue development.*
- *As a result, operating profit figures are worsening.*

	H1		Change	
DB Regional	**2020**	2019	absolute	%
Punctuality (rail) (%)	96.0	94.7	-	-
Punctuality (bus) (%) [1]	82.8	82.1	-	-
Passengers (million)	807.3	1,259	-451.7	-35.9
thereof rail	621.5	977.7	-356.2	-36.4
Volume sold (million pkm)	14,097	23,661	-9,564	-40.4
thereof rail	12,115	20,382	-8,267	-40.6
Volume produced (rail) (million train-path km)	204.6	226.9	-22.3	-9.8
Volume produced (bus) (million bus km)	221.6	249.2	-27.6	-11.1
Total revenues (€ million)	3,727	4,412	-685	-15.5
External revenues (€ million)	3,676	4,361	-685	-15.7
Rail concession fees (€ million)	2,573	2,803	-230	-8.2
EBITDA adjusted (€ million)	-276	512	-788	-
EBIT adjusted (€ million)	-597	186	-783	-
Gross capital expenditures (€ million)	189	273	-84	-30.8
Employees as of Jun 30 (FTE)	36,980	36,362	+618	+1.7

[1] Change in method from 2020 onwards, with retroactive adjustments.

Punctuality within regional rail passenger transport has improved. The main reasons for this were the reduced network utilization and lower passenger numbers. Punctuality also improved for bus transport.

Performance development declined noticeably.

- In rail transport, the development of key performance indicators was characterized by negative Covid-19 effects and performance losses from discontinued services.
- Bus transport also experienced a continuous decline in performance as a result of performance losses and Covid-19-related interruptions.

The economic development of DB Regional has been particularly affected by the development of the higher revenue and higher performance in the rail line of business (share of revenues: 88 %). The development in the first half of 2020 was very challenging. Reduced passenger numbers did not fully affect revenue development, as the revenue risk for gross contracts lies with the public transport authorities. A regulation for net contracts is still pending; a "rescue package" for the local transport industry is still in the process of being agreed. Operating profit figures declined significantly:

- Revenue dropped considerably as positive effects from higher concession fees were completely offset by the consequences of Covid-19 and by decreases relating to performance losses across rail and bus transport.
- Other operating income was at the level of the first half of 2019.
- Cost of materials (– 5.8 % / € – 160 million) decreased, in particular, due to reduced performance-related expenses relating to the use of infrastructure and energy, as a result of the Covid-19 pandemic.
- Personnel expenses (+ 3.8 % / € + 40 million) increased as a result of collective bargaining and the higher number of employees.
- Other operating expenses (+ 69.0 % / € + 203 million) increased significantly, mainly as a result of a revaluation of impending losses due to the effects of Covid-19.
- Depreciation (– 1.5 % / € – 5 million) reduced slightly, mainly as a result of adjustments to the useful life of vehicles on the Munich and Hamburg S-Bahn (metro) networks.

Capital expenditures declined due to the discontinuation of tender-related vehicle projects in the rail line of business, along with the postponement of projects in the bus line of business.

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

RAIL LINE OF BUSINESS

- *Profit development, in particular as a result of the Covid-19 pandemic and performance losses decreasing.*
- *Personnel expenses increased due to collective bargaining and personnel expansion.*
- *Delayed vehicle deliveries require further replacement concepts.*

Rail line of business	H1 2020	H1 2019	Change absolute	Change %
Passengers (million)	633.2	998.3	- 365.1	- 36.6
thereof rail	621.5	977.7	- 356.2	- 36.4
Volume sold (million pkm)	12,296	20,691	- 8,395	- 40.6
thereof rail	12,115	20,382	- 8,267	- 40.6
Volume produced (million train-path km)	204.6	226.9	- 22.3	- 9.8
Total revenues (€ million)	3,266	3,853	- 587	- 15.2
External revenues (€ million)	3,219	3,805	- 586	- 15.4
Rail concession fees (€ million)	2,574	2,803	- 229	- 8.2
EBITDA adjusted (€ million)	- 82	490	- 572	-
EBIT adjusted (€ million)	- 370	196	- 566	-
Gross capital expenditures (€ million)	174	249	- 75	- 30.1
Employees as of Jun 30 (FTE)	28,212	27,721	+ 491	+ 1.8

Performance development in the rail line of business was heavily influenced by Covid-19 and by tender losses for the Rhine / Ruhr S-Bahn (metro) and Stuttgart networks; as a result, passenger numbers reduced significantly.

On the economic side, the Covid-19 pandemic, performance losses and increased personnel expenses led to a significant decline in operating profit figures.

- The negative revenue development was driven by the impact of Covid-19 and contract losses.
- Other operating income increased slightly in contrast as a result of loss compensation and cost reimbursements.

On the expenses side, there was some relief, although this was disproportionately low in relation to revenue development:

- Cost of materials decreased as a result of reduced epenses relating to the use of routes and stations, as well as performance-related reductions in energy expenses. Increased expenses for maintenance and hygiene services had an attenuating effect.
- Personnel expenses increased as a result of the collective bargaining and the higher number of employees.
- Other operating expenses increased mainly as a result of a revaluation of impending losses due to the effects of Covid-19.
- Depreciation fell as a result of vehicles reaching the end of the useful life.

Capital expenditure activities declined due to the discontinuation of tender-related vehicle projects.

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

BUS LINE OF BUSINESS

- *Intensification of the competitive environment led to performance losses.*
- *The Covid-19 pandemic burdens economic development.*
- *Personnel expenses increased in relation to collective bargaining and by personnel expansion.*

	H1		Change	
Bus line of business	**2020**	2019	absolute	%
Passengers (million)	174.1	260.5	- 86.4	- 33.2
Volume sold (million pkm)	1,801	2,970	- 1,169	- 39.4
Volume produced (million bus km)	208.3	236.0	- 27.7	- 11.7
Total revenues (€ million)	489	580	- 91	- 15.7
External revenues (€ million)	458	556	- 98	- 17.6
EBITDA adjusted (€ million)	- 194	23	- 217	-
EBIT adjusted (€ million)	- 227	- 9	- 218	-
Gross capital expenditures (€ million)	15	25	- 10	- 40.0
Employees as of Jun 30 (FTE)	8,768	8,641	+ 127	+ 1.5

Performance development in the bus line of business significantly declined as a result of tendering losses and the effects of Covid-19.

Economic development continued to be challenging. Among other consequences, the decrease in revenues led to a significant reduction in operating profit figures.

- Revenue development was influenced in particular by negative Covid-19 effects and performance losses.
- Other operating income declined due to a number of factors, including a change to the billing process in cases of loss.

On the expenses side, there was some relief, however, and there was also a clear need for adaptation due to worsening prospects resulting from Covid-19:

- Cost of materials was reduced as a result of decreased performance and volume and price effects on the fuel market. Increased expenses for hygiene and protective measures had a detrimental effect.
- Personnel expenses increased due to the higher number of employees and due to collective bargaining.
- Other operating expenses rose significantly, mainly as a result of allocations for impending losses due to the effects of Covid-19.
- The increase in depreciation resulted from capital expenditures in the previous year.

Capital expenditure activities declined mainly as a result of postponements to vehicle projects.

The number of employees rose slightly as of June 30, 2020.

DB CARGO BUSINESS UNIT

Digitalization and innovation

- DB Cargo is pushing ahead with the digitalization of its freight wagon fleet: by the end of 2020, the entire fleet of about 65,000 wagons in Germany will be equipped with the latest telematics systems and intelligent sensors.

Environmental measures

- DB Cargo has ordered its first 50 Toshiba hybrid locomotives. These are intended to replace 61 old locomotives and represent a cornerstone of the Strong Cargo strategy for growth in rail freight transport.
- Further progress was made in terms of equipping the freight wagons with WHISPER BRAKES 15. 97% are already quietly on the way.

Development in the first half of 2020

- *Performance and profit developments continue to decline due to the economic climate in industries predisposed to rail transport (coal, steel and automotive).*
- *Global impact of the Covid-19 pandemic on supply chains.*
- *Rail Freight Transport Campaign with a positive contribution.*

	H1		Change	
DB Cargo	**2020**	2019	absolute	%
Punctuality (%)	79.1	73.8	-	-
Freight carried (million t)	103.0	122.4	- 19.4	- 15.8
Volume sold (million tkm)	38,190	43,738	- 5,548	- 12.7
Volume produced (million train-path km)	75.3	82.9	- 7.6	- 9.2
Capacity utilization (t per train)	507.5	527.8	- 20.3	- 3.8
Total revenues (€ million)	1,968	2,270	- 302	- 13.3
External revenues (€ million)	1,845	2,141	- 296	- 13.8
EBITDA adjusted (€ million)	- 176	20	- 196	-
EBIT adjusted (€ million)	- 352	- 132	- 220	+ 167
EBIT margin (adjusted) (%)	- 17.9	- 5.8	-	-
Gross capital expenditures (€ million)	136	163	- 27	- 16.6
Employees as of Jun 30 (FTE)	29,874	29,198	+ 676	+ 2.3

The punctuality of arrivals at DB Cargo improved significantly. This was considerably influenced by DB Cargo Germany. The manufacturing companies in Central Europe, along with companies in Eastern Europe, are also seeing significant positive developments. This is primarily due to increased availability of resources, which has a positive effect on the stability of the production system.

Performance development continued to drop, driven by developments in Central Europe. All key performance indicators saw a decline, mainly as a result of the effects of Covid-19 and an economic downturn in industries predisposed to rail transport.

The economic development remains strained. The reduction in income could not be offset by declining expenses, resulting in a significant decrease in operating profit figures.

- 80% of revenues were generated in Central Europe, 13% in Western Europe and 7% in Eastern Europe. Revenues fell noticeably. The effects of improved performance on Europe-Asia routes were completely offset by performance decreases in the logistics sector and reduced volume sold.
- Other operating income (+0.5%/€ +1 million) remained practically unchanged, while increased income from property sales and tax reimbursements were offset by lower performance-related price subsidies.

On the expenses side there was a decrease, driven by material expenses and other operating expenses. Personnel expenses and depreciation developed in the opposite direction:

- Cost of materials (–6.9%/€ –89 million) decreased mainly due to lower expenses for train paths, energy and purchased transport services, as a result of Covid-19-related volume decreases. Increased maintenance expenses had the opposite effect.
- Personnel expenses (+2.9%/€ +25 million) increased as a result of collective bargaining and the increase in personnel at Central Europe.
- Other operating expenses (–12.0%/€ –37 million) decreased mainly as a result of a performance-related reduction in vehicle rentals and savings with respect to administrative expenses.
- The significant increase in depreciation (+15.8%/€ +24 million) was related to capital expenditures.

Gross capital expenditures declined as a result of delayed procurement of freight cars in Central Europe.

As of June 30, 2020 a total of 67% of employees are employed in Central Europe, 14% in Western Europe and 13% in Eastern Europe. Employee numbers rose, in particular in Central Europe. Conversely, the number of employees in Western Europe was reduced due to fluctuations and performance.

CENTRAL EUROPE REGION

- *Operating profit development under pressure as a result of the Covid-19 pandemic.*
- *Addition of operational personnel.*

	H1		Change	
Central Europe region	**2020**	2019	absolute	%
Freight carried (million t)	104.0	116.1	-12.1	-10.4
Volume sold (million tkm)	31,208	35,052	-3,844	-11.0
Volume produced (million train-path km)	60.9	64.8	-3.9	-6.0
Total revenues (€ million)	2,212	2,489	-277	-11.1
External revenues (€ million)	1,482	1,736	-254	-14.6
EBITDA adjusted (€ million)	-152	26	-178	–
EBIT adjusted (€ million)	-278	-80	-198	–
Gross capital expenditures (€ million)	103	147	-44	-29.9
Employees as of Jun 30 (FTE)	20,032	19,343	+689	+3.6

Performance development in Central Europe declined due to the impact of the Covid-19 pandemic on the steel and automotive industries and on combined transport. Capacity utilization (tons per train) also decreased accordingly.

The economic development continues challengingly. The reduction in expenses could not offset the decline in income, resulting in a significant deterioration of operating profit figures.

- Revenues fell considerably as a result of a Covid-19-related decrease in performance.
- Other operating income decreased mainly as a result of reduced Federal grants in connection with train-path price support.

On the expenses side there was a decrease, driven by the cost of materials:

- Cost of materials was reduced mainly due to lower performance. This resulted in a decline in purchased transport services, along with lower train-path and energy expenses.
- Personnel expenses increased as a result of collective bargaining and the addition of operational personnel.
- The decrease in other operating expenses was primarily due to performance-related reduced vehicle rental expenses.
- As a result of capital expenditures, depreciation increased significantly.

Gross capital expenditures decreased primarily due to fewer vehicle purchases at DB Cargo Germany.

The number of employees rose, mainly as a result of appointments in the German operational business area and of business expansion in Belgium and Switzerland.

WESTERN EUROPE REGION

- *Covid-19-related decline in demand.*
- *Overall challenging business performance.*

	H1		Change	
Western Europe region	**2020**	2019	absolute	%
Freight carried (million t)	19.8	24.7	- 4.9	- 19.8
Volume sold (million tkm)	4,885	6,308	- 1,423	- 22.6
Volume produced (million train-path km)	10.9	14.2	- 3.3	- 23.2
Total revenues (€ million)	295	358	- 63	- 17.6
External revenues (€ million)	231	288	- 57	- 19.8
EBITDA adjusted (€ million)	6	32	- 26	- 81.3
EBIT adjusted (€ million)	- 33	- 4	- 29	-
Gross capital expenditures (€ million)	- 13	11	- 24	-
Employees as of Jun 30 (FTE)	4,313	4,335	- 22	- 0.5

Performance development in Western Europe declined overall. Volume produced and volume sold both declined, primarily due to the effects of the Covid-19 pandemic and of delayed infrastructure projects in France. Capacity utilization (tons per train) increased slightly.

Economic development took a noticeable turn for the worse: as a result of Covid-19, operating profit figures deteriorated considerably:

- Revenues declined significantly due to performance.
- Other operating income increased slightly as a result of proceeds from land transactions in the UK.

On the expenses side, there was a disproportionate decline:

- Cost of materials decreased, mainly due to lower volumes resulting from the Covid-19 pandemic.
- Personnel expenses decreased slightly due to a lower average number of employees. Consequences of collective bargaining had a counteractive effect.
- Other operating expenses declined as a result of reduced expenses for services.
- Depreciation increased due to the first-time inclusion of the Sociedad de Estudios y Explotacion de Material Auxiliar de Transportes, S.A. ("SEMAT"), Madrid / Spain, which was formerly included in the consolidated financial statements at-equity as well as capital expenditure / leasing activities.

Capital expenditures decreased considerably, in particular due to adjustments made in the UK in connection with the first-time application of IFRS 16 the previous year.

The number of employees declined slightly, primarily due to fluctuations and performance.

EASTERN EUROPE REGION

- *Overall noticeable positive revenue development, in particular as a result of Europe-Asia traffic.*
- *Increased cost of materials as a result of positive business development.*
- *Covid-19-related disruptions to supply chains.*

	H1		Change	
Eastern Europe region	**2020**	2019	absolute	%
Freight carried (million t)	6.9	7.5	- 0.6	- 8.0
Volume sold (million tkm)	2,096	2,377	- 281	- 11.8
Volume produced (million train-path km)	3.4	3.9	- 0.5	- 12.8
Total revenues (€ million)	219	176	+ 43	+ 24.4
External revenues (€ million)	131	116	+ 15	+ 12.9
EBITDA adjusted (€ million)	11	13	- 2	- 15.4
EBIT adjusted (€ million)	- 1	3	- 4	-
Gross capital expenditures (€ million)	15	4	+ 11	-
Employees as of Jun 30 (FTE)	3,937	3,893	+ 44	+ 1.1

A decline in rail transport by DB Cargo Polska, primarily due to Covid-19, resulted in a negative performance development.

Economic development remains challenging: revenue increases were offset by higher expenses. Operating profit figures have declined.

- Revenues increased significantly due to the positive business development of China transports. This was bolstered by an increase in revenues outside of rail transport services (siding businesses) at DB Cargo Polska and additional transports in Romania. The reduction in transport services as a result of the Covid-19 pandemic has had a counteractive effect.
- Other operating income remained essentially the same.

The expenses side experienced an increase, driven by positive business development in the Eurasian corridor:

- Cost of materials rose significantly, primarily due to increased purchased transport services for China transports and higher maintenance expenses.
- Personnel expenses rose, due mainly to collective bargaining at DB Cargo Polska and DB Cargo Romania, accompanied by a slight increase in the number of employees at companies in the Eurasian corridor.
- Depreciation increased slightly due to capital expenditures.

Capital expenditures have increased significantly, mainly as a result of the acquisition of previously leased locomotives in Romania.

The number of employees rose, in particular as a result of positive business development in the Eurasian corridor, as well as in Poland and Romania. Optimization measures in Hungary and Bulgaria had a counteractive effect.

INFRASTRUCTURE

Development in relevant markets

Demand for train-path grew almost constantly prior to the Covid-19 pandemic, with passenger transport being able to compensate for the decline in freight transport. As a result of the pandemic, demand for train-path fell significantly. The positive development in passenger transport at the beginning of 2020 was due, among other things, to additional services in long-distance transport and to the expansion of services as part of the revision of the regionalization funds.

The economic slowdown of last year continued in the first quarter of 2020 in freight transport, with the result that demand for train-path declined. Covid-19-related adjustments in industrial production have intensified the economic downturn.

The number of station stops in regional rail passenger transport sank by 4.7% mainly due to the Covid-19 pandemic. The share of non-Group railways continued to rise.

Construction work stable despite Covid-19 pandemic

In the first half of 2020, the impact of the Covid-19 pandemic on construction projects was kept to a minimum by means of effective CRISIS MANAGEMENT 10. Due to close monitoring and targeted countermeasures based on this, any faults that occurred could be resolved quickly together with contractors from the construction industry, so that no commissioning dates had to be postponed.

New Performance and Financing Agreement

The term of the LuFV II ended on December 31, 2019. In 2019, the agreed targets were achieved from the perspective of DB Group. The respective Infrastructure Status and Development Report was provided to the Federal Government on April 30, 2020. The maintenance and modernization of the existing infrastructure will be continued with LuFV III, which has a term of ten years and entered into force on January 14, 2020, retroactively as of January 1, 2020. By 2029, a total of € 86 billion is set to have been spent on maintaining and modernizing the existing network.

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Digital planning and construction

Building information modeling (BIM) is a collaborative working method in which all data on rail infrastructure facilities is fed into an optimized planning, construction and management process that covers the entire life cycle and is available digitally. DB Netz AG has successfully completed the pilot phase. The Federal Government also found that the use of the BIM method generally has no effect on financial contributions. New complex and standardized projects will therefore be planned using BIM in the future. DB Netz AG therefore meets the requirements of the Federal Government's tier plan. Since spring 2020, DB Engineering&Consulting GmbH (DB E&C) has equipped all 16 planning locations in Germany and the design centers in Bucharest and Bangalore with special workspaces (BIM Labs); DB E&C is currently using BIM in around 150 infrastructure projects of DB Group.

Development of infrastructure

In 2020, about € 12 billion will be spent for modernizing and maintaining the rail network, stations and energy facilities. This includes € 5.4 billion from the LuFV funding as well as € 2.5 billion for maintenance. In addition, more than 168 major projects are in planning and construction. Eight projects were (partially) commissioned in the first half of 2020. A total of 23 projects are designated for (partial) commissioning. Added to this are 18 groundbreaking events for projects that will increase the network capacity over the long term. About € 2.1 billion will be invested in major projects of the Federal Transport Infrastructure Plan in 2020. More information under BAUPROJEKTE.DEUTSCHEBAHN.COM.

COMMISSIONS

- After about two years of construction work, the system for transferring freight from trains to trucks at the MegaHub Lehrte site began on June 15, 2020. Since then, loading units (containers and semi-trailers) have been transferred in the rapid transfer system for combined transport. Instead of arranging individual wagons and rejoining freight trains, the loading units are lifted straight from the train onto the truck. This efficient working method saves time and energy compared to maneuvering the wagons, and also reduces noise exposure.

UNDER CONSTRUCTION

Progress on the Stuttgart—Ulm project

Further progress has been made on the construction work for the Stuttgart 21 sub-project:

- With a length of over 50 km, more than 84% of the tunnels for Stuttgart 21 have been bored and excavated.
- During the construction of the future central station nine full chalices, three supporting chalices (Restkelche) and a total of 17 chalice feet have been concreted.

- Both bores of the Filder tunnel have been successfully broken through.
- The shell of the Neckar bridge is complete.
- Preparatory construction work has been underway in the plan approval section 1.3a (airport connection) since the beginning of 2020. The approval of the German Federal Railway Authority (Eisenbahn-Bundesamt; EBA) for the direct rail link to the airport was finally confirmed in June 2020 after a four-year legal dispute.
- The new Wendlingen–Ulm line is to be commissioned at the end of 2022:
  - The tunnel boring work of 62 km has been completed.
  - In the Albvorland tunnel, work is underway on the inner shell, and the Kleine and Große Wendlinger Kurve (small and large Wendlinger curve) is under construction.
  - The shell of the Filstal bridge is complete in the direction of Munich and is in the construction phase in the direction of Stuttgart.
  - The railway engineering and construction of the ballastless slab tracks are progressing according to schedule along the route on the Alb plateau and on the Alb descent tunnel.

Expansion of the Cologne hub

The highly-frequented Cologne hub is to be expanded through a total of 17 infrastructure measures. The design planning of the S11 Core Package project has started with the planned expansion measures at Cologne central station, Cologne Exhibition Center/Deutz and Kalk West. Preliminary planning is complete for the supplementary package for the S11 (including the extension of the Erft railway). In the project Expansion Line 4 Cologne–Aachen, the work in the plan approval section 1 Eschweiler (to be commissioned in July 2020) and the plan approval section 2 Aachen–Rothe Erde (planned commissioning in December 2021) are still in the implementation phase.

Oldenburg–Wilhelmshaven expansion line

Since 2011, the two-track extension and electrification of the Oldenburg–Wilhelmshaven line in order to ensure a high-performance development for the deep-water port of JadeWeserPort have been carried out in several construction stages. Progress was made in some plan approval sections in the first half of 2020. In plan approval section 5 (Sande–Wilhelmshaven) for example, construction work was completed on time at the start of April 2020 after a four-week complete closure of the line.

Reconstruction of the Dresden railway

After lawsuits were filed in December 2019 against the plan approval decision for the section Blankenfelde-Mahlow, targeted negotiations with the municipality of Blankenfelde-Mahlow resulted in the complaints being withdrawn, which means that all plan approval decisions for the Dresden railway are now final. Construction work has already started on this section. The construction work in Berlin is proceeding according to plan. In June 2020, as part of a six-week complete closure of the S 2 (South) S-Bahn (metro) line, new track systems and two new railway viaducts were commissioned.

Munich–Lindau expansion line 48

Five out of nine lawsuits were settled in favor of DB Group in court or were either withdrawn or settled out of court. The outstanding lawsuits are not impacting the progress of the project. The ongoing construction work was completed by the end of May 2020 in the section Geltendorf–Buchloe–Memmingen–Kißlegg–Hergatz–Weißensberg line, apart from a few bits of remaining work. In 2020, construction work will focus on the two-track section of the Weißensberg–Lindau line and the completion of the electrical systems for the traction current supply.

IN PLANNING

Hanau–Fulda line expansion/new construction line

In the project Hanau–Würzburg/Fulda Expansion/New Construction Line progress has been made on the plans for the expansion line Hanau–Gelnhausen as well for the new construction line Gelnhausen–Fulda. Preparatory measures such as the Gelnhausen electronic interlocking and bridge construction work will soon begin on the expansion line. Measures going beyond legislation, such as for noise protection and accessibility, have been developed with the region. During its recent parliamentary consultation, the German Parliament decided to finance these measures not covered by legislation.

From over 1,000 line segments examined, 13 variants were mapped out as potential choices for the new line. These were compared in terms of the environment, spatial planning and transport/economic considerations and discussed with regional interest groups at length in the dialog forum. The formal public consultation proceedings will run from June 2 to September 30, 2020.

Fehmarn Belt Fixed Link

The documents for the first section (Fehmarn) are expected to be made publicly available in 2020. The Fehmarn Sound fixed link as the ninth plan approval section is in the preliminary planning stage. In spring 2020, a new immersed tunnel was identified as the preferred option from four potential solutions, preserving the existing bridge for slow traffic.

The BMVI included the Fehmarn Sound fixed link in its report as an annex. The parliamentary consultation was concluded on July 2, 2020. The German Parliament accepted the core requirements for noise protection, protection against vibrations, the course of the routes, the share of the municipalities in the cost and the Fehmarn Sound fixed link. The core requirements will be incorporated into the necessary plan approval and amendment procedures.

Rhine-Ruhr-Express

We now have the building approvals for a total of 7 of the 15 plan approval sections. Discussion dates for plan approval sections 3.2, 3.3 (Duisburg) and 3.0a (Düsseldorf airport) are set for 2020. Design planning for the plan approval section 2.0 area (Düsseldorf-Reisholz and Düsseldorf-Benrath) was started at the beginning of 2020. In plan approval section 4.0 (Mülheim) the construction work for the installation of switches was completed. In March 2020, initial work was started in plan approval section 1.2 (Leverkusen) and plan approval section 1.3 (Langenfeld).

Mannheim hub

The basic evaluation on the Mannheim—Heidelberg axis was completed by February 2020. The digital inventory model was handed over to the general planner in April 2020. A decision on which option will be adopted is expected by the fourth quarter of 2020. Planning work for the three remaining projects will also be resumed. The transport and operational tasks for the two projects in the Ludwigshafen area are currently being worked out. The general planning for service phases 1/2 will then be put out for tender. The BMVI is currently conducting an optimization study for the north-south connection in the Mannheim hub. The initial results were presented to the Federal state of Baden-Württemberg, the region and DB Group in June 2020.

Mannheim—Karlsruhe expansion/new construction line

The first planning services as part of a feasibility study have been in progress here since the beginning of March 2020. This involves open-ended investigations to identify the appropriate route and assess the technical feasibility of possible large-scale options for two additional tracks on the Baden Rhine Valley railway between Mannheim and Karlsruhe.

Three track expansion of Karlsruhe—Durmersheim

During the establishment of the transport and operational tasks, the Federal state of Baden-Württemberg made a binding announcement for additional local transport services in January 2020, thus necessitating an expansion to four tracks. The next step is to clarify the financing for an additional track and thus the basic further procedure. Consultations between the BMVI, the Federal state of Baden-Württemberg and DB Group will commence at the beginning of July 2020.

Relocation of the Hamburg-Altona long-distance and regional station

From March to November 2019, a fact check was carried out in which, under the auspices of the Hamburg Finance Minister, DB Group discussed the arguments for and against a relocation of the station. As a result, an out-of-court agreement was reached with the VCD in February/March 2020, thus ending proceedings. The preparatory measures will now be continued in 2020. The main construction work will then begin in 2021.

DB Netze Track business unit

GENERAL FRAMEWORK

BNetzA approves train-path prices for 2021

BNetzA approved the fees for the 2021 train-path pricing system (TPS) with its decision of March 31, 2020. Contrary to the proposal of DB Netz AG, DB NetzA decided to further increase the charges on regional rail passenger transport routes while reducing the charges for long-distance and freight transport. The background to this decision is the amendment to the Regionalization Act, which came into force retroactively from January 1, 2020. The amendment to this act provides for an increase in funding for regional rail transport. As the changes in train-path prices for regional rail passenger transport are linked to the indexing rate for regionalization funds in accordance with Section 37 (2) ERegG and total revenues are also limited, the increase in funding has a direct impact on the charges for all kinds of transport.

At the same time, however, BNetzA included a proviso of cancelation in its decision to cover the event of an amendment to the Railway Regulation Act. Such an amendment to the act was passed by the Federal Government in June 2020, with retroactive effect from January 1, 2020. This determines the increase of train-path and station prices for regional rail passenger transport at 1.8 % per year, irrespective of the actual development of regionalization funds. A change in the approval of fees, including the rescission by BNetzA of the postponements described, is therefore to be expected.

Irrespective of this, as it did in its decisions on the TPS 2018, TPS 2019 and TPS 2020, BNetzA has raised the train-path prices originally proposed in most segments of long-distance passenger rail transport in the wake of the approval, and lowered them for standard freight transport trains. DB Netz AG had filed a complaint against this decision in previous years. However, a final legally binding judgment based on a possible multiple-instance decision of the dispute in question is not anticipated in the near future. The legal uncertainty that is therefore likely to persist for an unforeseeable period of time carries the risk that capital expenditures in freight transport will be deferred or growth opportunities will not be realized. Against this background, DB Netz AG has decided to withdraw the existing demands for relief and not to file any further lawsuit against the amendment within the framework of the TPS 2021.

BNetzA sets maximum limit on total costs for the network schedule period 2020/2021

In a decision on March 25, 2020, as part of regulating the incentivization of train-path prices, the BNetzA set the maximum limits for total costs of DB Netz AG and DB RegioNetz Infrastruktur GmbH, for the network schedule period 2020/2021, at about € 5.5 billion. The recognition of LuFV III as a qualified regulatory agreement has allowed the upper limit to be raised from that set in the decision of July 22, 2019, as maintenance expenses induced by the LuFV are now also taken into account.

Incentive system approved by BNetzA for rail freight transport

The incentive system has been in place since June 2019 to minimize disruptions and to increase the performance of rail passenger transport. With the decision on the TPS 2021 taken in March 2020, BNetzA has now also approved the introduction of the system in freight transport with effect from December 13, 2020. In contrast to the previous provisions, considerably higher payments are due, among other things, in the event of delays due to construction sites. The incentive system in rail freight transport also provides for differentiation between punctual and non-punctual services. The classification must be indicated by the freight transport train operating companies when reserving train-path and has an effect on the level of incentive fees or threshold values.

ENVIRONMENTAL MEASURES

- Tests on the cooling effect of white tracks were extended on the high-speed Hanover–Würzburg line in spring 2020. An additional 500 m of track were painted and a real-time temperature measurement was installed. The aim is to clarify the effect of high summer temperatures on the data already obtained. Substantiated results are expected at the end of 2020 at the earliest and will form the basis for extending the project to other routes.

DEVELOPMENT IN THE FIRST HALF OF 2020

- *Punctuality slightly improved due to lower network capacity utilization.*
- *Revenues reduced as a result of Covid 19-related declines in demand from intra-Group customers.*
- *Higher expenses particularly for personnel and maintenance are negatively impacting the income development.*
- *Capital expenditures increased significantly.*

	H1		Change	
DB Netze Track	**2020**	2019	absolute	%
Punctuality DB Group (rail) in Germany (%)	95.6	94.2	–	–
Punctuality (rail) in Germany[1] (%)	95.0	93.6	–	–
Train kilometers on track infrastructure (million train-path km)	512.1	542.3	-30.2	-5.6
thereof non-Group railways	184.9	179.9	+5.0	+2.8
Share of non-Group railways (%)	36.1	33.2	–	–
Total revenues (€ million)	2,732	2,803	-71	-2.5
External revenues (€ million)	877	812	+65	+8.0
Share of total revenues (%)	32.1	29.0	–	–
EBITDA adjusted (€ million)	516	708	-192	-27.1
EBIT adjusted (€ million)	170	379	-209	-55.1
Gross capital expenditures (€ million)	3,309	2,875	+434	+15.1
Net capital expenditures (€ million)	841	636	+205	+32.2
Employees as of Jun 30 (FTE)	49,832	48,021	+1,811	+3.8

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

Punctuality figures improved, mainly driven by a lower utilization of the rail infrastructure as a result of reduced demand, as well as lower passenger numbers due to Covid-19. Bottlenecks on the rail infrastructure, including those related to construction activities, were compensated with countermeasures.

Train kilometers on track infrastructure declined, mainly as a result of a reduction in demand from intra-Group customers due primarily to Covid-19, particularly in regional transport and freight transport. This was offset by a higher demand from non-Group customers in regional transport.

Economic development was weaker: additional expenses for measures to expand capacity, improve quality, and in connection with the Covid-19 pandemic could not be offset by income development. As a result, operating profit figures decreased significantly.

- Total revenues fell due to declines in demand, mainly resulting from Covid-19. This was partly offset by price effects. External revenues increased as a result of increases in demand from non-Group customers.
- Other operating income (+3.8%/€+15 million) increased mainly as a result of higher intra-Group income from settlements of services with Group companies.

On the expense side, there was noticeable additional burdens at cost of materials and personnel expenses in particular:

- Cost of materials (+9.6%/€+87 million) increased, among other things, as a result of extra maintenance services for the elimination of storm damage and additional advance measures taken while Covid-19 restrictions were in place. This was offset by lower expenses for winter services.
- Personnel expenses (+6.1%/€ +94 million) increased in line with the collective agreement due to the higher number of employees.
- The increase in other operating expenses (+8.2%/€ +44 million) was mainly attributable to higher project expenses. In addition, expenses for services (personnel support and other services) and rental expenses increased.
- Depreciation (+5.2%/€+17 million) increased mainly due to capital expenditures.

The significant increase in net capital expenditures was mainly due to higher capital expenditures in new and expansion line projects. The increase in funding under LUFV III 38 led to noticeably higher gross capital expenditures.

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

DB Netze Stations business unit

GENERAL FRAMEWORK

BNetzA delayed approval of station prices for 2021

BNetzA has made use of its extension option to examine the application for approval and has extended the deadline for the procedure for assumption of approval to September 30, 2020. The background to this is questions that are still unanswered from the perspective of BNetzA arising from, among other things, consideration of the judgment of the European Court of Justice of July 10, 2019, in the case C-210/18. In this judgment, the European Court of Justice (ECJ) ruled that passenger platforms are to be assigned to the minimum access package under Directive 2012/34/EU.

DEVELOPMENT OF INFRASTRUCTURE

Modernization, commissioning and construction of stations

- The conversion of Warnemünde station was completed on May 18, 2020.
- The reception building of Stuttgart's central station has been undergoing modernization since the start of 2020. The listed building is being given a new supporting structure and modern building technology. In addition, a new supply and disposal building and a redesigned station forecourt will be built at Stuttgart's central station. The contract for the main batch of demolition/shell work was awarded in May 2020. Commissioning is planned for the end of 2025.

Westfalen-Lippe local transport association quality initiative

The quality initiative from the Westfalen-Lippe local transport association and DB Netzte Stations started in January 2020 and is intended to increase the attractiveness of the stations and improve accessibility. The cleaning via WhatsApp has already been introduced across the entire area at about 270 stations, and packages of measures have been launched to create or improve accessibility at 64 stations and to improve attractiveness at 11 pedestrian underpasses. The connection of municipal elevators at the station to the "expansion of facilities management digitalization system" (Ausbau Digitalisierung im Anlagenmanagement; ADAM) will start in the second half of 2020. The package of measures will also be supplemented with the equipping of two lines with digital building indicators in a pilot project to improve the information offered to passengers in the event of construction work.

DIGITALIZATION AND INNOVATION

Passenger Information of the Future

Passenger Information of the Future is the largest software development project to date of DB Netze Stations. In the first half of 2020, 130 stations in Saxony, Bavaria, Lower Saxony and Baden-Württemberg were switched to the new passenger information system. A large S-Bahn (metro) system is also being switched with the Stuttgart S-Bahn (metro).

Smart cities

- Various usage concepts will be tested at the Berlin-Charlottenburg S-Bahn (metro) station and at the Cologne-Mülheim station until October 2020. In July 2020, an open-air neighborhood movie theater started at the Charlottenburg station, and the station forecourt was redesigned. New furniture and planting concepts were developed at the Cologne-Mülheim station as a pilot project. In addition, events are being held there to test improvements in the quality to stay with a view to ensuring sustainable urban development. Further development of the concepts is also taking place at other stations (Dammtor and Harburg in Hamburg).

- In February 2020, Smart City launched a pilot project with its range of coworking services under the everyworks brand at Münster's future train station. Until mid-March 2020, a pop-up had been open there to test the service free of charge. Office workstations can already be rented in the first coworking space at Berlin's central station, and further offers for passengers will follow shortly. The long-term plan is to establish a network of central and mobile workplaces at train stations all across Germany.

New services at future stations

Since the first half of 2020, customers have been able to test numerous new products and services along the travel chain through the station at a total of 16 future stations. A particular focus is on increasing the quality to stay, for example with new facades, recreational facilities and waiting room furniture as well as new consumer offers, such as food trucks. In addition, new signposting and navigation systems were developed on the basis of color codes, symbols and pictograms. For onward travel, e-scooter parking spaces have been created or charging options for pedelecs have been installed.

Hamburg Box started

At the beginning of March 2020 the piloting of intelligent, cross-vendor locker systems in the Hamburg city area called Hamburg Box started. It is a joint project with ParcelLock and the Hamburger Hochbahn, as well as the Hermes and DPD parcel services, and enables a time-saving and convenient receipt of goods and products directly at the station. Stationary dealers and e-commerce partners can deliver their goods to an open and therefore multi-vendor collection station.

ENVIRONMENTAL MEASURES

- The Bike-and-Ride initiative is intended to create 100,000 additional bicycle parking spaces at train stations by 2022, thereby promoting sustainable onward travel by bicycle from the station. The first seven facilities have already been opened. With the new Rad+App at the Ahrensburg future station, users can convert kilometers cycled into awards from partners in the city and at the station.

DEVELOPMENT IN THE FIRST HALF OF 2020

- *The Covid-19 pandemic is adversely impacting the development of demand and financial key figures.*
- *Additional burdens on profit development from quality and capacity measures.*
- *Implementation of measures to increase energy efficiency.*

	H1		Change	
DB Netze Stations	**2020**	2019	absolute	%
Facility quality (grade)	2.86	2.89	–	–
Station stops (million)	73.3	76.2	-2.9	-3.8
thereof non-Group railways	21.1	19.4	+1.7	+8.8
Total revenues (€ million)	647	680	-33	-4.9
thereof station revenues	442	451	-9	-2.0
thereof rental	187	204	-17	-8.3
External revenues (€ million)	292	303	-11	-3.6
EBITDA adjusted (€ million)	124	201	-77	-38.3
EBIT adjusted (€ million)	53	123	-70	-56.9
Gross capital expenditures (€ million)	497	397	+100	+25.2
Net capital expenditures (€ million)	236	216	+20	+9.3
Employees as of Jun 30 (FTE)	6,302	6,002	+300	+5.0

Facilities quality was slightly below the level of the first half of 2019.

The significant decline in station stops resulted mainly from lower traffic on regional and long-distance services due to Covid-19. This was offset in part by an increased demand from non-Group customers.

Economic development was weak: significant increases in expenses mainly for personnel and maintenance led with simultaneous mainly Covid-19-related declining income to a significant decrease in operating profit figures.

- The decline in revenues, among other things, due to lower station revenues driven by the performance development. The revenues for rental and leasing declined even more significantly as a result of the effects of the Covid-19 pandemic. Growth in external revenues reflects the growing market share of non-Group railways.
- Other operating income (–28.6%/€ –20 million) declined mainly as a result of lower construction grants and the absence of a special effect from the first half of 2019.

On the expense side, there were considerable additional charges:

- Cost of materials (+3.5%/€ +10 million) increased, among other things, as a result of extensive Covid-19-related hygiene and safety measures at our stations. Moreover, additional measures to improve quality have had a negative impact on development.
- Personnel expenses (+9.4%/€ +17 million) increased significantly as a result of a higher number of employees and collective bargaining agreements.
- Other operating income (+6.4%/€ +7 million) increased, among other things in connection with the Passenger Information System project, the utilization of increased purchasing services and projects for demolition work.
- Depreciation (–9.0%/€ –7 million) declined mainly due to revaluations of economic useful lives.

The significantly higher capital expenditures were mainly made for the modernization of existing traffic stations as well as the construction of new ones.

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

DB Netze Energy business unit

ENVIRONMENTAL MEASURES

- DB Netze Energy and the photovoltaic project developer Enerparc signed a Power Purchase Agreement (PPA) for a new solar system in Wasbek (Schleswig-Holstein) in January 2020. The solar power is to be fed directly into the 16.7 Hz current traction mix via the DB converter plant in Neumünster. On an area as large as 70 soccer pitches, modules with an output of 42 MWp are expected to generate around 38 GWh per year. The saving on greenhouse gas emissions amounts to around 20,000 tons per year.
- In June 2020, DB Netze Energy commissioned the first gas station for synthetic fuels in Halle (Saale). A fuel that is 100 % produced from renewable sources is being tested in this station. The one-year test of what is known as C.A.R.E.® diesel is used to gain experience in establishing alternative and environmentally friendly fuels in the DB fleet.

DEVELOPMENT IN THE FIRST HALF OF 2020

- *Lower demand for electricity and diesel products.*
- *Challenging development of operating profit.*
- *High supply reliability also ensured during the Covid-19 pandemic.*

DB Netze Energy	H1 2020	H1 2019	Change absolute	Change %
Supply reliability (%)	99.99 [1]	99.99 [1]	–	–
Traction current (16.7 Hz and direct current) (GWh)	3,457	4,031	-574	-14.2
Traction current pass-through (16.7 Hz) (GWh)	976.7	717.9	+258.8	+36.0
Stationary energy (50 Hz and 16.7 Hz) (GWh)	6,981	7,268	-287	-3.9
Diesel fuel (million l)	185.5	208.3	-22.8	-10.9
Total revenues (€ million)	1,309	1,410	-101	-7.2
External revenues (€ million)	601	640	-39	-6.1
EBITDA adjusted (€ million)	60	65	-5	-7.7
EBIT adjusted (€ million)	16	23	-7	-30.4
Gross capital expenditures (€ million)	68	67	+1	+1.5
Net capital expenditures (€ million)	21	23	-2	-8.7
Employees as of Jun 30 (FTE)	1,804	1,747	+57	+3.3

[1] Preliminary figure (not rounded).

The high level of supply reliability was maintained.

Volumes declined:

- Sales of traction current fell due to lower demand from intra-Group customers in passenger and freight transport as well as from non-Group customers mainly due to Covid-19.
- The traction energy that was conducted for non-Group customers increased as a result of the shift away from full power supply and the absence of aperiodic effects from the first half of 2019.
- In the area of stationary energy, sales volume reduced noticeably. The main factors were declines in demand from industrial customers due to Covid-19 and a reduction in portfolio optimization measures on the energy market.
- The drop in demand for diesel fuels is primarily due to the development of intra-Group customers in regional transport.

Economic development was modest. The decline in volumes due to Covid-19 could only be partially offset by reduced energy procurement expenses. As a result, operating profit figures decreased.

- Revenues declined mainly in the traction and stationary energy areas as a result of the volume development. Lower sales prices also had a negative impact on the diesel fuel area.
- The considerable increase in other operating income (+45.0 %/€ +9 million) was primarily due to higher income from the reversal of provisions and from maintenance services for third parties.

The negative effects of the Covid-19 pandemic on the revenue side are largely offset by positive effects on the expense side due to lower energy procurement expenses:

- Cost of materials (–7.3 %/€ –91 million) fell. Due to the decline in volumes, significantly lower energy expenses for traction and stationary electricity were recorded. Lower procurement prices for diesel fuel helped.
- Personnel expenses (+4.7 %/€ +3 million) increased as a result of a higher number of employees and collective bargaining agreements.
- The increase in other operating expenses (+5.4 %/€ +3 million) is due, among other things, to increased IT services.
- Depreciation (+4.8 %/€ +2 million) were higher than in the first half of 2019 as a result of an additional unscheduled write-down for a damage at a power plant.

Gross capital expenditures increased slightly as a result of additional Federal funds under LuFV III. Seasonal shifts led to a decline in net capital expenditures.

The number of employees increased above all in order to handle the higher project volume arising from LuFV III as well as to allow quality assurance in network operations.

SUBSIDIARIES / OTHER

Events in the first half of 2020

DB ENGINEERING & CONSULTING

- In the first half of 2020, the last of 28,000 "smart" switches were connected to the DIANA digital platform. Sensors now monitor round-the-clock whether the switch drive is working properly. If a fault occurs, DIANA automatically reports it to the maintenance personnel. This represents a milestone for predictive maintenance. DIANA was developed by the IT service provider infraView, which is part of DB E&C. A new digital sensor for current and voltage measurement that in future will enable even more extensive and precise diagnostics is currently in the final test phase. In March 2020, the DIANA Wayside Monitoring Hub for DB Netze Track was also commissioned, which combines all the results of the "train check in passing."
- Since April 2020, DB Group has been renewing the Mannheim—Stuttgart high-speed rail line, focusing on tracks, switches and technology. DB E&C's expertise was in demand when planning this major project, long before the start of the construction work. The impact on train traffic was kept to a minimum during the planning phase by using innovative technology and virtual route inspections. During the construction phase, DB E&C is involved in monitoring welding.
- The DB Rail Academy ensures that customers do not have to forgo the expertise of DB Group in Covid-19 times: since May 2020, DB experts have been offering compact online training courses on current topics and innovative products. These free nuggets of learning serve to create customer loyalty and attract new customers, and are being very well received: 800 participants from more than 50 countries signed up in the initial phase alone.
- DB E&C was commissioned by the British rail infrastructure company Network Rail to complete a batch of work from the broad-based Design Services Framework program. The program started in January 2020. In May, DB E&C was also commissioned with the OLE Structural Assessment project: the locations for masts for the overhead line system are planned in accordance with German guidelines and compared with British standards so as to identify potential for optimization for Network Rail where appropriate.

Development in the first half of 2020

- *Personnel expenses increased as a result of effects from the collective agreement and the increased number of employees.*
- *Group projects driven forward.*

	H1		Change	
Subsidiaries / other	**2020**	2019	absolute	%
Total revenues (€ million)	2,488	2,398	+90	+3.8
External revenues (€ million)	228	280	-52	-18.6
EBITDA adjusted (€ million)	-151	-119	-32	+26.9
EBIT adjusted (€ million)	-455	-366	-89	+24.3
Gross capital expenditures (€ million)	283	318	-35	-11.0
Net capital expenditures (€ million)	283	318	-35	-11.0
Employees as of Jun 30 (FTE)	56,735	54,926	+1,809	+3.3

The area Subsidiaries / other encompasses the governance functions (such as corporate development, finance and treasury, and Human Resources) and the dependent administrative service units (such as Shared Service Center accounting and HR Services) of the holding company DB AG. In addition, this area bundles the legally independent administrative service units within DB Group (such as DB Zeitarbeit GmbH (temporary work) and DB JobService GmbH) as well as the independent operating service units (such as DB Fahrzeuginstandhaltung GmbH (vehicle maintenance) and DB Systel GmbH), which provide services for several DB Group business units.

The increase in total revenues was mainly due to higher revenues with intra-Group customers of Global Operational Services (independent operating service units such as DB Vehicle Maintenance and DB Systel) related to changes in prices and volumes. Among others, declines caused by Covid-19, particularly at DB Sales, had a dampening effect. External revenues declined significantly due to Covid-19.

The considerable decline in operating profit was mainly due to effects caused by the collective agreements, an increase in the number of employees as well as Covid-19-related effects at DB Sales and DB Connect. This decline was partially compensated for by countermeasures.

The drop in capital expenditure activities was mainly due to lower demand for vehicles, vending machines and mobile terminals.

The number of employees increased primarily as a result of the development of business at DB Vehicle Maintenance, DB Systel, DB Services and DB E&C, as well as due to the expansion in personnel in the digitalization and technical areas.

DB Arriva business unit

DEVELOPMENT IN RELEVANT MARKETS

European passenger transport has suffered massively from the introduction of Europe-wide travel restrictions and social distancing measures as a result of the Covid-19 pandemic. In many countries the restrictions were more severe and longer than in Germany. The number of passengers declined very sharply.

European railways completely discontinued their cross-border connections and in some cases drastically reduced their national services, most severely in France, Spain and Italy. However, a state-supported basic service in regional and long-distance transport remained in place. There were also considerable disruptions in bus transport throughout Europe.

The development in rail passenger transport for selected countries and railways:

- Spain / Red Nacional de los Ferrocarriles Españoles (RENFE): Very extensive lockdowns led to a drop in travelers of up to 96%. The offer in long-distance transport was temporarily reduced to 30%, in regional transport to 50%. Since mid-May 2020, regional transport has been operating the full timetable again.
- Italy / Trenitalia: Since the beginning of May 2020, Trenitalia has been operating 50% of its original regional transport services again. The long-distance transport services are being ramped up under strict hygiene conditions and restrictions with a maximum load factor of 50%.
- The Netherlands / Nederlandse Spoorwegen (NS): The number of daily passengers fell by 90% from mid-March to mid-May 2020. Since the beginning of June 2020, NS has been operating the full timetable again, but with a restriction of the maximum load factor to 40%.
- Sweden / Statens Järnvägar (SJ): Travel decreased by 4% in the first quarter of 2020 and by 77% in the second quarter of 2020. SJ continued to serve all routes, but reduced the number of trains and departures by about 50%.
- Grand Central Railway in the UK, which is operated commercially by DB Arriva, temporarily suspended its services as a result of the Covid-19 pandemic. A limited service was reintroduced in July 2020.

In response to the Covid-19 pandemic, the UK government has introduced temporary Emergency Measures Agreements (EMAs) for all rail franchises (including Chiltern and Cross-Country). Under these agreements, operators are paid a set management fee in exchange for operating services. The temporary EMA expire in autumn 2020.

Easing of the Covid-19 restrictions from mid-May 2020, led to a renewed increase in supply in most European countries, combined with increased hygiene and safety measures. However, demand remains weak for the time being and significantly lower than in the previous year.

The European long-distance bus transport at times came to a complete standstill:

- BlaBlaBus paused all transports in Europe from mid-March to the end of June 2020.
- FlixBus discontinued national and cross-border transports in Europe from mid-March to the end of May 2020. Limited operations in Austria, Portugal and Poland only started at the end of May 2020, and in mid-June 2020 also in France. In Sweden, Denmark, Croatia and the Czech Republic, some destinations had already been restarted before then.

DB Arriva was one of the first providers in Italy to be affected by serious consequences of the Covid-19 pandemic. Negotiations are still underway with the public authorities to make adjustments in response to lower than expected passenger numbers.

Since the beginning of the Covid-19 pandemic, the British government has offered financial support to the bus sector to help maintain transport services. Concession payments have been kept at the level they were at before the Covid-19 pandemic. A review of the central government services will be carried out in October 2020.

EVENTS IN THE FIRST HALF OF 2020

Cessation of Arriva Rail North franchise

On January 29, 2020 the British Secretary of State for Transport announced the transfer of the Arriva Rail North (ARN) franchise to the state-owned Operator of Last Resort (OLR). There were many issues affecting ARN which were largely outside of the direct control of DB Arriva. These included the ongoing, late delivery of major infrastructure upgrades and prolonged strike action. This has had a significant adverse impact on ARN, both in terms of services and financial performance. To ensure the transition on March 1, 2020, DB Arriva has worked very closely together with the Department of

Transport (DfT) and the OLR. The settlement negotiations between ARN and its main creditors (DfT, DB Group and other suppliers) regarding a final economic settlement of open claims are ongoing.

Other events

- In June, DB Arriva started a new ten-year bus contract in the Pilsen region, in the southwest of the Czech Republic. It means that DB Arriva is now the principal bus operator for the area, which will benefit from the introduction of 315 brand new buses.
- In February 2020 the Limburg Passenger Transport Authority awarded DB Arriva a € 49 million compensation package primarily for the delayed electrification of the Maaslijn, a railway operating between Roermond—Venlo—Nijmegen.

Order book

Order book (€ billion)	Jun 30, 2020	Dec 31, 2019	Change absolute	Change %
DB Arriva	13.3	15.3	- 2.0	- 13.1
secured	8.1	8.6	- 0.5	- 5.8
unsecured	5.2	6.7	- 1.5	- 22.4

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

In the first half of 2020 the order book declined. The additions from awarded transport contracts won of about € 0.5 billion were offset by disposals – primarily as a result of service rendered – of about € 1.9 billion and changes in assumptions of about € – 0.5 billion, including adverse exchange rate effects and the impact of the Covid-19 pandemic.

DIGITALIZATION AND INNOVATION

- Maas (Mobility as a Service) is a growing development in the Netherlands and combines all types of transport on a single app to meet the needs of customers wanting to travel. A pilot, led by DB Arriva, has been announced for Limburg and will be introduced in summer 2020. The app enables customers to plan, book and pay for a trip at the same time.
- DB Arriva has been involved in trials of ATO (Automatic Train Operations) technology. In February 2020, 250 passengers tested a DB Arriva train with ATO level 2 automation. This was the first test with passengers in the Netherlands. The expectation is that ATO can improve punctuality, reduce fuel consumption and improve the comfort of travelers.

ENVIRONMENTAL MEASURES

- On May 1, 2020, DB Arriva put 16 biogas buses into operation following a public tender in Northern Jutland (Denmark). The new buses are the result of DB Arriva's dedication to deliver carbon-neutral public transport, while the region has announced an ambition to become fully carbon-neutral by the year 2030. Locally produced biogas is a major part in this strategy.
- The development of hydrogen as an alternative fuel continues apace. After its commercial success in Germany, the world's first hydrogen-powered train has also been operated in the Netherlands in March 2020. Together with Alstom, the Province of Groningen, the Dutch railway infrastructure manager ProRail and the energy company Engie, DB Arriva performed ten days of tests of the Coradia iLint hydrogen fuel cell train on the 65 km line between Groningen and Leeuwarden in the north of the Netherlands.

DEVELOPMENT IN THE FIRST HALF OF 2020

- *Performance development clearly negative.*
- *Decline in revenues mainly due to the Covid-19 pandemic, partially mitigated by government support.*
- *Cessation of the ARN franchise on March 1, 2020.*

DB Arriva	H1 2020	H1 2019	Change absolute	Change %
Punctuality (rail) (Great Britain, Denmark, Sweden, the Netherlands and Poland) (%)	91.5	92.3	-	-
Passengers bus and rail (million)	599.4	1,124	- 524.6	- 46.7
Volume sold (rail) (million pkm)	2,871	5,973	- 3,102	- 51.9
Volume produced (bus) (million bus km)	439.3	542.0	- 102.7	- 18.9
Volume produced (rail) (million train-path km)	57.4	81.4	- 24.0	- 29.5
Total revenues (€ million)	2,059	2,690	- 631	- 23.5
External revenues (€ million)	2,058	2,687	- 629	- 23.4
EBITDA adjusted (€ million)	93	326	- 233	- 71.5
EBIT adjusted (€ million)	- 153	101	- 254	-
Gross capital expenditures (€ million)	203	323	- 120	- 37.2
Employees as of Jun 30 (FTE)	46,477	52,590	- 6,113	- 11.6

The development in the first half of 2020 was influenced by two special factors:

- the impact of the Covid-19 pandemic, and
- cessation of the ARN franchise on March 1, 2020.

Accordingly, the performance development was negative: the number of passengers (bus and rail) decreased, driven by the Covid-19 effects and the cessation of the ARN franchise. Volume produced fell strongly in bus and rail transport.

The economic development was below the first half of 2019 primarily due to the Covid-19 effects and the cessation of the ARN franchise.

The revenues were generated 20% by UK Bus, 35% by UK Trains and 45% by Mainland Europe.

- Revenues declined primarily due to the decrease in volumes due to the Covid-19 pandemic and the cessation of the ARN franchise, as well as exchange rate effects. Government support (mainly in the UK) and new transport contracts had an opposite positive effect.
- Other operating income (+105%/€ +124 million) increased due to the utilization of the contract loss provision for ARN and government support relating to the Covid-19 pandemic.

The development of expense items was driven by the cessation of the ARN franchise and the performance decrease due to the Covid-19 pandemic:

- The decrease in cost of materials (–17.0%/€ –147 million) was particularly impacted by the performance development and the reduced fuel consumption.
- The decrease in personnel expenses (–11.3%/€ –138 million) is the result of the cessation of the ARN franchise and the Covid-19 effects.
- Other operating expenses (+3.8%/€ +15 million) increased, particularly due to the cessation of the ARN franchise and was partially offset by reduced franchise payments due to the government support measures.
- The increase in depreciation (+9.3%/€ +21 million) was mainly characterized by the cessation of the ARN franchise.

Capital expenditures also decreased mainly as a result of the cessation of the ARN franchise.

33% of the employees were employed at UK Bus, 11% at UK Trains and 55% at Mainland Europe as of June 30, 2020. The number of employees fell, largely as a result of the cessation of the ARN franchise.

UK Bus line of business

- *Negative effects mainly from the impact of the Covid-19 pandemic, partially mitigated by government support measures.*

	H1		Change	
UK Bus line of business	**2020**	2019	absolute	%
Passengers (million)	189.3	353.7	-164.4	-46.5
Volume produced (million bus km)	139.3	172.8	-33.5	-19.4
Total revenues (€ million)	421	543	-122	-22.5
External revenues (€ million)	420	542	-122	-22.5
EBITDA adjusted (€ million)	25	59	-34	-57.6
EBIT adjusted (€ million)	-24	15	-39	-
Gross capital expenditures (€ million)	21	28	-7	-25.0
Employees as of Jun 30 (FTE)	15,419	15,475	-56	-0.4

The performance development declined strongly due to the Covid-19 restrictions.

The economic development was correspondingly tense and led to a significant deterioration in operating profit figures.

- The revenue development was negative mainly due to passenger reductions relating to the Covid-19 pandemic.
- Other operating income increased primarily due to the Covid-19 support measures such as bus service support grants and job retention (furlough support).

On the expense side, the declining performance trend resulted in noticeable relief.

- The decrease in cost of materials was particularly impacted by the weak performance development and lower diesel prices.
- Personnel expenses decreased slightly as a result of performance development.
- Other operating expenses remained roughly unchanged.
- Depreciation increased due to capital expenditure activities.

The number of employees declined partially due to the cessation of transport contracts in non-emergency patient transport and was offset partly by changes in the operating base.

UK Trains line of business

- *Negative effects mainly from the impact of the Covid-19 pandemic, partially mitigated by government support measures.*
- *Cessation of the ARN franchise on March 1, 2020.*

UK Trains line of business	H1 2020	H1 2019	Change absolute	Change %
Passengers (million)	74.8	180.5	- 105.7	- 58.6
Volume sold (million pkm)	2,085	4,846	- 2,761	- 57.0
Volume produced (million train-path km)	31.8	55.0	- 23.2	- 42.2
Total revenues (€ million)	728	1,071	- 343	- 32.0
External revenues (€ million)	711	1,048	- 337	- 32.2
EBITDA adjusted (€ million)	44	105	- 61	- 58.1
EBIT adjusted (€ million)	1	38	- 37	- 97.4
Gross capital expenditures (€ million)	39	179	- 140	- 78.2
Employees as of Jun 30 (FTE)	4,958	10,965	- 6,007	- 54.8

The performance development was negatively impacted by the effects of the Covid-19 pandemic and the cessation of the ARN franchise on March 1, 2020.

The economic development was also characterized by the Covid-19 pandemic and the cessation of the ARN franchise. As a result, the operating profit figures declined.

- Revenues decreased due to the negative performance development, partially mitigated by government support measures.
- Other operating income increased significantly, primarily due to utilization of the contract loss provision for ARN.

On the expense side, the declining performance trend resulted in noticeable relief.

- The noticeable decline in cost of materials resulted primarily from the cessation of the ARN franchise and due to Covid-19-related service reductions.
- The decrease of personnel expenses resulted mainly from the cessation of the ARN franchise.
- Other operating expenses declined slightly, particularly due to the cessation of the ARN franchise which was largely offset by reduced franchise payments relating to the government support measures.
- Depreciation significantly decreased due to cessation of the ARN franchise.

The reduction of capital expenditures was also a result of the cessation of the ARN franchise.

The significant decrease in the number of employees was mainly driven by the cessation of the ARN franchise.

Mainland Europe line of business

- *Significant negative effects from the Covid-19 pandemic, partially mitigated by government support measures.*

Mainland Europe line of business	H1 2020	H1 2019	Change absolute	Change %
Passengers (bus) (million)	293.3	527.7	- 234.4	- 44.4
Passengers (rail) (million)	42.0	62.6	- 20.6	- 32.9
Volume sold (rail) (million pkm)	785.7	1,127	- 341.3	- 30.3
Volume produced (bus) (million bus km)	299.9	369.2	- 69.3	- 18.8
Volume produced (rail) (million train-path km)	25.6	26.4	- 0.8	- 3.0
Total revenues (€ million)	994	1,165	- 171	- 14.7
External revenues (€ million)	925	1,097	- 172	- 15.7
EBITDA adjusted (€ million)	51	182	- 131	- 72.0
EBIT adjusted (€ million)	- 65	70	- 135	-
Gross capital expenditures (€ million)	139	106	+ 33	+ 31.1
Employees as of Jun 30 (FTE)	25,692	25,725	- 33	- 0.1

The performance development was negative:

- In rail transport all performance figures decreased mainly as a result of the Covid-19 pandemic. Positive effects resulted from new transport contracts in the Czech Republic.
- In bus transport, passenger numbers and the volume produced significantly decreased, mainly as a result of the Covid-19 pandemic.

The economic development was negative, primarily due to the Covid-19 impact.

- The revenue development was negative, mainly related to Covid-19 effects. In addition performance losses in Denmark burdened the development. Exchange rate effects had a negative effect as well.
- Other operating income remained roughly stable.

On the expense side, the declining performance trend resulted in noticeable relief:

- The significant decrease in cost of materials was mainly driven by lower energy costs due to service reductions relating to the Covid-19 pandemic. New transpoprt contracts in the Czech Republic had an adverse effect.
- Personnel expenses decreased slightly driven by the performance development. This was partially offset by salary increases.
- The other operating expenses increased slightly due to Covid-19 effects.
- Depreciation rose slightly due to capital expenditure activities.

The number of employees decreased, mainly due to the loss of transport contracts and Covid-19 effects, partially offset by new transport contracts in the Czech Republic.

DB Schenker business unit

DEVELOPMENT IN RELEVANT MARKETS

European land transport

European land transport suffered a significant decline in the first half of 2020 due to Covid-19. The lack of volumes from international trade, mainly from China, followed by the standstill in the automotive and supplier industry throughout Europe, had a negative impact in the first quarter of 2020. The lockdowns implemented in the largest European countries had a further negative impact from the second quarter. Positive developments in the consumer and hygiene / healthcare industries went some way toward mitigating the negative effects, but cannot compensate for them.

DB Schenker recorded a decline of 4.1% in the volume of shipments.

Air freight

Volume in the global air freight market also dropped in the first half of 2020. As of May 2020, volume had fallen by 14%. Since approximately half of the freight is normally transported in the hold of passenger aircraft, but passenger transport having come to an almost complete standstill in the spring of 2020, cargo capacity fell even more sharply than demand at 17%. The result was considerably higher freight rates, which, combined with lower fuel costs, mitigated the impact on the results of global logistics companies.

At DB Schenker, tonnage fell by 14.4%.

Ocean freight

In April 2020, the RWI container throughput index fell to its lowest level in three years, and as of May 2020 it was down 7% from the corresponding previous-year figure. The lockdowns in Europe and America led to significant losses on the corresponding trade routes with these regions, both between these regions and with other countries. Slight recovery has finally been observed for goods exported via Chinese ports.

The low fuel prices resulting from the excess supply of oil are mitigating the cost increase expected as a result of the entry into force of IMO 2020, which regulates sulfur emissions in maritime transport. Moreover, the large carriers are keeping freight rates stable through the disciplined retention of capacity ("blank sailing"). Both effects are reducing the negative impact of falling volumes on the results of suppliers.

DB Schenker's ocean freight volume fell by 11.0%.

Contract logistics

For the first time in many years, there are signs of a loss of the accustomed dynamism in contract logistics in 2020. Production shutdowns as a result of the lockdowns caused disruption to international supply chains, production bottlenecks on the one hand and overcrowded warehouses on the other. The automotive industry, along with all upstream and downstream sectors, has been particularly affected in this regard, as well as the industrial goods and textile industries. The food, healthcare, hygiene and high-tech industries, on the other hand, are performing well. E-commerce, which is already growing dynamically, is also benefiting.

At DB Schenker, revenues in contract logistics fell by 3.9%.

DEALING WITH THE COVID-19 PANDEMIC

DB Schenker ended the first half of 2020 much better than expected under the given circumstances. DB Schenker's logistics networks could be maintained despite the adverse circumstances, and proved to be integral to the economy and society, especially due to the countless SPECIAL TRANSPORTS 10 of protective equipment and medical supplies all over the world.

The investments in IT infrastructure and digitalization over the past few years paid off during the lockdown, allowing for a seamless transition of large parts of the workforce to home offices. This meant that DB Schenker was able to respond very quickly to the crisis situation, reduce costs and achieve a considerable increase in profits despite declining volumes.

That said, the continuing high market volatility and the associated risks mean that the overall situation remains tense with a lot of uncertainties.

DIGITALIZATION AND INNOVATION

- Following the successful completion of a pilot project, DB Schenker has introduced a self-driving forklift into regular operation in Eching, near Munich. Empty containers are transported over a distance of about 150 m without any employee intervention.
- A new proprietary IT solution (NO-TOUCH SIGNATURE 11) enables the reliable documentation of goods deliveries in these Covid-19 times.

ENVIRONMENTAL MEASURES

- Together with other major investors, DB Schenker is participating in Volocopter, a pioneer in urban air mobility. The development of the VoloDrone heavy-duty drone is intended to help meet customer demand for fast, emissions-neutral deliveries even in hard-to-reach locations.
- Together with the City of Helsinki and other partners, DB Schenker has opened a new parcels distribution center in the center of Helsinki on the Baana bicycle corridor. The distribution center will collect information on the delivery of parcels by bike, particularly for Europe-wide use, based on its operations between June and the end of 2020. The main vehicles for delivery are electric bikes. The pilot project is part of an international, EU-funded cooperation, coordinated by the Fraunhofer Society and funded by the European Institute of Innovation and Technology.

OTHER EVENTS

- In the fight against the cold, DB Schenker transported more than 1,200 boxes of private donations from North Rhine-Westphalia to people in need on the Greek island of Lesbos free of charge at the beginning of the year 2020. The four transport containers used remained in Lesbos and are being used as a medical center.
- With a revised strategy for design, color selection and image design, DB Schenker's marketing has had a new look since June 2020. It was the most significant brand relaunch in over ten years.

DEVELOPMENT IN THE FIRST HALF OF 2020

- *Efficient crisis management despite severe strain on the market environment caused by the Covid-19 pandemic.*
- *Improvements in profits, particularly in air freight.*
- *Comprehensive measures for improving efficiency and digitalization.*

	H1		Change	
DB Schenker	**2020**	2019	absolute	%
Shipments in land transport (thousand)	51,659	53,860	-2,201	-4.1
Air freight volume (export) (thousand t)	495.3	578.9	-83.6	-14.4
Ocean freight volume (export) (thousand TEU)	992.1	1,115	-122.9	-11.0
Total revenues (€ million)	8,463	8,525	-62	-0.7
External revenues (€ million)	8,429	8,491	-62	-0.7
Gross profit margin (%)	35.2	35.9	-	-
EBITDA adjusted (€ million)	569	499	+70	+14.0
EBIT adjusted (€ million)	278	238	+40	+16.8
EBIT margin (adjusted) (%)	3.3	2.8	-	-
Gross capital expenditures (€ million)	315	261	+54	+20.7
Employees as of Jun 30 (FTE)	73,792	75,981	-2,189	-2.9

Volume development in land transport, ocean freight and air freight dropped significantly.

The economic development was differentiated: the operating profit figures developed positively as a result of an increase in revenues in air freight, among other things. Land transport and contract logistics, however, moved in the opposite direction. Gross profit declined slightly (-2.7%), despite a significant increase in air freight.

Of the revenues, 39% were generated in land transport, 26% in air freight, 17% in ocean freight and 15% in contract logistics. The adjusted EBIT was generated 20% in land transport, 57% in air freight, 11% in ocean freight and 12% in contract logistics.

- Revenue development declined slightly. The positive development in air freight was completely absorbed by declines in revenues in land transport, ocean freight and contract logistics.
- Other operating income (+6.9%/€ +7 million) increased significantly, partly as a result of higher income from Covid-19-related grants. Lower income from compensation for damages had a dampening effect.

The volume and freight rate developments were particularly noticeable on the expense side:

- Cost of materials (+0.3%/€ +14 million) remained virtually stable. Volume-driven growth in air freight was offset by declines in the remaining lines of businesses.
- Personnel expenses (-0.1%/€ -2 million) remained virtually unchanged.
- The significant decline in other operating expenses (-15.7%/€ -137 million) was mainly due to lower rental and leasing expenses as well as lower travel and representation costs due to Covid-19.
- Depreciation (+11.5%/€ +30 million) increased due to higher capital expenditures (including leasing).

Capital expenditure activities increased significantly. The increase was mainly due to leasing activities. Adjusted for this effect, the capital expenditure volume remained virtually stable. The focus for capital expenditures continued to be the Europe region.

As of June 30, 2020, 29% of employees were employed in land transport, 9% in air freight, 7% in ocean freight and 32% in contract logistics. Due to the volume development, the number of employees was slightly below the level as of June 30, 2019.

Land transport line of business

- *Further development of the product portfolio and quality improvements with positive effects.*
- *Increase in demand for the digital platform Connect4land.*

Land transport line of business	H1 2020	H1 2019	Change absolute	Change %
Shipments in land transport (thousand)	51,659	53,860	- 2,201	- 4.1
Total revenues (€ million)	3,277	3,638	- 361	- 9.9
External revenues (€ million)	3,246	3,606	- 360	- 10.0
EBITDA adjusted (€ million)	146	175	- 29	- 16.6
EBIT adjusted (€ million)	56	95	- 39	- 41.1
Employees as of Jun 30 (FTE)	21,573	21,868	- 295	- 1.3

There was a significant drop in volume in land transport, driven by transport fluctuations due to Covid-19.

The economic development was challenging: there was a marked negative trend in the operating profit figures.

- Revenues declined noticeably, mainly performance-related.
- Cost of materials also fell significantly as a result of the lower volumes.
- Personnel expenses increased slightly due to reclassification measures not affecting profits. Countermeasures implemented on account of the drop in volume had a dampening effect.
- Other operating expenses declined.

The number of employees fell as a result of the drop in volumes.

Air freight line of business

- *Growth in demand and low capacity availability resulted in a significant increase in freight rates.*
- *A range of measures for standardization and improving productivity are in progress.*

Air freight line of business	H1 2020	H1 2019	Change absolute	Change %
Air freight volume (export) (thousand t)	495.3	578.9	- 83.6	- 14.4
Total revenues (€ million)	2,156	1,725	+ 431	+ 25.0
External revenues (€ million)	2,156	1,725	+ 431	25.0
EBITDA adjusted (€ million)	177	83	+ 94	+ 113
EBIT adjusted (€ million)	158	67	+ 91	+ 136
Employees as of Jun 30 (FTE)	6,809	6,999	- 190	- 2.7

Performance development declined significantly due to the development of the global market.

Economic development, on the other hand, was noticeably positive: adjusted EBIT improved, due in particular to the disproportionately high increase in revenues.

- Revenue development was very positive due to price effects. The drop in volume had a dampening effect.
- Cost of materials increased significantly, mainly driven by the development in freight rates.
- Personnel expenses increased slightly due to reclassification measures not affecting profits. Countermeasures implemented on account of the decline in volume had a dampening effect.
- Other operating expenses decreased noticeably.

The number of employees fell as a result of the drop in volumes.

Ocean freight line of business

- *Increase in demand in order management and freight management solutions.*
- *Major projects underway in Europe, South America and Asia-Pacific.*
- *Impairment due to global mitigation measures brought about by the Covid-19 pandemic.*

Ocean freight line of business	H1 2020	H1 2019	Change absolute	Change %
Ocean freight volume (export) (thousand TEU)	992.1	1,115	- 122.9	- 11.0
Total revenues (€ million)	1,465	1,517	- 52	- 3.4
External revenues (€ million)	1,465	1,517	- 52	- 3.4
EBITDA adjusted (€ million)	38	28	+ 10	+ 35.7
EBIT adjusted (€ million)	30	21	+ 9	+ 42.9
Employees as of Jun 30 (FTE)	5,250	5,306	- 56	- 1.1

Performance development in ocean freight was noticeably negative. Performance increases in the Asia-Pacific region were unable to compensate for performance losses, which were caused in particular by the global mitigation measures of the Covid-19 pandemic.

The economic development was positive; the adjusted profit figures increased significantly:

- The slight decline in revenues was mainly due to the significant drop in volumes.
- Cost of materials also decreased as a result of the drop in volumes.
- Personnel expenses increased slightly due to reclassification measures not affecting profits. In addition, performance-related new hires in the second half of 2019 had an impact.
- Other operating expenses decreased noticeably.

The number of employees fell as a result of the drop in volumes.

Contract logistics line of business

- *Continuation of measures to increase productivity.*
- *Decline in demand in the automotive and electronics industries.*
- *Production and supply chain disruptions caused by the Covid-19 pandemic are hampering profit development.*

Contract logistics line of business	H1 2020	H1 2019	Change absolute	Change %
Total revenues (€ million)	1,303	1,356	- 53	- 3.9
External revenues (€ million)	1,302	1,355	- 53	- 3.9
EBITDA adjusted (€ million)	159	165	- 6	- 3.6
EBIT adjusted (€ million)	34	41	- 7	- 17.1
Employees as of Jun 30 (FTE)	23,792	24,293	- 501	- 2.1

Economic development in contract logistics was dampened: adjusted EBIT decreased, particularly as a result of the drop in revenue development.

- Revenues developed slightly negatively as a result of the Covid-19 pandemic and the resulting production and supply chain disruptions, particularly in the automotive and electronics industries.
- Cost of materials was corresponding to the revenue development also declining.
- Personnel expenses decreased as a result of the drop in demand. Reclassification measures not affecting profits, on the other hand, caused expenses to increase.
- Other operating expenses decreased noticeably.

The number of employees fell as a result of the drop in demand.

Opportunity and risk report

Our business activities are associated with risks as well as opportunities. Our business policy therefore aims to take advantage of opportunities through our opportunity management system, while also actively managing those risks identified within the framework of our risk management system. There were no significant changes to DB Group's RISK MANAGEMENT SYSTEM (2019 INTEGRATED REPORT 168 FF.) in the first half of 2020. However, risk reporting has temporarily been heavily focused on exploring scenarios on the effects of the Covid-19 pandemic and putting in place countermeasures. The baseline scenario was taken into account in the OUTLOOK FOR 2020 56 F. It was assumed that demand will continue to recover in the second half of 2020 and that there will not be a second lockdown.

However, given the high dynamics and uncertain development, deviations from our forecasts are not unlikely. In the event of a delayed recovery phase, we expect an additional considerable impact on profits. The other opportunities and risks are low in relation to the effects of the Covid-19 pandemic, but they continue to exist in principle as described in the 2019 INTEGRATED REPORT 170 FF.

Our analyses of risks, countermeasures (including an EQUITY MEASURE 3 by the Federal Government), hedging and precautionary measures, together with the opinion of the Group Management Board based on the current risk assessment and our mid-term planning, indicate that there are no risks that, individually or jointly, could have an impact on the net assets, financial situation or income situation of DB Group and would pose a threat to the Group as a going concern.

Events after the balance sheet date

Bond issues

Through DB Finance we issued two new senior bonds after June 30, 2020:

ISIN	Issuer	Currency	Volume (million)	Volume (€ million)	Coupon (%)	Maturity	Term (years)
XS2198394640 [1]	DB Finance	SEC	500	48	1.520	Jul 2035	15.0
AU3CB0273027	DB Finance	AUD	200	123	1.987	Jul 2030	10.0

[1] Private placement.

Increase in equity due to Covid-19 impact is regulated by law

On July 2, 2020, the second 2020 Supplementary Budget Act was passed by the German Parliament. This includes, among other things, the EQUITY MEASURE 3 to compensate for damages resulting from the Covid-19 pandemic.

Coal Phase-out Act and Structural Development Act passed

In July 2020, the decision to phase out coal by 2038 at the latest was passed. In addition, the German Parliament and the Bundesrat (Upper House of Parliament) have adopted the latest amendments of the Federal Government to the act to support structural changes in current coal regions (Structural Development Act) and approved the act. The legal framework for granting financial aid for capital expenditures and further measures of up to € 40 billion by 2038 in the coal regions has been created. The Structural Development Act includes investments in 40 rail expansion projects, among other things. Twelve of the measures were included in the Measure Law Preparation Act (Maßnahmengesetzvorbereitungsgesetz). It also includes the possibility of expanding a vehicle maintenance depot in Cottbus.

Outlook

There are still great uncertainties regarding the further effects that the Covid-19 pandemic may have on the economy, the relevant markets and the development of DB Group, and therefore a considerable lack of clarity with regard to forecasts. Our forecasts for the full year 2020 are based on the assumption that there will be no significant change in the geopolitical situation and that there will be no further far-reaching waves of Covid-19 infection.

Economic environment

Anticipated development *(%)*	2019	2020 (Mar forecast)	**2020 (Jul forecast)**
World trade [1]	+0.7	↘	-9
GDP world	+2.5	↘	-5
GDP Eurozone	+1.2	↘	-8
GDP Germany	+0.6	↘	-6

[1] Trade in goods only.

Expectations for 2020 are subject to a higher degree of forecast volatility.

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

Source: Oxford Economics

With a reduction in the number of Covid-19 infections being observed, at least in large parts of Europe and East Asia, national governments have begun to gradually lift Covid-19 restrictions. At the same time, distancing and hygiene requirements continue to shape everyday life. The possibility of new waves of infection also means that there continues to be a high level of uncertainty. The environment for mobility and transport providers remains challenging.

- In 2020 the global value added is expected to decline significantly. This affects all major economic regions. The Eurozone is heavily dependent on global demand for capital goods, which has plummeted as a result of limited economic activity. The decline in world trade will also be disproportionately high, as capital goods are very trade-intensive. Moreover, the various, staggered Covid-19 measures are causing disruption to value and supply chains.
- As well as weak foreign demand, domestic demand will be noticeably weaker in the Eurozone, as is the case in Germany. Consumers are being affected by rising unemployment levels and lower wage and salary trends. Companies are also putting off investments. The continued low interest rates of the central banks, as well as the credit and spending programs at national and European level, are providing support.
- Compared to its European neighbors, Germany is benefiting from less severe Covid-19 restrictions. In addition, after years of small budget surpluses, the Federal Government can draw on relatively substantial financial resources to support the economy. However, as the German industry is highly export-oriented, economic recovery is hugely dependent on the development of demand in Europe and around the world, and is therefore subject to risk. As a result, the economy will shrink sharply in 2020, but the decline is below the average for the Eurozone.

Transport markets

PASSENGER TRANSPORT

Anticipated market development *(%)*	2019	2020 (Mar forecast)	**2020 (Jul forecast)**
German passenger transport (based on pkm)	+0.9	↘	-15

Expectations for 2020 are subject to a higher degree of forecast volatility.

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

The further development of German passenger transport depends heavily on the Covid-19 situation and the associated regulatory measures and changes in mobility behavior. Despite a marked recovery in the second half of 2020, a sharp drop in volume sold is expected in 2020. Commuting and business travel are expected to be partially replaced by working from home and digital communication in the second half of 2020. In the short term, there is also a Covid-19-related preference for private transport. Under these circumstances, rail passenger transport has a longer recovery path over the next few years, and could benefit from gains from air transport and long-distance bus transport.

The trend toward strengthening public passenger transport continues; in the short term, the contracting organizations' strained financial situation could have a dampening effect.

In European passenger transport, too, development will be specific to the mode of transport and will vary from region to region. With their planned return to normal schedule during the summer months 2020, the railways are laying the foundations for the recovery of rail passenger transport.

FREIGHT TRANSPORT AND LOGISTICS

Anticipated market development (%)	2019	2020 (Mar forecast)	2020 (Jul forecast)
German freight transport (based on tkm)	+0.4	↘	-10
European rail freight transport (based on tkm)	-3.2	↘	-10
European land transport (based on revenues)	+2.2	↘	-10
Global air freight (based on t)	-4.4	↘	-5
Global ocean freight (based on TEU)	+1.1	↘	-5
Global contract logistics (based on revenues)	+4.5	↘	-5

Expectations for 2020 are subject to a higher degree of forecast volatility.
↗ above previous year's figure; → at previous year's level; ↘ below previous year's figure

- Although a slow recovery is anticipated in the second half of 2020, the German freight transport market is expected to experience a considerable drop in performance in 2020:
  - In rail freight transport, we are seeing a double-digit percentage decline in performance, mainly due to production losses in capital goods and intermediate goods, driven in particular by weak development in the combined transport, steel, chemical/mineral oil and automotive industries.
  - For truck transport, the declines in the automotive, mechanical engineering and chemical industries in particular will continue. The impetus from the construction industry is likely to subside, while the impetus from the consumer goods industry and e-commerce will continue to have a stabilizing effect. A significant but, in relative terms, less severe decline is therefore expected in 2020.
  - In the case of inland waterway transport, even assuming a stable situation on the main waterways, the negative economic stimulus will lead to a double-digit percentage drop.
- Even with transport demand stabilizing in the second half of the year, the European rail freight transport market is expected to experience the strongest decline in volume sold in 2020 since the 2009 financial crisis.
- A slight recovery in European land transport is anticipated in the second half of 2020 driven by the economic recovery and increasing trade dynamics. However, the decline will still be considerable.
- A slow recovery is expected in air and ocean freight and global contract logistics in the second half of 2020. Overall, there will be a less significant decline in volumes in 2020 compared to other modes of transport.

INFRASTRUCTURE

The demand for train-path in 2020 is expected to recover further over the course of the year.

- In the second half of 2020, long-distance passenger rail transport will continue to expand, but will still not reach the volume of the first quarter 2020, so the level is expected to remain below the previous year's level.
- In regional rail passenger transport, the level recorded at the start of the year is expected to be reached in the third quarter of 2020, but this will not be able to compensate for the effects of the Covid-19 pandemic.
- A slight recovery is expected in rail freight transport due to the resumption of industrial production and boosted by a higher rate for train-path price support from June 2020. Despite increasing demand, volume produced at the end of the year will be lower than the previous year.

Considering the year as a whole, there is expected to be a slight decline in terms of station stops due to Covid-19. The share of non-Group railways will continue to increase.

Leasing income in stations will decline significantly in 2020, due to the Covid-19 situation.

Procurement markets

As a baseline scenario, we currently expect no shortages on the procurement side.

Financial markets

Development on the financial markets is characterized by great uncertainty as a result of the Covid-19 pandemic. Central banks are reacting by further easing monetary policy. To this extent, the short-term interest rates are likely to remain at low levels for the foreseeable future.

Development of DB Group

- *The development of DB Group in 2020 will be strongly influenced by the consequences of the Covid-19 pandemic.*
- *Despite restrictions due to Covid-19, efforts to push forward with the strategy continue and capital expenditure activities is increasing.*
- *Further progress on quality issues.*

Our forecasts for the development of DB Group in the 2020 financial year are based on our expectations of developments in the market, competition and environment, and the implementation success of the planned measures. A key basic assumption is that we expect the recovery process that began in May 2020 to continue and for there not to be any significant Covid-19-related setbacks. Overall, the situation continues to be characterized by great uncertainty in terms of the consequences of the Covid-19 pandemic and the speed of recovery.

TOP TARGETS STRONG RAIL

Anticipated development	2019	2020 (Mar forecast)	2020 (Jul forecast)
Passengers (rail) – DB Long-Distance (million)	150.7	↘	> 100
Passengers (rail) – DB Regional (billion)	2.0	↘	> 1.2
Volume sold – rail freight transport (Germany) (billion tkm)	61	↘	> 48
Train kilometers on track infrastructure (Germany) (million train-path km)	1,090	↘	> 1,000
Customer satisfaction – DB Long-Distance (SI)	76.5	79	79
Customer satisfaction – DB Regional (rail) (SI)	66.1	69	69
Customer satisfaction – DB Cargo (SI)	61	63	68
Punctuality DB Long-Distance (%)	75.9	78.0	> 80
Punctuality DB Regional (rail) (%)	94.3	94.8	> 95
Punctuality DB Cargo (Germany) (%)	73.8	75.0	> 79
Share of renewable energies in the DB traction current mix (%)	60.1	61	~ 61
Employee satisfaction (SI)	–	3.8	3.8

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

ADDITIONAL KEY FIGURES FOR INCOME, FINANCIAL AND ASSET SITUATION

Anticipated development (*€ billion*)	2019	2020 (Mar forecast)	2020 (Jul forecast)
Revenues	44.4	↘	> 38.5
EBIT adjusted	1.8	↘	> – 3.5
Gross capital expenditures	13.1	> 15	> 14.5
Net capital expenditures	5.6	> 6.5	> 6.0
Maturities	2.2	2.3	2.3
Bond issues (senior)	2.0	> 2.5	≥ 4.4
Net financial debt as of Dec 31	24.2	↗	~ 27

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

On the basis of the developments to date and the current estimates for the second half of 2020, we have made some adjustments and refined our expectations:

- The effects of the Covid-19 pandemic will have a significant negative impact on revenue development in 2020. We expect the recovery trends, which have been observed since May 2020, to continue.
- In the short term, the effects of the Covid-19 pandemic can only be compensated to a very limited extent through countermeasures, so we expect a very negative development in profits.
- We want to continue our quality and capital expenditure initiative with a high level of capital expenditures. Some projects will be postponed due to Covid-19.
- The negative profit situation is leading to a significantly higher financing need. In addition to the measures taken by the Federal Government to COMPENSATE FOR THE DAMAGE CAUSED BY THE COVID-19 PANDEMIC 3, these requirements are being covered by more substantial bond issue activity.
- For our capital market activities, we still have an adequate financial leeway from our FINANCING PROGRAMS 22 F. The GUARANTEED CREDIT FACILITIES 23 serve as a fall-back option in the event of disruption to capital market access. Short- and medium-term liquidity supply remains secure.
- Net financial debt is expected to increase significantly as of December 31, 2020, compared with the end of the previous year, even taking into account the measures taken by the Federal Government to COMPENSATE FOR THE DAMAGE CAUSED BY THE COVID-19 PANDEMIC 3.

ADDITIONAL KEY FIGURES FOR GREEN TRANSFORMATION

Anticipated development	2019	2020 (Mar forecast)	2020 (Jul forecast)
Specific greenhouse gas emissions in comparison to 2006 (%)	– 34.8	~ – 35	~ – 33
Track kilometers noise remediated in total as of Dec 31 (km)	1,844	2,000	~ 2,000
Quiet freight cars in Germany as of Dec 31	57,644	61,000	~ 61,000

Due to the impact of the Covid-19 pandemic, we have adjusted our expectations for specific greenhouse gas emissions in comparison to 2006. The main reason for this is that there were hardly any restrictions to the schedule between March and May 2020, while there were significantly fewer passengers on our trains.

FORWARD-LOOKING STATEMENTS

This management report contains statements and forecasts pertaining to the future development of DB Group, its business units and individual companies. These forecasts are estimates made based on information that is available at the current time. Actual developments and profits may diverge from the current expectations as a result of the non-materialization of the assumptions upon which our forecasts are based or the materialization of risks such as those presented in the risk report.

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

Consolidated interim financial statements (unaudited)

Consolidated statement of income

(€ million)	H1 2020	H1 2019	2019
Revenues	19,423	22,014	44,430
Inventory changes and internally produced and capitalized assets	1,695	1,490	3,166
Overall performance	21,118	23,504	47,596
Other operating income	1,276	1,118	3,030
Cost of materials	-10,767	-10,877	-22,262
Personnel expenses	-9,155	-8,998	-18,152
Depreciation and impairments	-3,375	-1,809	-3,671
Other operating expenses	-2,380	-2,309	-5,157
Operating income (EBIT)	**-3,283**	**629**	**1,384**
Result from investments accounted for using the equity method	-9	-4	-12
Net interest income	-347	-345	-655
Other financial result	-30	-3	-36
Financial result	**-386**	**-352**	**-703**
Profit / loss before taxes on income	**-3,669**	**277**	**681**
Taxes on income	-80	-72	-1
Net profit / loss (after taxes)	**-3,749**	**205**	**680**
Net profit / loss attributable to			
Shareholder of Deutsche Bahn AG	-3,753	198	662
Hybrid capital investors	13	–	5
Non-controlling interests	-9	7	13
Earnings per share (€ per share)			
undiluted	-8.73	0.46	1.54
diluted	-8.73	0.46	1.54

Reconciliation of consolidated comprehensive income

(€ million)	H1 2020	H1 2019	2019
Net profit / loss (after taxes)	-3,749	205	680
Changes due to the revaluation of defined benefit plans	-547	-400	-775
Changes in profit items recognized directly in equity which are not reclassified to the income statement	-547	-400	-775
Changes resulting from currency translation	-71	29	78
Changes resulting from market valuation of securities	0	1	0
Changes resulting from market valuation of cash flow hedges	-46	-30	-42
Share of profit items not recognized in the income statement due to investments accounted for using the equity method	1	–	2
Changes in profit items recognized directly in equity which are reclassified to the income statement	-116	0	38
Balance of profit items covered directly in equity (before taxes)	**-663**	**-400**	**-737**
Revaluation of defined benefit plans	-24	65	65
Changes in deferred taxes on profit items recognized directly in equity, which are not reclassified to the income statement	**-24**	**65**	**65**
Deferred taxes relating to the change in the market valuation of cash flow hedges	14	-1	-1
Changes in deferred taxes on profit items recognized directly in equity, which are reclassified to the income statement	**14**	**-1**	**-1**
Balance of profit items recognized directly in equity (after taxes)	**-673**	**-336**	**-673**
Comprehensive income	**-4,422**	**-131**	**7**
Comprehensive income attributable to			
Shareholder of Deutsche Bahn AG	-4,425	-138	-11
Hybrid capital investors	13	–	5
Non-controlling interests	-10	7	13

Consolidated balance sheet

Assets

(€ million)	Jun 30, 2020	Dec 31, 2019	Jun 30, 2019
NON-CURRENT ASSETS			
Property, plant and equipment	46,710	46,591	45,326
Intangible assets	2,372	3,894	3,751
Investments accounted for using the equity method	498	501	504
Other investments and securities	56	44	43
Receivables and other assets	803	756	450
Derivative financial instruments	143	181	148
Deferred tax assets	1,215	1,246	1,145
	51,797	**53,213**	**51,367**
CURRENT ASSETS			
Inventories	1,928	1,520	1,502
Other investments and securities	1	1	1
Trade receivables	4,776	4,871	5,015
Other receivables and other assets	2,202	2,036	2,035
Income tax receivables	66	60	86
Derivative financial instruments	26	134	120
Cash and cash equivalents	3,696	3,993	3,663
Held-for-sale assets	1	0	1
	12,696	**12,615**	**12,423**
Total assets	**64,493**	**65,828**	**63,790**

Equity and liabilities

(€ million)	Jun 30, 2020	Dec 31, 2019	Jun 30, 2019
EQUITY			
Subscribed capital	2,150	2,150	2,150
Reserves	2,728	3,400	3,738
Retained earnings	2,822	7,225	6,762
Equity attributable to shareholder of Deutsche Bahn AG	**7,700**	**12,775**	**12,650**
Non-controlling interests	146	155	154
Hybrid capital	2,005	1,997	-
	9,851	**14,927**	**12,804**
NON-CURRENT LIABILITIES			
Financial debt	26,399	23,977	24,449
Other liabilities	595	338	187
Derivative financial instruments	357	287	378
Pension obligations	5,917	5,354	5,270
Other provisions	2,442	2,246	2,217
Deferred items	312	455	535
Deferred tax liabilities	148	163	181
	36,170	**32,820**	**33,217**
CURRENT LIABILITIES			
Financial debt	5,012	4,716	4,871
Trade liabilities	5,291	5,789	5,145
Other liabilities	3,824	3,432	3,572
Income tax liabilities	217	190	244
Derivative financial instruments	120	79	37
Other provisions	3,050	2,852	2,852
Deferred items	958	1,023	1,048
	18,472	**18,081**	**17,769**
Total assets	**64,493**	**65,828**	**63,790**

Consolidated statement of cash flows

	H1		
(€ million)	2020	2019	2019
Profit / loss before taxes on income	-3,669	277	681
Depreciation on property, plant and equipment and intangible assets	3,375	1,809	3,671
Write-ups / write-downs on non-current financial assets	12	5	5
Result on disposal of property, plant and equipment and intangible assets	64	-29	-145
Result on disposal of financial assets	1	1	1
Result from the sale of consolidated companies	-3	–	0
Interest and dividend income	-78	-33	-50
Interest expense	424	375	703
Foreign currency result	9	-2	18
Result of investments accounted for using the equity method	9	4	12
Other non-cash expenses and income	930	572	1,235
Changes in inventories, receivables and other assets [1]	94	-458	-408
Changes in liabilities, provisions and deferred items [1]	-1,144	-867	-1,768
Cash generated from operating activities	24	1,654	3,955
Interest received	13	15	31
Received / paid (-) dividends and capital distribution	7	3	-2
Interest paid	-218	-220	-556
Paid (-) / reimbursed (+) taxes on income	-61	-66	-150
Cash flow from operating activities	**-235**	**1,386**	**3,278**
Proceeds from the disposal of property, plant and equipment and intangible assets	109	169	473
Payments for capital expenditures in property, plant and equipment and intangible assets	-5,251	-4,439	-11,661
Proceeds from investment grants	2,782	2,475	7,447
Payments for repaid investment grants	-32	-55	-74
Payments for investments in financial assets	-22	-2	-4
Proceeds from sale of shares in consolidated companies less net cash and cash equivalents sold	5	0	0
Payments for acquisition of shares in consolidated companies less net cash and cash equivalents acquired as well as payments for parts of companies	-5	0	-23
Payments for additions of investments accounted for using the equity method	0	-5	-11
Cash flow from investing activities	**-2,414**	**-1,857**	**-3,853**
Proceeds from capital injections	–	–	1,993
Distribution of profits to shareholder	-650	-650	-650
Distribution of profits to minority interests and hybrid capital investors	-6	-9	-12
Payments for finance lease transactions	-498	-477	-954
Proceeds from issue of senior bonds	4,165	1,995	1,995
Payments for redemption of senior bonds	-1,067	-1,259	-1,913
Payments for the redemption and repayment of interest-free loans	-163	-178	-178
Proceeds from borrowings and commercial paper	791	1,277	923
Payments for the redemption of borrowings and commercial paper	-175	-115	-211
Cash flow from financing activities	**2,397**	**584**	**993**
Net changes in cash and cash equivalents	**-252**	**113**	**418**
Cash and cash equivalents as of Jan 1	3,993	3,544	3,544
Changes in cash and cash equivalents due to changes in the scope of consolidation	4	–	–
Changes in cash and cash equivalents due to changes in exchange rates	-49	6	31
Cash and cash equivalents as of Jun 30 / Dec 31	**3,696**	**3,663**	**3,993**

[1] Figure for the first half of 2019 adjusted.

Consolidated statement of changes in equity

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

(€ million)	**Subscribed capital**	**Reserves: Capital reserves**	**Reserves: Currency translation**	**Reserves: Fair value valuation of securities**	**Reserves: Fair value valuation of cash flow hedges**	**Reserves: Revaluation of pensions**	**Reserves: Other movements**	**Reserves: Total**	**Retained earnings**	**Equity attributable to shareholder of Deutsche Bahn AG**	**Hybrid capital**	**Non-controlling interests**	**Equity**
As of Jan 1, 2020	2,150	6,310	94	1	- 149	- 2,843	- 13	**3,400**	7,225	**12,775**	1,997	155	**14,927**
+ Capital increase / injection	–	–	–	–	–	–	–	**–**	–	**–**	–	1	**1**
− Capital decrease	–	–	–	–	–	–	–	**–**	–	**–**	–	- 1	**- 1**
− Dividend payment	–	–	–	–	–	–	–	**–**	- 650	**- 650**	- 5	- 1	**- 656**
± Other changes	–	–	–	–	–	–	–	**–**	–	**–**	–	2	**2**
± Comprehensive income	–	–	- 70	1	- 32	- 571	–	**- 672**	- 3,753	**- 4,425**	13	- 10	**- 4,422**
thereof net profit / loss (after taxes)	–	–	–	–	–	–	–	**–**	- 3,753	**- 3,753**	13	- 9	**- 3,749**
thereof currency effects	–	–	- 70	–	–	–	–	**- 70**	–	**- 70**	–	- 1	**- 71**
thereof deferred taxes	–	–	–	–	14	- 24	–	**- 10**	–	**- 10**	–	–	**- 10**
thereof market valuation / reclassification	–	–	–	0	- 46	–	–	**- 46**	–	**- 46**	–	–	**- 46**
thereof revaluation of defined benefit plans	–	–	–	–	–	- 547	–	**- 547**	–	**- 547**	–	0	**- 547**
thereof share of items not recognized in the income statement from investments accounted for using the equity method	–	–	–	1	–	–	–	**1**	–	**1**	–	–	**1**
As of Jun 30, 2020	**2,150**	**6,310**	**24**	**2**	**- 181**	**- 3,414**	**- 13**	**2,728**	**2,822**	**7,700**	**2,005**	**146**	**9,851**

Segment information according to segments

Jan 1 to Jun 30 or respectively as of Jun 30 (€ million)	DB Long-Distance		DB Regional		DB Cargo		DB Netze Track		DB Netze Stations		DB Netze Energy	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External revenues	1,417	2,310	3,676	4,361	1,845	2,141	877	812	292	303	601	640
Internal revenues	68	82	51	51	123	129	1,855	1,991	355	377	708	770
Total revenues	1,485	2,392	3,727	4,412	1,968	2,270	2,732	2,803	647	680	1,309	1,410
Other external income	60	76	108	110	176	166	295	291	42	60	12	5
Other internal income	27	24	46	44	17	26	116	105	8	10	17	15
Inventory changes and internally produced and capitalized assets	10	7	24	44	18	14	584	495	41	31	12	10
Total income	1,582	2,499	3,905	4,610	2,179	2,476	3,727	3,694	738	781	1,350	1,440
Cost of materials	-1,312	-1,343	-2,598	-2,758	-1,200	-1,289	-992	-905	-299	-289	-1,164	-1,255
Personnel expenses	-552	-515	-1,086	-1,046	-884	-859	-1,639	-1,545	-198	-181	-67	-64
Other operating expenses	-270	-274	-497	-294	-271	-308	-580	-536	-117	-110	-59	-56
EBITDA	-552	367	-276	512	-176	20	516	708	124	201	60	65
Scheduled depreciation [2]	-168	-143	-321	-326	-174	-152	-346	-333	-71	-78	-42	-42
Impairment losses recognized / reversed [2]	–	–	0	0	-2	0	0	4	–	–	-2	0
EBIT (operating profit / loss)	-720	224	-597	186	-352	-132	170	379	53	123	16	23
Net operating interest [3]	-7	-2	-24	-24	-29	-31	-78	-98	-16	-17	-7	-10
Operating income after interest [3]	-727	222	-621	162	-381	-163	92	281	37	106	9	13
Property, plant and equipment	4,979	3,695	6,394	6,597	2,960	2,897	20,544	19,894	3,542	3,421	1,152	1,175
+ Intangible assets	40	12	36	29	201	164	151	141	41	28	14	20
thereof goodwill	0	0	6	6	1	1	–	–	–	0	–	–
+ Inventories	167	130	540	228	180	147	227	254	–	–	93	79
+ Trade receivables [4]	31	50	782	699	412	544	137	138	119	23	132	218
+ Receivables and other assets [4]	221	226	749	551	197	178	551	368	20	29	144	159
– Receivables from financing and earmarked construction deposits [4]	–	–	–	–	–	–	–	–	–	–	–	–
+ Income tax receivables	–	–	0	–	2	2	0	–	0	–	0	–
+ Available-for-sale assets [4]	–	–	–	–	–	–	–	–	–	–	–	–
– Trade liabilities [4]	-212	-171	-758	-212	-358	-483	-566	-550	-67	-74	-257	-268
– Miscellaneous and other liabilities [4]	-196	-327	-722	-577	-221	-273	-821	-618	-225	-155	-57	-69
– Income tax liabilities	0	–	-1	-1	-2	-5	–	–	-1	–	–	–
– Other provisions	-24	-32	-1,955	-1,587	-149	-165	-351	-264	-24	-21	-24	-38
– Deferred items	-489	-532	-114	-153	-5	-7	-307	-449	-113	-116	-2	-2
– Held-for-sale liabilities [4]	-103	-98	-220	-213	-214	-221	-289	-265	-24	-21	-10	-10
Capital employed [5]	4,414	2,953	4,731	5,361	3,003	2,778	19,276	18,649	3,268	3,114	1,185	1,264
Net financial debt	2,758	405	2,822	2,713	2,908	2,575	10,340	9,683	1,706	1,509	736	829
Investments accounted for using the equity method	0	–	5	5	33	39	2	1	0	–	0	–
Result from investments accounted for using the equity method	0	–	0	–	3	2	0	–	–	–	0	–
Gross capital expenditures	573	169	189	273	136	163	3,309	2,875	497	397	68	67
Investment grants received	–	–	-1	-4	–	–	-2,468	-2,239	-261	-181	-47	-44
Net capital expenditures	573	169	188	269	136	163	841	636	236	216	21	23
Additions due to changes in the scope of consolidation (acquisition of companies)	–	–	–	–	16	–	1	–	–	–	–	–
Employees [6]	18,320	16,938	36,980	36,362	29,874	29,198	49,832	48,021	6,302	6,002	1,804	1,747

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

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

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

[4] Content allocation in accordance with management reporting.

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

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

Subsidiaries/ other		Consolidation		Integrated rail system		DB Arriva		DB Schenker		Consolidation other		DB Group adjusted		Reconciliation [1]		DB Group	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
228	280	–	–	8,936	10,847	2,058	2,687	8,429	8,491	–	-12	19,423	22,013	0	1	19,423	22,014
2,260	2,118	-5,320	-5,407	100	111	1	3	34	34	-135	-148	–	–	–	–	–	–
2,488	2,398	-5,320	-5,407	9,036	10,958	2,059	2,690	8,463	8,525	-135	-160	19,423	22,013	–	1	19,423	22,014
217	199	–	–	910	907	242	118	105	97	–	-6	1,257	1,116	19	2	1,276	1,118
572	540	-775	-740	28	24	0	–	4	5	-32	-29	–	–	–	–	–	–
452	390	540	491	1,681	1,482	5	1	2	2	7	5	1,695	1,490	–	–	1,695	1,490
3,729	3,527	-5,555	-5,656	11,655	13,371	2,306	2,809	8,574	8,629	-160	-190	22,375	24,619	19	3	22,394	24,622
-1,492	-1,348	4,446	4,585	-4,611	-4,602	-717	-864	-5,538	-5,524	100	114	-10,766	-10,876	-1	-1	-10,767	-10,877
-1,833	-1,733	-2	-4	-6,261	-5,947	-1,083	-1,221	-1,731	-1,733	-2	-1	-9,077	-8,902	-78	-96	-9,155	-8,998
-555	-565	1,066	1,038	-1,283	-1,105	-413	-398	-736	-873	57	69	-2,375	-2,307	-5	-2	-2,380	-2,309
-151	-119	-45	-37	-500	1,717	93	326	569	499	-5	-8	157	2,534	-65	-96	92	2,438
-264	-247	29	27	-1,357	-1,294	-213	-225	-290	-261	1	-1	-1,859	-1,781	-27	-32	-1,886	-1,813
-40	0	–	–	-44	4	-33	0	-1	0	–	–	-78	4	-1,411	–	-1,489	4
-455	-366	-16	-10	-1,901	427	-153	101	278	238	-4	-9	-1,780	757	-1,503	-128	-3,283	629
-77	-99	–	0	-238	-281	-16	-23	-28	-29	–	–	-282	-333	–	–	–	–
-532	-465	-16	-10	-2,139	146	-169	78	250	209	-4	-9	-2,062	424	–	–	–	–
2,659	2,621	-772	-727	41,458	39,573	2,504	3,024	2,768	2,737	-20	-8	46,710	45,326	–	–	46,710	45,326
257	246	-52	-44	688	596	249	1,730	1,436	1,426	-1	-1	2,372	3,751	–	–	2,372	3,751
14	14	–	–	21	21	0	1,387	1,147	1,154	–	–	1,168	2,562	–	–	1,168	2,562
592	523	-39	-37	1,760	1,324	99	101	69	77	–	–	1,928	1,502	–	–	1,928	1,502
296	441	–	–	1,909	2,113	327	395	2,515	2,488	–	–	4,751	4,996	25	19	4,776	5,015
1,073	1,157	-1,280	-1,416	1,675	1,252	409	432	703	649	-85	-80	2,702	2,253	303	232	3,005	2,485
–	–	–	–	–	–	–	–	–	–	–	–	–	–	-329	-252	-329	-252
7	7	–	–	9	9	21	38	36	39	–	–	66	86	–	–	66	86
–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	1	1	1
-651	-608	1	–	-2,868	-2,366	-558	-565	-1,971	-2,026	–	-1	-5,397	-4,958	106	-187	-5,291	-5,145
-889	-939	1,280	1,414	-1,851	-1,544	-288	-226	-521	-534	84	82	-2,576	-2,222	-1,843	-1,537	-4,419	-3,759
-37	-27	1	1	-40	-32	-79	-89	-103	-136	5	13	-217	-244	–	–	-217	-244
-2,349	-2,309	-3	-5	-4,879	-4,421	-195	-268	-408	-368	-10	-12	-5,492	-5,069	–	–	-5,492	-5,069
-60	-117	–	1	-1,090	-1,375	-169	-196	-11	-11	–	-1	-1,270	-1,583	–	–	-1,270	-1,583
-321	-306	–	–	-1,181	-1,134	-171	-208	-385	-382	–	–	-1,737	-1,724	1,737	1,724	–	–
577	689	-864	-813	35,590	33,995	2,149	4,168	4,128	3,959	-27	-8	41,840	42,114	–	–	41,840	42,114
3,016	3,786	–	–	24,286	21,500	1,103	1,740	2,124	2,169	–	–	27,513	25,409	–	–	27,513	25,409
348	345	–	–	388	390	98	103	12	11	–	–	498	504	–	–	498	504
-13	-12	–	–	-10	-10	0	5	1	1	–	–	-9	-4	–	–	-9	-4
283	318	-21	-21	5,034	4,241	203	323	315	261	–	–	5,552	4,825	–	–	5,552	4,825
0	–	–	–	-2,777	-2,468	-5	-7	–	–	–	–	-2,782	-2,475	–	–	-2,782	-2,475
283	318	-21	-21	2,257	1,773	198	316	315	261	–	–	2,770	2,350	–	–	2,770	2,350
–	–	–	–	17	–	–	-1	–	–	–	–	17	-1	–	–	17	-1
56,735	54,926	–	–	199,847	193,194	46,477	52,590	73,792	75,981	–	–	320,116	321,765	–	–	320,116	321,765

Information by regions

	External revenues		Non-current assets [1]		Capital employed [1]		Gross capital expenditures		Net capital expenditures		Employees [1]	
Jan 1 to Jun 30 *(€ million)*	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Germany	10,557	12,457	42,923	40,844	36,287	34,555	5,092	4,299	2,315	1,831	205,578	199,830
Europe (excluding Germany)	5,934	6,836	5,681	7,648	4,683	6,792	393	457	388	450	85,823	92,413
Asia/Pacific	1,665	1,504	1,107	1,123	1,262	1,174	61	53	61	53	16,694	16,737
North America	1,022	947	267	299	447	408	25	28	25	28	8,664	9,396
Rest of world	245	269	35	57	58	83	2	9	2	9	3,357	3,389
Consolidation	–	–	-846	-843	-897	-898	-21	-21	-21	-21	–	–
DB Group adjusted	**19,423**	**22,013**	**49,167**	**49,128**	**41,840**	**42,114**	**5,552**	**4,825**	**2,770**	**2,350**	**320,116**	**321,765**
Reconciliation	0	1	–	–	–	–	–	–	–	–	–	–
DB Group	**19,423**	**22,014**	**49,167**	**49,128**	**41,840**	**42,114**	**5,552**	**4,825**	**2,770**	**2,350**	**320,116**	**321,765**

[1] As of June 30.

Notes to the consolidated interim financial statements

Basic principles and methods

The unaudited and condensed interim financial statements as of June 30, 2020, are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the European Union (EU) and their interpretation by the IFRS Interpretations Committee. The requirements of IAS 34 (Interim Financial Reporting) have been followed. The accounting policies underlying the consolidated financial statements 2019 have been consistently applied for these interim financial statements.

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

Comparability with the first half of 2019

After due consideration is given to the following issues, the financial information presented for the first half of 2020 is comparable with the financial information for the first half of 2019:

- Details of major events and transactions
- General information regarding the impact of the Covid-19 pandemic on the consolidated financial statements

Particularly as a result of the Covid-19 pandemic, revenues in virtually all segments have suffered a significant decline in certain cases. In DB Group, revenues in the first half of 2020 declined to € 19,423 million (first half of 2019: € 22,014 million). For further information please refer to the DETAILS REGARDING REVENUES FROM CONTRACTS WITH CUSTOMERS IFRS 15) 67.

In addition, mainly due to the impact of the Covid-19 pandemic, EBIT declined to € −3,283 million in the first half of 2020 (first half of 2019: € +629 million). The cash flow from operating activities has also declined to € −235 million (first half of 2019: € 1,386 million). This has also resulted in net financial debt increasing to € 27,513 million as of June 30, 2020 (as of December 31, 2019: € 24,175 million).

Major events and transactions, and the corresponding impact on the consolidated financial statements, are described in greater detail in the following.

IMPAIRMENTS OF ASSETS

IAS 36 governs the impairment test for property, plant and equipment and intangible assets which is carried out using a so-called indicator-based asset impairment test. Such an asset impairment test has to be carried out when indicators (so-called triggering events) indicate a possible loss of value. For DB Group, the impact of the Covid-19 pandemic represents such a triggering event, and impairment tests were accordingly carried out as of April 30, 2020. Up to the point at which the financial statements were prepared, there have been no significant changes to the underlying assumptions.

Regarding the methodological approach, please also refer to the NOTES IN THE 2019 INTEGRATED REPORT 199 F. of DB Group. In this connection, the forecast of the cash flows was extended to include assumptions regarding risks relating to the Covid-19 pandemic which are subject to a high degree of uncertainty.

In connection with the performance of the impairment tests, the costs of capital have increased compared with December 31, 2019. The weighted average cost of capital (WACC) for the respective cash-generating units (CGUs) valid as of June 30, 2020, and December 31, 2019, are shown in the following table, whereby the cost of capital as of June 30, 2020 remained unchanged compared with April 30, 2020.

	Jun 30, 2020		Dec 31, 2019	
(%)	**Before taxes**	**After taxes**	Before taxes	After taxes
DB Long-Distance	6.8	4.7	5.5	3.8
DB Regional	6.4	4.4	4.5	3.1
DB Cargo	8.1	5.6	7.9	5.5
DB Netze Track	5.3	3.7	4.2	2.9
DB Netze Stations	7.0	4.9	5.6	3.9
DB Netze Energy	4.6	3.2	3.9	2.7
DB Arriva	6.5	4.6	4.5	3.1
DB Schenker	8.2	5.7	8.1	5.7

The changes in the WACCs compared with the previous year are attributable to current expectations of medium- to long-term developments of the capital markets.

With the exception of DB Arriva, the impairment tests carried out in the period under review identified surplus cover for all CGUs despite the effects of the Covid-19 pandemic.

The income and cash flow planning in the segment DB Arriva has been reduced considerably in connection with the Covid-19 pandemic; together with the much higher costs of capital in connection with the impairment test, this has meant that the net assets (carrying amount) shown in the balance sheet are no longer covered by future surpluses which are derived from medium-term planning (value-in-use). This has resulted in an impairment loss of € 1,410 million, which is attributable entirely to the write-down of the goodwill previously recognized by DB Arriva.

Within the framework of the impairment tests, the main assumptions which have an impact on the value of a CGU are reviewed in the form of standard sensitivity analyses. At the CGU DB Cargo, the sensitivity analysis was carried out in relation to the market values established for the main assets. Even in conjunction with a markdown of 10 % in relation to the market value, this has not resulted in any impairment requirement for the CGU DB Cargo.

EBIT margin

The risk of an EBIT margin reduced by 10 % has been considered for analyzing a scenario in which results fail to perform in line with budget. This model calculation has identified an impairment requirement for the CGUs DB Long-Distance and DB Netze Stations as well as an additional impairment requirement for the CGU DB Arriva. In scenarios in which the EBIT margin is reduced, the CGU DB Long-Distance is robust up to a reduction of 6.3 %. The CGU Netze Stations can cover the carrying amount up to a reduction of 8.4 % in the EBIT margin. All other CGUs report surplus coverage even if the EBIT margin is reduced by 10 %.

Average real growth rate of cash flows

A reduction of 10 % in the long-term growth rate has been simulated in order to assess the sensitivity of the impairment test result in relation to the assumed long-term growth of cash flow (+1 %). As was the case in the previous year, no impairment requirement has been identified for any of the CGUs considered in this scenario.

Weighted average cost of capital

Risks relating to the assumptions of the capitalization rate, which is normally used for calculating the present value of the value in use, have been analyzed by simulating the value of each CGU in conjunction with a capital cost mark-up of 10 %. The currently used weighted costs of capital (after tax) have been used as the basis of this simulation. In this scenario, there is an impairment requirement for the CGU DB Long-Distance. DB Long-Distance can cope with an increase of up to 9.1 % in the cost of capital. There is also an additional impairment requirement for the CGU DB Arriva which has been considered.

Useful life and residual value

With regard to the assumptions relating to useful life and residual value, the effect of a 10 % reduction in the residual value at the end of useful life (terminal value) was analyzed. In this scenario, there is no impairment requirement for any observed CGU.

In DB Group, capital-value-oriented procedures are used for the impairment test of software developments with directly attributable cash flows. In view of amended assumptions, also due to the Covid-19 pandemic, there is a total impairment requirement of € 73 million, which is attributable to Mobimeo GmbH, Deutsche Bahn Connect GmbH and Arriva plc, Sunderland / Great Britain.

PROVISIONS RELATING TO ONEROUS CONTRACTS

Particularly in connection with the Covid-19 pandemic, provisions have been created for loss-making passenger service contracts as a result of lower fare revenues. At DB Regional, the additions to these provisions amounted to € 213 million as of June 30, 2020.

Procedures relating to method: see also the NOTES TO THE 2019 INTEGRATED REPORT 225 FF. (note (32)).

IMPAIRMENT OF INVENTORIES

As of June 30, 2020, pandemic protection articles held in inventories were measured at the lower of cost or net realizable value. In view of the increased worldwide production and the decline in market prices, impairments of € 46 million have been recognized in relation to such protection articles.

IMPAIRMENTS AND RISK PROVISIONING RELATING TO RECEIVABLES

A total of € 36 million was recognized as of June 30, 2020, in relation to the derecognition of receivables or individual impairments recognized in relation to receivables. As a result of the Covid-19 pandemic, the general risk provisioning for anticipated credit losses has also been increased to € 36 million.

Procedures relating to method: see also the NOTES TO THE 2019 INTEGRATED REPORT 209 (note (19)).

MEASUREMENT OF OTHER PARTICIPATIONS

As of June 30, 2020, the carrying amount of various other participations recognized at fair value was reduced by a total of € 12 million, as income and cash flow planning has to be updated due to the Covid-19 pandemic.

ADJUSTMENT FOR DISCOUNTING DECOMMISSIONING AND DISPOSAL OBLIGATIONS

The discount rate for individual decommissioning obligations was reduced as of June 30, 2020. This has resulted in a one-off non-cash-effective interest expense of € 68 million. The discount rate of provisions for ecological burdens was also adjusted. It has resulted in non-current deferred items being reclassified to the other provisions (€ 61 million).

ARRIVA RAIL NORTH

On March 1, 2020, the operating assets and liabilities of the Arriva Rail North franchise were transferred to the state-owned Operator of Last Resort (OLR). The transferred operating assets mainly comprise utilization rights from leasing agreements (carrying amount as of December 31, 2019: € 499 million) and corresponding leasing liabilities (carrying amount as of December 31, 2019: € 502 million). Please also refer to the NOTES TO THE 2019 INTEGRATED REPORT 239 F. (note (39)). The transfer of the business to ORL resulted in a decline in revenues of € 287 million in the segment DB Arriva in the first half of 2020.

Changes in DB Group

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

Number	Germany Jun 30, 2020	Rest of world Jun 30, 2020	Total Jun 30, 2020	Total Jun 30, 2019	Total Dec 31, 2019
FULLY CONSOLIDATED SUBSIDIARIES					
As of Jan 1	125	417	**542**	**555**	**555**
Additions	0	1	**1**	**4**	**13**
Additions due to changes in type of inclusion	1	2	**3**	**0**	**0**
Disposals	- 3	- 3	**- 6**	**- 9**	**- 25**
Disposals due to changes in type of inclusion	0	0	**0**	**- 1**	**- 1**
Total	**123**	**417**	**540**	**549**	**542**

ADDITIONS OF COMPANIES AND PARTS OF COMPANIES

The additions of companies to the scope of consolidation comprise one newly established company as well as three companies previously valued at equity. These additions are not of a material nature for DB Group.

DISPOSALS OF COMPANIES AND PARTS OF COMPANIES

The disposals from the scope of consolidation relate to four liquidations and two sales. The sales have generated a cash inflow of € 5 million.

EFFECTS ON THE CONSOLIDATED STATEMENT OF INCOME

Overall, the effects of the changes in the scope of consolidation on the consolidated statement of income which have occurred compared with the first half of 2019 are not of a material nature, and are shown in the following overview:

Jan 1 to Jun 30, 2020 *(€ million)*	DB Group	thereof due to additions to the scope of consolidation	Amounts due to disposals from the scope of consolidation
Revenues	19,423	17	- 41
Inventory changes and internally produced and capitalized assets	1,695	–	0
Overall performance	21,118	17	- 41
Other operating income	1,276	0	1
Cost of materials	- 10,767	- 13	26
Personnel expenses	- 9,155	- 2	5
Depreciation and impairments	- 3,375	- 1	0
Other operating expenses	- 2,380	- 1	4
Operating income (EBIT)	**- 3,283**	**0**	**- 5**
Result from investments accounted for using the equity method	- 9	–	–
Net interest income	- 347	0	0
Other financial result	- 30	0	- 17
Financial result	**- 386**	**0**	**- 17**
Profit / loss before taxes on income	**- 3,669**	**0**	**- 22**
Taxes on income	- 80	0	0
Net profit / loss	**- 3,749**	**0**	**- 22**

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

	Revenues due to	
Jan 1 to Jun 30, 2020 *(€ million)*	Additions to the scope of consolidation	Disposals from the scope of consolidation
Sociedad de Estudios y Explotacion de Material Auxiliar de Transportes, S.A. ("SEMAT"), Madrid / Spain	17	–
AMEROPA-REISEN GmbH	–	38
Station Food GmbH	–	3
Total	**17**	**41**

Information regarding the changes in financial liabilities (IAS 7)

					Non-cash-effective changes									
			Cash-effective changes (inflow (+) / outflow (-))		Acquisition (+) / sale (-) of companies		Currency effects		Addition (+) / disposal (-) of leasing liabilities and financial receivables		Compounding [1]			
(€ million)	Dec 31, 2019	Jan 1, 2019	Jun 30, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019
Financial receivables and earmarked cash at banks	- 393	- 174	- 72	- 78	7	–	0	0	42	–	–	–	- 416	- 252
LIABILITIES FROM FINANCING														
Interest-free loans	707	851	- 163	- 178	–	–	–	–	–	–	16	18	560	691
Senior bonds	20,966	20,712	3,098	736	–	–	- 283	8	–	–	7	7	23,788	21,463
Commercial paper	890	–	787	1,263	–	–	–	–	–	–	–	–	1,677	1,263
Bank borrowings	626	646	- 73	- 31	3	–	0	- 1	–	–	–	–	556	614
EUROFIMA loan	200	200	–	–	–	–	–	–	–	–	–	–	200	200
Leasing liabilities [1]	5,015	562	- 498	- 477	- 531	–	- 53	- 21	427	4,699	- 3	45	4,357	4,808
Liabilities from transport concessions	77	45	5	- 3	–	–	–	–	–	–	–	–	82	42
Other financial liabilities	212	228	- 31	11	10	–	0	0	–	–	–	–	191	239
Liabilities from financing	**28,693**	**23,244**	**3,125**	**1,321**	**- 518**	**–**	**- 336**	**- 14**	**427**	**4,699**	**20**	**70**	**31,411**	**29,320**
Total	**28,300**	**23,070**	**3,053**	**1,243**	**- 511**	**–**	**- 336**	**- 14**	**469**	**4,699**	**20**	**70**	**30,995**	**29,068**

[1] The outflows for leasing liabilities including interest paid amounted to € 539 million in the first half of 2020. The interest element is netted under compounding.

Information concerning revenues from contracts with customers (IFRS 15)

Revenues of DB Group are broken down as follows:

	H1		
(€ million)	**2020**	2019	2019
Revenues from freight and passenger transport services	17,258	19,755	39,813
thereof concession fees for rail transport	3,172	3,284	6,585
Revenues from operating infrastructure	993	917	1,907
Revenues from rental and leasing	209	225	444
Revenues from the sale of products	613	661	1,349
Other revenues	376	490	1,004
Revenue reductions	- 26	- 34	- 87
Total	**19,423**	**22,014**	**44,430**

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

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

Secured order book *(€ million)*	**Jun 30, 2020**	Dec 31, 2019	Jun 30, 2019
Passenger transport contracts	63,240	64,652	62,902
Logistics and freight transport contracts [1]	167	218	167
Other contracts [1]	118	139	132
Total	**63,525**	**65,009**	**63,201**

[1] Contracts with a duration of at least 12 months and a total volume of at least € 5 million.

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

Claims relating to contractual assets [1] of € 39 million were recognized together with the other receivables and assets. A figure of € 15 million was attributable to long-term contractual assets.

The contractual liabilities in DB Group include advance payments received as well as other payments received in advance in relation to revenues for subsequent periods (for example for season tickets). Obligations from contractual liabilities of € 1,161 million (thereof non-current € 115 million) were shown under the trade payables and deferred items.

Contingent receivables and liabilities, and guarantee obligations

Contingent receivables were stated as € 29 million as of June 30, 2020 (as of December 31, 2019: € 43 million, as of June 30, 2019: € 41 million). They mainly comprised a recovery claim in conjunction with construction grants which have been provided but which had not been sufficiently determined as of the closing date in terms of the specific amount and the time at which the claim would become due. Possible public sector compensation payments in connection with the Covid-19 pandemic are not recognized in the contingent receivables, because it is not possible to assess the time at which they occur, nor the extent to which they will occur.

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

The contingent liabilities were broken down as follows:

(€ million)	**Jun 30, 2020**	Dec 31, 2019	Jun 30, 2019
Other contingent liabilities	116	105	106
Total	**116**	**105**	**106**

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

There are also contingencies of € 15 million from guarantees as of June 30, 2020 (€ 15 million as of December 31, 2019; € 17 million as of June 30, 2019). As of June 30, 2020, fixed assets with carrying amounts of € 13 million (as of December 31, 2019: € 13 million; as of June 30, 2019: € 12 million) were also used as security for loans. The reported figure essentially related to rolling stock used at the operating companies in the segment DB Long-Distance.

DB Group acts as guarantor mainly for equity participations and working groups (Arbeitsgemeinschaften), and is subject to joint and several liability for all working groups in which it is involved.

Information regarding the fair value of financial instruments

The carrying amounts of the cash and cash equivalents, trade receivables and other financial assets (€ 7,042 million) approximate the fair values as of the balance sheet date.

The carrying amounts of the trade payables, the other and miscellaneous financial liabilities (€ 7,211 million) as well as the current financial debt approximate the fair values as of the closing date.

Of the figure stated for receivables and other assets as of June 30, 2020, € 739 million was attributable to non-financial assets (as of December 31, 2019: € 637 million; as of June 30, 2019: € 682 million). Of the figure stated for other liabilities as of June 30, 2020, € 2,499 million was attributable to non-financial liabilities (as of December 31, 2019: € 2,451 million; as of June 30, 2019: € 2,335 million).

The fair value of the non-current financial debt amounted to € 28,383 million as of June 30, 2020 (as of December 31, 2019: € 25,973 million; as of June 30, 2019: € 26,932 million).

The financial instruments recognized at fair value are classified under valuation level 2 and to a lesser extent under valuation level 1. There have been no reclassifications between the valuation levels in the first half of 2020.

[1] The contractual assets also show claims relating to work-in-progress from long-term orders.

Other financial obligations

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

(€ million)	Jun 30, 2020	Dec 31, 2019	Jun 30, 2019
Committed capital expenditures			
Property, plant and equipment	18,627	16,951	17,538
Intangible assets	37	37	27
Acquisition of financial assets	441	433	423
Total	**19,105**	**17,421**	**17,988**

The increase in committed capital expenditures in property, plant and equipment was mainly due to the planned expenditures due to own construction services and the acquisition of new vehicles. In the case of some supply arrangements, there are independent admissions of guilt with regard to fulfilling the order commitment; these are opposed by claims of the same amount, backed by bank guarantees and insurance policies with very good ratings. The committed capital expenditures in property, plant and equipment also contain future obligations for vehicles in connection with transport contracts to be recognized in accordance with IFRIC 12.

The acquisition of financial assets related to outstanding contributions for EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial, Basel/Switzerland which have not been called in.

Related-party disclosures

Major economic relations between DB Group and the Federal Republic of Germany (Federal Government) relate to liabilities due to the Federal Government arising from loans which have been extended (present value as of June 30, 2020: € 560 million, as of December 31, 2019: € 707 million; as of June 30, 2019: € 691 million). There are also service relationships arising from the fees paid to the Federal Government within the framework of pro forma billing[1] for the assigned civil servants, cost refunds for the secondment of service provision personnel as well as from investment grants which have been received. The guarantees received from the Federal Government primarily relate to the loan received from EUROFIMA as well as the outstanding contributions and liabilities arising from collective liability of Deutsche Bahn AG (DB AG) at EUROFIMA.

On the basis of the climate package of the Federal Government, additional Federal funds of € 11 billion will be made available for the purposes of strengthening rail services until 2030. At the end of January 2020, the Federal Government, DB AG, DB Netz AG, DB Station&Service AG and DB Energie GmbH reached agreement in a declaration of intent regarding the actual payment and use of the funds. The funds will be used exclusively for infrastructure, and are to be provided in equal amounts as equity (for increasing the equity of DB Netz AG and of DB Station&Service AG) and in the form of grants.

The funds to be provided in the form of an increase in equity are still subject to the approval of the European Commission regarding state aid requirements. The payment of the entire funds is subject to the decision of the Federal budgeting authority.

[1] For the work performance of the assigned civil servants, DB AG reimburses the Federal Railway Fund (Bundeseisenbahnvermögen; BEV) for the costs that would have been incurred if a collective bargaining employee had been employed instead of an assigned civil servant.

Other disclosures

BOND ISSUES AND REPAYMENTS

As of June 30, 2020, the following bonds were issued by Deutsche Bahn Finance GmbH (DB Finance):

Volume of issue	Term (years)	Coupon (%)	Placing
€ 500 million	15.5	0.750	Institutional investors mainly in Germany, France and Great Britain
€ 300 million	4.0	0.000	Institutional investors mainly in Germany, the Benelux countries and Great Britain
€ 150 million	12.0	0.232	Private placement
€ 900 million	7.0	0.500	Institutional investors mainly in Europe and Asia
€ 750 million	20.0	1.375	Institutional investors mainly in Europe
€ 850 million	9.0	0.375	Institutional investors mainly in Europe and Asia
€ 650 million	19.0	0.875	Institutional investors mainly in Europe and Asia
JPY 12 billion (about € 100 million)	4.0	0.100	Private placement

In the same period, three bonds of DB Finance which had become due were repaid in total (for € 500 million and CHF 750 million).

DIVIDEND PAYMENT TO THE FEDERAL GOVERNMENT

Pursuant to the resolution of the annual general meeting of March 25, 2020, DB AG paid a dividend of € 650 million for the 2019 financial year to the Federal Government.

NUMBER OF ISSUED SHARES

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

MAJOR EVENTS AFTER THE BALANCE SHEET DATE

Equity measure

The second Budget Supplement Act (Nachtragshaushaltsgesetz) 2020 of July 2, 2020, also included a provision for an equity measure at DB AG for providing compensation for claims attributable to the Covid-19 pandemic in the amount of up to € 5 billion. The entire funds are still subject to the approval of the European Commission regarding state aid requirements. The payment of € 0.5 billion is still subject to the approval of the Federal Budget Committee.

Bond issues

After June 30, 2020, the following bonds were issued by DB Finance:

Volume of issue	Term (years)	Coupon (%)	Placing
SEK 500 million (about € 48 million)	15.0	1.520	Private placement
AUD 200 million (about € 123 million)	10.0	1.987	Institutional investors in Asia

Berlin, July 21, 2020

Deutsche Bahn Aktiengesellschaft
The Management Board

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

The Interim and Integrated Reports of Deutsche Bahn Group, the Annual Financial Statements of Deutsche Bahn AG, the Annual Report of DB Fernverkehr AG, DB Regio AG, DB Station&Service AG and DB Netz AG (only available in German), as well as up-to-date information are also available on the Internet at DB.DE/REPORTS.

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DB SERVICE NUMBER

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

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

Leisure and business travelers can find answers to frequently asked questions and further contact details online at BAHN.DE/HILFE.

SOCIAL MEDIA

DB Group

DB Group has an extensive presence on various social media channels: Facebook, Instagram, YouTube, Snapchat, Foursquare and Twitter.

Passenger transport

Our passenger transport team is also available on various social media channels for conversations, discussions and for service and product questions. Find us on: Facebook, Instagram, YouTube and Twitter.

Financial calendar

MARCH 25, 2021

Annual Results Press Conference, publication of the 2020 Integrated Report

JULY 2021

Interim Results Press Conference, publication of the Integrated Interim Report January–June 2021

SUSTAINABLE PRODUCTION

Paper made from certified sustainable production. The printing company is certified according to FSC and PEFC standards. Each year, suitable audits are performed to review compliance with the strict rules in place for handling certified paper.

FSC www.fsc.org RECYCLED Paper made from recycled material FSC® C016267

Mineral-oil-free printing inks. This report was printed using mineral-oil-free inks based on renewable raw materials.

Conserving resources. Using no-process printing plates saves on development, cleaning and rubberizing after exposure. Chemicals and fresh water are no longer used to wash the printing plates, and power consumption is reduced.

Energy-efficient printing. An energy management strategy has been implemented at the printing company and an energy audit was carried out in accordance with DIN EN 16247-1.

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