Deutsche Bahn

2017 Integrated Report

Departure into a new era!

About this report

Integrated reporting: what does it mean?

Integrated reporting is more than just a simple combination of the Annual Report and the Sustainability Report. In our Integrated Report, we want to collect information, combine it, and present it in context. Our aim is to present a comprehensive overview of DB Group and the implementation of our sustainable DB2020+ strategy with its three dimensions: ECONOMIC, SOCIAL and ENVIRONMENTAL.

Fulfilled reporting standards

In our Integrated Report, we fulfill all standards applicable in Germany for financial reporting. In our sustainability reporting, the Integrated Report follows the international guidelines of the Global Reporting Initiative (GRI) and is in line with the GRI standards in the "core" option. At the same time, it satisfies the requirements of the German Sustainability Code and also serves as Communication on Progress for the United Nations Global Compact's ten principles. The GRI AND GLOBAL COMPACT INDEX 250 lists information on the individual indicators in a concise form.

How to use this report?

In order to simplify use of this report, we have added a few supportive features, which, for example, provide links or more detailed information.

Further information within the report

We refer to additional information in a certain section within the Integrated Report, marked as follows: XXX.

In-depth information

We highlight individual topics of particular interest to us with an exclamation point.

Critical topics

We mark critical topics with a lightning icon and delve further into them; these topics are critical to our success, but neither we nor third parties are yet performing as required.

This is green.

"This is green." serves to show milestones and the diversity of our green projects. Every project is marked with its own number and with a message. In the report, we have marked them as follows: PROJECT green. NO. XY.

Where is a specific GRI standard covered?

The GRI Index will show you where you can find information regarding a specific indicator. We have marked the respective locations with the symbol GRI next to the text and then listed the respective indicators below.

Table available online for downloading as an Excel file

The download icon indicates that the corresponding content can be downloaded online as an Excel file.

Online supplement

You can find further information in the online report or on the Internet. For simple and fast linkage, we have set up a special link page at db.de/links_ir17. The respective locations are marked with the symbol TERM.

Online report

You can find an online version and a PDF version on the Internet: db.de/ib-e

Our fleets and networks

The enclosure is missing?
“Our fleets and networks 2017”
is also available ONLINE.

At a glance

Select key figures	2017	2016	Change absolute	Change %
KEY FINANCIAL FIGURES (€ MILLION)				
Revenues adjusted	42,704	40,576	+2,128	+5.2
Profit before taxes on income	968	706	+262	+37.1
Net profit for the year	765	716	+49	+6.8
EBITDA adjusted	4,930	4,797	+133	+2.8
EBIT adjusted	2,152	1,946	+206	+10.6
Equity [1] as of Dec 31	14,238	12,657	+1,581	+12.5
Net financial debt as of Dec 31	18,623	17,624	+999	+5.7
Total assets [1] as of Dec 31	56,436	56,324	+112	+0.2
Capital employed [1] as of Dec 31	35,093	33,066	+2,027	+6.1
Return on capital employed (ROCE) (%)	6.1	5.9	–	–
Redemption coverage (%)	18.7	18.1	–	–
Gross capital expenditures	10,464	9,510	+954	+10.0
Net capital expenditures	3,740	3,320	+420	+12.7
Cash flow from operating activities	2,329	3,648	–1,319	–36.2
KEY PERFORMANCE FIGURES				
Passengers (million)	4,652	4,417	+235	+5.3
RAIL PASSENGER TRANSPORT				
Punctuality DB passenger transport (rail) in Germany (%)	94.1	94.4	–	–
Punctuality DB Long-Distance (%)	78.5	78.9	–	–
Passengers (million)	2,564	2,365	+199	+8.4
thereof in Germany	2,075	2,021	+54	+2.7
thereof DB Long-Distance	142.2	139.0	+3.2	+2.3
Volume sold (million pkm)	95,854	91,651	+4,203	+4.6
Volume produced (million train-path km)	779.0	775.6	+3.4	+0.4
RAIL FREIGHT TRANSPORT				
Freight carried (million t)	271.0	277.4	–6.4	–2.3
Volume sold (million tkm)	92,651	94,698	–2,047	–2.2
RAIL INFRASTRUCTURE				
Punctuality (rail) in Germany [2] (%)	93.6	93.9	–	–
Punctuality DB Group (rail) in Germany (%)	93.9	94.3	–	–
Train kilometers on track infrastructure (million train-path km)	1,073	1,068	+5	+0.5
thereof non-Group railways	331.4	322.0	+9.4	+2.9
share of non-Group railways (%)	30.9	30.1	–	–
Station stops (million)	153.2	152.6	+0.6	+0.4
thereof non-Group railways	36.1	35.4	+0.7	+2.0
BUS TRANSPORT				
Passengers (million)	2,088	2,052	+36	+1.8
Volume sold [3] (million pkm)	7,220	7,821	–601	–7.7
Volume produced (million bus km)	1,616	1,627	–11	–0.7
FREIGHT FORWARDING AND LOGISTICS				
Shipments in European land transport (thousand)	100,452	99,638	+814	+0.8
Air freight volume (export) (thousand t)	1,300	1,179	+121	+10.3
Ocean freight volume (export) (thousand TEU)	2,169	2,006	+163	+8.1
Warehouse space contract logistics (million m²)	8.0	8.0	–	–
ADDITIONAL KEY FIGURES				
Order book for passenger transport as of Dec 31 (€ billion)	91.0	92.1	–1.1	–1.2
Length of line operated (rail network) (km)	33,488	33,380	+108	+0.3
Passenger stations	5,660	5,662	–2	–
Rating Moody's/S&P Global Ratings	Aa1/AA–	Aa1/AA–	–	–
Employees as of Dec 31 (FTE)	310,935	306,368	+4,567	+1.5
Employee satisfaction [4] (SI)	–	3.7	–	–
Follow-up workshop implementation rate [4] (%)	97.1	–	–	–
Employer attractiveness (rank in Germany)	13	16	+3	–
Share of women in Germany as of Dec 31 (%)	23.0	23.0	–	–
Specific CO_2e emissions (carriers) compared to 2006 (%)	–29.6	–27.5	–	–
Share of renewable energies in the DB traction current mix (%)	44.0	42.0	–	–
Track kilometers noise remediated in total (rounded) as of Dec 31 (km)	1,700	1,600	+100	+6.3
Quiet freight cars in Germany as of Dec 31	39,604	32,396	+7,208	+22.2

[1] Previous year's figure adjusted 173 F.

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

[3] Excluding DB Arriva.

[4] The employee satisfaction survey is conducted every two years. When no survey has been conducted the key figure "Follow-up workshop implementation rate" is used.

Contents

1 *Departure into a new era*
4 Chairman's letter
9 The Management Board
10 Departure economic
12 Departure social
14 Departure environmental
16 Departure future

19 *To our stakeholders*
20 Report of the Supervisory Board
24 Corporate Governance report
31 Sustainability management

41 *Group management report*
42 Fundamentals
56 Targets and strategy
65 Quality
69 Social
75 Environmental
81 Economic report
98 Development of business units
150 Opportunity and risk report
158 Events after the balance sheet date
159 Outlook

165 *Consolidated financial statements*
166 Consolidated statement of income
167 Consolidated balance sheet
168 Consolidated statement of cash flows
169 Consolidated statement of changes in equity
170 Notes to the consolidated financial statements
234 Independent Auditor's report

237 *Notes to sustainability*
238 DB Group
242 Social
246 Environmental
249 Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information
250 GRI Index
250 UN Global Compact Index

251 *Additional information*
252 Glossary
255 List of abbreviations
256 Contact information and financial calendar

Focus topics 2017

There are topics that constitute a common thread running through many sections of the 2017 Integrated Report. We have marked these with a #. An overview of the focus topics is available ONLINE.

#Punctuality

The foremost basis for satisfied customers is the reliability of our promise to perform. Punctuality is our main focus in this respect. —— 33, 57, 66 FF., 104, 109, 115, 124, 139, 151, 159, 162

#Construction

A high-performing infrastructure requires continuous and adequate capital expenditures for its maintenance and expansion. Large capital expenditures lead to more construction activities in the network. —— 8 F. (Departure economic), 10 F. (Departure economic), 55, 94 F., 133, 136 FF., 142

#Digitalization

Digitalization creates major opportunities but also challenges, and it therefore causes disruptive changes which have a material effect on our business. —— 4 F. (Departure economic), 7 (Departure economic), 14 F. (Departure economic), 3 (Departure social), 1 FF. (Departure future), 33 F., 55 FF., 60 FF., 134 F., 138, 148, 240

#Recruiting

Our growing personnel needs require us to take action. We hire thousands of new employees each year. In 2017, we hired about 16,000 new employees in Germany alone. —— 4 (Departure social), 18, 34 F., 70 FF., 74, 113, 128, 155, 163, 243, 245

#Quality

We consistently place more emphasis on customers and thus on the improvement of our product and service quality. —— 2 F. (Departure economic), 16 (Departure economic), 32 F., 66 F., 102 F., 107 F., 122, 133, 142

#Climate protection

Environmental and climate protection are part of our DNA. By 2030, we intend to reduce our greenhouse gas emissions by 50 % compared to 2006. Moreover, we plan to be a climate-neutral Group by 2050. —— 1 (Departure environmental), 3 FF. (Departure environmental), 7 F. (Departure environmental), 35, 56 F., 76 FF., 113, 115, 129 F., 163, 246

Departure into a new era

HOW WE FURTHER DEVELOP OUR BUSINESS

Departure — With two special trains running and a large celebratory event in Berlin, December 8, 2017 saw the ceremonial launch of Germany's most modern railway line between Berlin and Munich. Federal Chancellor Angela Merkel, Federal Minister Christian Schmidt and several government heads of Federal states along with DB Chief Executive Officer Dr. Richard Lutz as well as numerous representatives of DB Group and politicians at five stations opened the line, which is over 500 km long. Completion of the new construction line from Erfurt to Ebensfeld closes the last gap in the German unification transport projects (VDE). Since the timetable change on December 10, 35 ICE trains travel on the new line every day.

ICE 3 on the Grümpen Viaduct between Erfurt and Nuremberg.

“We stand for growth and future viability. We are investing, modernizing and digitalizing.”

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

"In many respects we are beginning a new era, and we are doing so with a powerful DB team and many new employees. We're working together to achieve sustainable success for our company."

Chairman's letter

Dear ladies and gentlemen,

2017 was a financially successful year for Deutsche Bahn. With revenues of about 42.7 billion euros and an operating profit that has increased over the previous year by 10.6 percent to 2.15 billion euros, we have a tailwind for 2018. The main drivers for this positive performance were DB Long-Distance and DB Netze Track as well as our international business units DB Arriva and DB Schenker, which were heading for a record in 2017. We are not satisfied though with simply being financially successful. Our multi-year Railway of the Future quality program did achieve a great deal in 2017 for our customers but still not enough. And so in 2018 we are striving more than ever for improved quality, punctuality and reliability.

"With about 142 million passengers we have a new passenger record in long-distance transport."

One highlight during the year under review was undoubtedly the commissioning of our new high-speed line between Berlin and Munich. The 3 hour 55 minute travel time between Spree and Isar gives us our greatest edge in the competition with other modes of transport. And our customers are taking to the new line very well. We are therefore optimistic that we will double the number of rail passengers between Berlin and Munich in 2018.

Passenger numbers are on the rise not just on this line but throughout Germany. In 2017, we welcomed over 142 million passengers onto our long-distance trains. That is a new record and is very gratifying, particularly when it comes to climate protection in Germany.

Since January 1, 2018, passengers using long-distance transport have been traveling with 100 % eco-power. This is green. And forward-looking. And it's necessary if we are to successfully implement our new climate goals: we intend to more than halve our specific emissions of greenhouse gases by 2030. We as DB Group will continue to work on the major goal of shifting more traffic to environmentally friendly rail, since traveling by rail is climate protection in action. The importance of this for our planet is shown by the extreme weather events of 2017. According to scientific findings, in the future we will have to be prepared for even more extreme weather situations as a result of climate change.

"Our multi-year Railway of the Future quality program did achieve a great deal in 2017 for our customers but it's still not enough. In 2018 we are striving more than ever for improved quality, punctuality and reliability."

What does that mean for us? We are bracing ourselves for corresponding capital expenditures. With Railway of the Future, we are improving our quality so that we can provide an even better cushion against disruptions. We still have to do a better job for our customers, particularly when it comes to punctuality and travel information in the event of a problem. We are firmly convinced here that Railway of the Future is the right approach and our formula is applicable more than ever. Product quality is the basis for customer satisfaction and this is the basis for sustainable success.

DB Regional successfully held its ground in the German market in 2017 and won just short of two-thirds of all service contracts awarded in regional rail transport. There is still the major goal of defending existing networks and winning new ones. In addition to competitive costs, the decisive success factor is our innovative strength. DB Regional therefore continues to work on innovations such as the Idea Train that was developed in 2017. We are of the firm belief that things such as work, family and sports compartments can enrich the lives of millions of commuters.

Also in the international world of logistics, we have established innovative business models that we will be further developing on a systematic basis. 2017 was the first time that DB Cargo and DB Schenker transported over 80,000 standard containers on the world's longest railway line between Germany and China. A new record in intermodal logistics solutions, and one we intend to build on.

Since 2017, DB Schenker has also been partnered with MAN and Fresenius University in innovative work relating to platooning. Our logistics division's pilot, which is supported by the Federal Ministry of Transport and Digital Infrastructure, will reach a further milestone in 2018: digitally linked trucks will take on live journeys between Nuremberg and Munich with real cargo shipments. We will be the first company in the world to break new ground in this way. And not only that: we have heralded the new age of autonomous driving in Germany. The first driverless local public transport bus in Germany is now operating in Bad Birnbach, Bavaria.

It's becoming clear – we are innovatively configuring the mobility and logistics of tomorrow. We are also standing for growth and future viability. We are investing, modernizing and digitalizing. 2018 will be a prime example of this three-way approach.

With the Federal Government's masterplan for rail freight transport and our Rail Freight Transport Initiative, our goal is to put rail freight transport back on a successful track and bring more transport to rail. In passenger transport, we are convinced that with new on-demand offerings and our Group program smart cities we can make local public transport in future, both in cities and rural areas, more flexible, more personalized and therefore significantly more attractive.

For instance, we signed a Memorandum of Understanding with the Hanseatic city of Hamburg for interlinked mobility, attractive stations and smart city logistics. Our goal now is to further advance the individual projects for the city of the future. In concrete terms: in Germany's second-largest city we are this year implementing a driver-based, on-demand offering with up to 100 vehicles, which is integrated into local public transport.

"With digital rail, we are working on a fundamental technical change in the railway sector. Our major goal? Up to 20 percent more network capacity."

The next big thing is the digitalization of the entire German rail network, our strongest lever for increased capacity on the railway. We are working here on a fundamental technical change in the railway sector. The go-ahead has been given for this with our Digital Rail for Germany program. The centerpiece of digital rail is the European Train Control System (ETCS). At the end we will have a smart network with digital command and control technology and digital interlockings, allowing for denser spacing and hence significantly better use of the infrastructure.

Our major goal? Up to 20 percent more network capacity. Digitally, reliably and securely. Our aim here is to achieve improved performance, better quality, greater efficiency and more growth for rail. Digital rail is also boosting Germany as an industrial location. Our rail industry will be able to export its know-how worldwide following the example of DB Group. Our goal for digital rail is to partner with the Federal Government and the industry as a whole to attract large capital expenditure volumes.

“Our profit has increased considerably year-on-year, to 2.15 billion euros.”

This is because infrastructure drives growth and growth drives prosperity. And as DB Group, we have a particular responsibility here: toward sustainable infrastructure but above all toward the people in this country. In the year under review we have taken on almost 20,000 new employees and young professionals in Germany alone. As far as 2018 is concerned, we are continuing at a record level. Of the 19,000 envisaged new hires, our digital expansion is also creating attractive jobs in the IT sector and is providing opportunities for new career entrants. This year alone, we are at the same time looking to hire over 1,000 train drivers and vocational trainee drivers.

In many respects we are departing into a new era, and we are doing so with a powerful DB team and many new employees. We’re working together to achieve sustainable success for DB Group. In 2018, we are well on the way with a strong management team and will improve quality for our customers and modernize the rail system to enable us to take the lead in the innovation race with other modes of transport. As a growing industry and as the most environmentally friendly mode of transport, we have a huge asset and are a byword for mobility that meets the challenges of the 21st century: safely, reliably, comfortably and in a way that respects the climate.

Sincerely,

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

Alexander Doll
Freight Transport
and Logistics
Born 1970
Appointed
until 2021
With DB Group
starting April 1, 2018

Martin Seiler
Human Resources
and Legal Affairs
Born 1964
Appointed
until 2020
With DB Group
since 2018

Dr. Richard Lutz
CEO and
Chairman of the
Management Board
Born 1964
Appointed
until 2022
With DB Group
since 1994

Prof. Dr. Sabina Jeschke
Digitalization
and Technology
Born 1968
Appointed until 2020
With DB Group
since 2017

Ronald Pofalla
Infrastructure
Born 1959
Appointed
until 2022
With DB Group
since 2015

Berthold Huber
Passenger Transport
Born 1963
Appointed
until 2022
With DB Group
since 1997

“Quality for us is the key to the customer, digitalization the key to our future.”

On our way to becoming a profitable quality leader

With our goal of becoming a profitable quality leader, our focus is clearly on making improvements in the quality of our performance and in customer satisfaction.

Satisfied customers and high product quality are key preconditions for us if we are to be a profitable quality leader over the long term. To achieve this, we are continuously investing in our fleets, our infrastructure and innovative products – with the goal of further improving customer satisfaction and punctuality. From the customer's point of view, what is important here is reliability, information, service quality and innovative products.

Dr. Manuel Rehkopf
Group representative Strategy&
Railway of the Future

"We aim to win over our customers with our products. To do so, it is important to create the necessary structures, processes and framework conditions to enable us and our employees to keep on winning over our customers each and every day."

Zukunft Bahn #QUALITY

Our quality program will continue to be implemented on a systematic basis

Railway of the Future is a centerpiece of the largest DB Group restructuring since the rail reform in 1994
The aim of the multi-year program is to sustainably improve quality, punctuality and focus on the customer. As a friendly service provider, our goal here is to win over our customers with cleanliness and comfort in stations, more punctual trains, more reliable customer information and more comfortable vehicles. Our internal processes, too, from faster decisions to non-hierarchical collaboration, are integral parts of the quality program. The strategic goal of the multi-year program is to ensure long-term financial success through improved quality of customer offerings. But Railway of the Future is even more that: the aim of the program is to increase the railway's competitiveness in Germany – and thereby benefit the entire industry. To achieve this, a large number of improvements in service and quality will be implemented for customers in the next few years.

The high performance of the two competence centers (CC) and the executive center (EC) are key to achieving the Railway of the Future goals:

CC Operational Excellence
Achieving punctuality and quality goals through cross-business-unit management

CC Digitalization
Digitalizing the customer experience throughout the journey and looking for the core business of tomorrow

EC Transformation
Increasing the performance capability of the entire organization

About 1,000 participants worked in five Railway of the Future campaign workshops on jointly solving challenges faced by railway workers on a day to day basis, and shared formulas for success in an effort to further embed Railway of the Future into the Group and win over their colleagues.

After the successful implementation in 2016 of many projects in Railway of the Future thanks to great commitment from our employees, who remedied a string of customer annoyances and increased punctuality, we lost a certain amount of momentum in 2017. Although we also implemented many measures, we were not able to completely achieve our quality goals, especially in terms of punctuality. In 2018, we are therefore focusing once again very strongly on punctuality management, improving structures and processes and further building up capacities to enable us to keep the performance and quality promise we have made to our customers.

Time horizon I
2016

Time horizon II
2017–2020

Time horizon III
2021–2030

Eliminate annoyances

- Improved passenger information
- Clean, reliable vehicles
- Clean stations

Quality that persuades

- Reliable travel chains and information
- Trains, stations and staff offer top quality/top service

Service that inspires

- Rail as “first choice”: reliable, high quality, value for money
- Stable live timetables
- Active intermodal travel planning

Digitalization #DIGITALIZATION

Transformation picks up pace significantly

We aim to actively organize mobility and the logistics of tomorrow
Digitalization is changing the mobility market, as well as customer needs, means of transport, driving forces and platforms. The fundamental question remains: How do we get people and goods safely, reliably, comfortably and in an environmentally friendly way from A to B? We want to provide new answers to these questions and thus ensure corporate success in the digital mobility era.

Using the opportunities of digitalization
Promoting innovative digital technologies not only allows for further digitalization of the core rail business but also paves the way for new business models. We are also counting here on cooperation with start-ups and industrial partners as well as the entrepreneurial spirit of our own employees. The programs developed in 2017 for this purpose are an integral part of our digital ecosystem.

Digital DB ecosystem

What we have achieved

- Successfully established start-up financial assistance program DB mindbox: >20 start-ups in the ecosystem
- Beyond1435 open innovation platform in development
- DB Digital Ventures with five highly promising investments in the portfolio

Our next steps

- Further expansion of the start-up financial assistance in the DB mindbox to strengthen our core business
- Beyond1435 allows scaling up of start-ups in collaboration with industrial partners
- Development of a strong portfolio of holdings in mobility, logistics and infrastructure

Creating a digital customer experience
We want to offer our product range to every customer using digital solutions in a way that is easier, better and more cost-effective. The focus is on the further networking of modes of transport and physical and digital offerings. And so we are continuously developing not just our own digital products but, through start-up holdings, we are also promoting innovative business models such as the one from the ride-sharing segment or new navigational positioning systems.

Creative and innovative ways of thinking about the future
The digitalization labs DB mindbox in Berlin and d.lab and Skydeck in Frankfurt am Main act as drivers for DB Group. In both the DB Schenker Enterprise Lab and the Asset and Maintenance Lab amspire, innovative solutions are being developed for the global freight transport of the future. DB Digital Ventures is making targeted investments in start-ups and new business models, such as the innovative address system of what3words, which assigns unique three-word addresses to geographical coordinates.

Prof. Dr. Sabina Jeschke
Member of the Management Board Digitalization and Technology

"Sensor technology, communication networks with real-time capability and artificial intelligence offer enormous potential for convincing our customers with high-quality mobility services."

Highlights 2017

Network expansion DB Schenker

DB route agent informs

First DB Information 4.0

Cleaning service via WhatsApp

Record sales of mobile phone tickets

Seat reservation in regional transport

Free WiFi in long-distance transport

New design for DB Lounge

Entertainment in the ICE portal

Formation of DB International Operations

Digital in Regional

New comfort check-in service

Modernization of railway stations

Continuation of bridge renovation

New platform waiting rooms

Commissioning of Berlin–Munich high-speed line

Digital in land transport

Additional transport services at DB Arriva

Our customers stay connected #DIGITALIZATION

Connected everywhere
Since 2017 we have been offering free WiFi in both ICE classes. The quality of the WiFi offering has been significantly improved using new technology. In addition, with maxdome onboard an entertainment offering was launched in the ICE portal with free movies and TV shows. We are also gradually equipping our remote transport fleet with new cell phone repeaters that provide passengers with better reception when they make calls. We have also developed a WiFi concept for regional transport. In October, the green light was given to refit the S-Bahn (metro) fleet in Stuttgart. Over 150 vehicles are expected to be fitted with WiFi by the summer of 2019. In a pilot project "Digital in Regional" we are testing, along with our partners, an IT system to improve customer information. In the Hamburg S-Bahn (metro), we will by the end of 2018 be equipping all 68 stations with WiFi.

127

stations throughout Germany offer passengers and visitors 30 minutes of free WiFi.

More comfort and better service at stations
Between 2017 and 2021 a record amount of € 5.5 billion will go into modernizing our stations. We are investing in places where improvements can be felt directly by our customers: in accessibility, in a higher quality of waiting areas, in digital services and in elevators and escalators. In 2017, about € 700 million was invested, including in redesigning the main stations of Dortmund, Münster (Westphalia) and Frankfurt am Main. A great deal of capital expenditures is also being made in many smaller and mid-sized stations, for example in new escalators, elevators, information boards for passengers, benches, signage systems, floors and ramps for accessibility.
In all, over 200 modernization initiatives have been completed.

About

800

construction sites
a day at peak times

Improved quality in existing network #CONSTRUCTION

About € 28 billion will have been invested between 2015 and 2019 in modernizing the rail network, stations and power systems – more than ever before. This is provided for in the performance and financing agreement (Leistungs- und Finanzierungsvereinbarung; LuFV) II between the Federal Government and DB Group.

Our largest infrastructure modernization initiative involved the renovation not only of bridges and tunnels but also of tracks, switches and interlockings. In 2017, about € 5.2 billion was invested in renovating and maintaining, among other things, about 1,650 km of track and about 1,800 switches as well as about 4,600 installations for command and control technology. This resulted in a large number of construction activities.

The focus of the capital expenditure activity in 2017, as in previous years, was on modernizing, securing and maintaining availability of the existing rail infrastructure. More than two-thirds of the infrastructure capital expenditure volume went into the existing network.

The focal points were the refurbishment of the superstructure with about € 1.4 billion and capital expenditures in command and control technology of about € 0.6 billion, in bridges of about € 0.6 billion, and in stations of about € 0.6 billion.

About

380

bridges were modernized between 2015 and 2017.

Renovation of our bridges
The railway bridges are some of the most long-lasting structures in track infrastructure. In order to keep them in good repair, capital expenditures are made in their preservation and renovation. Between 2015 and 2019, about € 4 billion will have been invested in modernizing railway bridges. By the end of 2019, 875 bridges specified with the Federal Government are to be renovated or newly built. As part of the modernization initiative, about 380 bridges had already been modernized by the end of 2017.

Expansion of the infrastructure #CONSTRUCTION

For higher quality and capacity
The record sum of over € 7.5 billion was invested by us in 2017 in the German rail network. This puts us on the right track to make rail the number one choice for mobility in Germany. We have invested nearly a third of this, about € 2.1 billion, in numerous new construction and development initiatives. Twelve construction initiatives in major projects were launched all over Germany. There were also 15 projects commissioned in 2017. These include the German unification transport projects (Verkehrsprojekte Deutsche Einheit; VDE) no. 8 with the commissioning of the last section Nuremberg–Erfurt–Halle/Leipzig, which has cut the travel time between Berlin and Munich by two hours since December 2017.

Management center Construction set up
In order to find optimal solutions for everyone involved in the trade-offs between travel and construction, the management center Construction has been assisting in construction site planning since July 2017. The goal is to minimize as far as possible the impact on current traffic. The sharp drop in construction-related delays in 2017 despite a rise in the number of construction sites shows the success of the measures taken. By separating the increased construction activities from negative customer impact we are increasing stability throughout the rail network.

“The management center Construction was successful in sharply reducing construction impact compared to 2016. What is driving us all as a team is the conviction that we are achieving improvements for our customers and thereby increasing the reliability of rail transport.”

Klaus-Martin Feder
Management center Construction

Internationally en route to growth

Section of route Phase 1
San Jose–Bakersfield
Length: 386 km

Area of responsibility
- Advice on vehicles, track and sales
- Operation of trains and stations
- Marketing and branding strategy

DB International Operations
To enable us to participate in tenders for rail operation and maintenance projects in rail passenger and freight transport outside Europe, DB International Operations GmbH was formed in 2017. As an innovation driver with technical and digital expertise, DB International Operations provides its customers with infrastructure and vehicle operation and maintenance. We use the know-how we have built up over many years in Germany and Europe to do this.

Niko Warbanoff
Head of International Affairs

"We are an internationally sought-after partner for the sustainable development, operation and maintenance of mobility systems. I am proud that we are making great strides in further developing the DB Group's international reach with the DB International Operations."

Participation in California High-Speed Rail
In November 2017, we won a consultancy contract for the North American California High-Speed Rail project. For the planned high-speed rail line between San Francisco and Los Angeles, DB International Operations will prepare an operating concept for the first portion of the track between San Jose and Bakersfield and develop the operation as an Early Operator.

Expansion of logistics network
In 2017, DB Schenker among other things opened its largest logistics hub in Madrid (Spain) on a 60,000 m² plot. This involves pooling the domestic and international land transport and the project divisions as well as the capital's air and sea transport. The terminal was built in accordance with the latest criteria for energy saving and sustainability.

€ 22 million

was invested by DB Schenker in the new logistics hub in Madrid (Spain).

En route to growth in Eastern Europe
In Croatia, DB Arriva has acquired a majority stake in the Croatian Autotrans Group (Autotrans). Autotrans is the largest private bus operator in the country and in 2016 generated about € 49 million in revenues. The number of DB Arriva employees in Croatia is increasing with Autotrans to about 1,400, the number of buses to about 600 and the number of annual passengers to 11.5 million. DB Arriva has been present on the Croatian market since 2013 and offers international connections in addition to regional and national transport.

Additional transport services at DB Arriva
DB Arriva will be running the transport services on the Pågatågen rail network in southern Sweden for another eight years. The number of about 21 million passengers (2015) in the Pågatågen network is expected to increase sharply in the coming years. DB Arriva is significantly expanding connections in the next few years and is developing the fleet of trains from the current number of 69 to 99. For the first time, DB Arriva will also be responsible for maintenance of the vehicles. A digital mobility portal is improving passenger information.

New comfort check-in service
2018 sees the rollout of our comfort check-in for our customers in Germany, following successful completion of the tests begun in 2017. The new service is already available to passengers who have bought tickets using their cell phone or online with a seat reservation and the DB Navigator app on selected lines. With tickets bought using a cell phone, under the tab “Travel plan” the customer clicks on the button “Comfort check-in” to confirm their seat and departure date. The information is displayed to the train attendant and there is no need for a ticket inspection.

Nearly

15

million tickets were booked on mobile devices in 2017 using the DB Navigator app. That’s 47 % more than in 2016.

Expansion of digital services #DIGITALIZATION

DB route agent informs
The DB Streckenagent (route agent) is an app that individually provides a nationwide update to rail customers across Germany in the event of a disruption through a push notification on the current situation and provides information on possible alternatives. The customer signs up for their personal regional connections that they would like to have monitored by the route agent on an one-time basis or over a longer period.

Seat reservation in regional transport
To offer our customers enhanced travel comfort and quality, we are expanding seat reservation in regional transport in successive steps. Commuters and passengers buying individual tickets will in future be able to make reservations both in the first- and in the second-class car.

Cleaning service via WhatsApp
In our stations there is a new cleaning concept that eliminates dirt more quickly. This involves passengers and visitors using WhatsApp to report dirt in the station. By the end of March 2018, we shall successively expand the offering to about 240 stations and extend it to the whole of the Berlin S-Bahn (metro).

Digital in land transport
With the new digital platform for transport DB SCHENKEReasy, DB Schenker is catering for the future with the complete digitalization of the entire order and supply process for B2B in European land transport. The system is simple, responsive and innovative. All that's needed is a few clicks to place the order. In 2017, DB SCHENKEReasy was successfully piloted in France. Early 2018 was the start of the Europe-wide rollout, beginning with Ireland. In the long-term it should be possible to also commission international transport services as well as to develop solutions for air and sea freight.

DB Arriva starts new on-demand minibus service
DB Arriva has launched an innovative on-demand minibus service on the market. Customers can use the ArrivaClick app to order a minibus. The bus stops at a nearby street corner regardless of a timetable or a stop. The app automatically adjusts the data with those of other users whose destination is in the same direction. The buses have room for up to 12 people and are fitted with leather seats, tables, USB ports, free WiFi and power-charging stations. At present the ArrivaClick service is offered around Sittingbourne and Kent Science Park.

New design for DB Lounge
At Nuremberg central station we showcase our new lounge design. In the 220 m² area an exclusive haven awaits our customers. The new lounge is split up into three waiting areas: the rest area invites customers to relax. In the bistro area guests can read the paper while relaxing over a cup of coffee or chatting with fellow passengers. Work counters provide the option of working on your laptop.

Improved service and comfort at the station #QUALITY

New platform waiting rooms
The new glass waiting room at the Wolfsburg central station allows travelers to wait in comfort. A digital display panel with a touchscreen displays timetables, car sequences and customer information. In the armrests of the bench seat there are USB connections for charging smartphones and tablets. The new development was initiated by customer satisfaction analyses. By 2018 about 20 stations will have the new waiting room concept.

First DB Information 4.0
We have completely reconfigured the central point of contact for travelers and visitors. In November 2017, the new DB Information service went into operation at Nuremberg central station. The new DB Information service has a large screen with information on altered departure times, timetable alterations and connections. Additional customer screens assist by providing individual advice. New self-service terminals enable online tickets or confirmation of delay forms to be printed or a mobility aid to be ordered. Eighty-two DB Information services are expected to be replaced across the country. The replacement is expected to be completed by the end of 2020.

121
BERLIN – MÜNCHE
BERLIN – MÜNCHE
122
16:30
Reiseplan
Handy-Ticket
11.12.17
YW2LPM
Berlin Hbf – München Hbf
Reiseplan
16:54 Berlin Hbf
Buchen Sie hier Ihre Verbundtickets.

“By 2020, DB Group wants to be among the ten leading companies on the German labor market, to compete for the best specialists.”

On the way to becoming one of the best employers

DB Group seeks to make progress and shape the future with and for its employees.

Committed employees with digital expertise can make a key contribution to this. We are working to improve employer attractiveness, increase employee satisfaction and to ensure demographic preparedness by new hires and qualifications. To achieve these targets, we have set ourselves the following requirements:

To increase personnel availability, and to improve personnel deployment

To deploy the most suitable employees where they are needed

To expand on the necessary skills and design of transition points in the future

To keep what we as one of the most attractive employers promise

1

To create sustainable working environ-ments for the various fields of DB Group

Susanne Küspert
Human Resources
Strategy and Diversity

"Competitiveness, operational excellence, high performance, digital transformation, demographic change, skilled employee shortage – these are buzzwords that you read every day. There are more than 300,000 people at DB Group, who face the reality of these buzzwords on a daily basis. We want to support these people – in all their diversity – and to create good working conditions for them, so that they will still want to do their jobs tomorrow with the same passion as today."

Highlights 2017

Development personnel navigator

Digital native information channels

New career system

Innovative selection model

Follow-up workshops employee survey

HR dashboard

More flexible working conditions

Workshops Railway of the Future

DB Planet

Germany's biggest job interview

DB leadership role model

Profiling Long-term accounts

HR online services

5th German Diversity Day

Use of virtual reality glasses

DB check-up for refugees

Digitalization in the HR division

Prototypes participation plus

Employer branding campaign "Welcome, you are one of us"

Digitalization and new technologies are changing the way we work. They offer new possibilities for communication and cooperation. We want to seize upon these opportunities. In 2017, tablets were given to those who were in their first year of training in the typical railway professions as dispatcher, train driver and transport services agent for the first time.

“A visit to DB Planet is part of my daily routine. I want to keep up to date about what is going on in DB Group and what’s on the minds of other employees, and to connect with them – just like being part of a big family.”

Wibke Henning
Communications specialist
Expansion line 38/Munich hub at DB Netze Track

Employee communication enters the digital world #DIGITALIZATION

DB Planet – the social intranet of DB Group
Since April 4, 2017, DB Group has been networking its employees. DB Planet enables real-time communication and sharing of information and digital networking within DB Group. Employees can join in using their business or private smartphone, tablet or notebook – regardless of location, end device or place of work. DB Planet combines possibilities for direct exchanges and networking with information and integration through editorial content.

The aim is to reach about

320,000

employees both in Germany and abroad and to digitally network with them.

Germany's biggest job interview
In November, DB Group organized a recruitment drive for experienced skilled workers, career changers and trainees. In the space of seven days, over 6,000 interviews were held in seven cities (Hamburg, Munich, Nuremberg, Cologne, Berlin, Mannheim and Frankfurt am Main). Interested applicants had the opportunity to find out more and to introduce themselves between 6:00 a.m. and 10:00 p.m. each day. As a general rule, the candidates received a decision regarding their application on the spot.

About

1,000

new employees were hired in just one week during Germany's biggest job interview.

New paths in recruiting

#RECRUITING

"Career specs" with virtual reality
Interested applicants can dive into the everyday world of various professions and places of work using virtual reality glasses and 360-degree video. At job fairs, applicants can learn to recognize DB Group as a modern employer with diverse job profiles, and take a direct look behind the scenes.

Digital native information channels
DB Group presents itself as an attractive employer on all well-known social media channels, and wants to attract young people in particular to apply for jobs in DB Group. With live video chats on Facebook, behind-the-scenes stories on Instagram, influential cooperation on YouTube or modern filters on Snapchat, we use engaging and innovative formats on all platforms.

Reality instead of gloss #RECRUITING

New employer branding campagne launched
Our new employer branding campagne was launched in April 2017. Under the slogan, "Welcome, you are one of us," DB Group recruits thousands of new employees annually. DB Group presents an honest picture of itself: good, but not perfect. The promotional videos show a group that's on the upswing, with employees who love their jobs, but sometimes have to deal with difficult situations. For example, the camera pans over display panels with the message "train canceled." This approach is the realization of the quality program Railway of the Future for talent acquisition. We are looking for new colleagues who can work with us to gradually make DB Group more reliable and friendly.

"With the authenticity and honesty of our employer image, we have surprised the market and appear to have struck a chord. The number of applications has increased dramatically. Candidates value our openness as well as the dynamic that is radiated by DB Group. At DB Group, you can literally make a difference and shape the future."

Kerstin Wagner
Head of Talent Acquisition

New wage policy approaches

Rolf Nördershäuser
Train driver at DB Cargo

“I am 60 years old, and would like to retire two years earlier than the statutory age. That is why I am in favor of the pay increase.”

Innovative option for payment increase
As a result of the collective bargaining round in 2016/2017, more than 130,000 employees of DB Group were able to personally decide on how the second stage of the pay increase from 2018 onward should be used – in the form of a 2.6% salary increase, the reduction of weekly working hours, or six additional days of holidays.

56.0%
(71,572)
Additional holidays

41.4%
(52,882)
Pay increase

About
130,000
DB Group employees made a decision

2.6%
(3,260)
Reduction of working hours

Advantages for the labor market
With the selection model, DB Group has entered new collective bargaining territory and caused a sensation throughout Germany. In the meantime, it has been extended to non-pay-scale employees and managerial staff in DB Group. This does DB Group many favors when it comes to talent acquisition.

Cindy Pohl
Onboard service trainer at DB Long-Distance

“The choice was easy: I wanted additional holiday so that I could spend more time with my two children.”

Flexibility of employment conditions
DB Group has extensive experience in the implementation of the selection model with flexible working hours models. As an employer, DB Group supports its employees in their private and professional lives – regardless of whether it is a private matter such as looking after small children or caring for older people, or an official commitment, or a hobby.

DB

“Our aim is to be eco-pioneers. We have therefore set benchmarks with our products and our activities.”

Our new climate protection target for 2030

#CLIMATE PROTECTION

Train travel is climate protection. Starting in 2018, about 140 million passengers will travel using DB Long-Distance transport with 100 % eco-power. This is the precursor to successfully achieving our climate protection target for 2030, namely to more than halve the specific greenhouse gas emissions by 2030.

Andreas Gehlhaar
Head of
DB Environment

"Our aspiration is to bring more traffic onto the green rail. That is active climate protection."

This is green.

Climate protection.
Nature conservation.
Deutsche Bahn.

deutschebahn.com/green

–50%

Reduction of specific greenhouse gas emissions by 2030

Climate-neutral

DB Schenker's growth by 2030 will be climate-neutral

70%

Share of renewable energies in the DB traction current mix by 2030

Highlights 2017

Work clothes made of eco-friendly materials

DB reusable cup

Train to Bonn

Essen: Green Capital 2017

Vocational trainees for the environment

ICE facility Nippes, Cologne

Design of new catenary systems

Sound insulation measures

ICE 4 in regular operation

Electric buses

Largest environmental protection project of DB Group (VDE 8 line)

Hybrid buses

100 % eco-power

Fully electric trucks

Whisper brakes

This is green.

Climate protection.
Nature conservation.
Deutsche Bahn.

deutschebahn.com/green

This is green.

#CLIMATE PROTECTION

Environmental and climate protection are part of our DNA, because as an international mobility and logistics service provider, DB Group takes its responsibilities very seriously. There's no doubt about it: DB Group sees environmental protection as a 360-degree responsibility. This is why, for a number of years, we have played an active part in climate and noise protection, as well as in issues relating to species protection.

THIS IS GREEN.

The most modern ICE maintenance facility in Germany #CLIMATE PROTECTION

ICE facility in Nippes, Cologne: qualified project for KlimaExpo
The first CO_2-free ICE facility has been built in Nippes, Cologne, and will start operations in early 2018. By using state-of-the-art environmental technologies, DB Group has developed the first climate-neutral maintenance facility in Germany and completely renounced the use of fossil fuels. Instead, we use geothermal energy, highly efficient air-conditioning systems and a 2,100 m² photovoltaic system. Employees can charge their electric cars at charging points.

This is green.
Green upgrades.
At the pit-stop.
Green facilities.
no. 48
deutschebahn.com/green

New routes
Among other developments, ICE 4 trains can be expected to arrive at the maintenance facility in Cologne in the future.

By **10.5**

decibels, the noise level at the Nippes site will be reduced, and seem as though it has been halved.

Jens-Oliver Voß
Head of Economy, Legal and Regulatory Affairs Communications

"With the 'Train to Bonn,' we have sent out an important message. Effective climate protection is only possible with rail transport."

CO_2-free to the 23rd World Climate Summit #CLIMATE PROTECTION

This is green.
Climate protection.
Nature conservation.
Deutsche Bahn.
deutschebahn.com/green

On November 4, 2017, the delegation of the Federal Government and other guests traveled to the UN Climate Summit in a special CO_2-free train. This was the third time that DB Group, along with the Federal Ministry for Environment, Construction and Reactor Safety, had sent a climate train to the venue of the UN Climate Summit.

Protect nature, save resources

Nature conservation
DB Group is designing new overhead lines from scratch, so that birds and other animals will be protected from electrocution. Existing systems are being modified step-by-step. Every year, about 3,700 animals are involved in accidents with overhead lines. We want to substantially reduce these figures by using animal guards.

This is green.
Daily reuse.
Less rubbish.
DB's reusable cups.
no. 34
deutschebahn.com/green

This is green.
Protecting birds.
Next to rails.
Nature conservation.
no. 33
deutschebahn.com/green

Resource efficiency
Compared to a disposable cup, anyone who uses a reusable cup reduces waste and saves resources: wood, energy and water. DB's reusable cups are also 100 % recyclable.

7.6

million disposable cups are thrown away every day, according to German Environmental Relief.

First series-produced fully electric truck
In December 2017, Daimler officially provided the first series-produced light truck to its first customers in Europe. In the future, DB Schenker will primarily use the Fuso eCanter in inner-city transport. In 2018, DB Schenker is testing the distribution of goods in Germany with significantly reduced emissions by using Fuso eCanters.

This is green.
Electric drive.
Clean and quiet.
eTransport at DB.
no. 122
deutschebahn.com/green

16

tons fewer CO_2 emissions over the operating period, in comparison with a combustion engine.

Emissions-free goods distribution

#CLIMATE PROTECTION

Fuso eCanter – the technology
Depending on its configuration, the eCanter offers a load capacity of up to 4.5 t. The power train has six batteries, each with 420 V and 13.8 kWh output. The batteries enable a cruising range of over 100 km. In comparison with a conventional delivery truck, operating costs can be reduced by up to € 1,000 per 10,000 km.

Sustainable in urban transport #CLIMATE PROTECTION

This is green.

Less fuel.
Green power.
DB's hybrid buses.

no. 15

deutschebahn.com/green

This is green.

Travel in peace.
With zero emissions.
Electric buses at DB.

no. 63

deutschebahn.com/green

610

hybrid buses

411

buses running on biogas

71

electric buses

Environmentally friendly buses in use
DB Arriva is using more and more hybrid buses throughout Europe, which have a conventional combustion engine and an electric drive. They are therefore more energy-efficient and cleaner in comparison to diesel buses. They are also quieter than standard buses.

Since 2014, DB Arriva has been operating an electric bus fleet in London. Electric buses can also be seen on the roads in the Netherlands and in the Czech Republic. In comparison with previous diesel vehicles, they do not directly produce any pollutants or noise.

Forward-thinking for ...

— strengthening the competitiveness of our core business,

— ensuring our ability to cope with challenges in the future and

— realizing opportunities for growth.

“How does a city become a smart city?”

“How do we design customized and interlinked mobility solutions?”

We are addressing the central issues facing the future of mobility and logistics

#DIGITALIZATION

“How will we use interlinked and driverless vehicles for future transport?”

“What makes tomorrow’s rail transport fit for the future?”

What makes tomorrow's rail transport fit for the future?

Digitalization offers rail transport an opportunity for an unprecedented surge in growth
Rapid development of digital technologies opens up fundamentally new possibilities for making the rail mode of transport fit for the future. Our program Digital Rail for Germany seizes upon these opportunities, aiming for better performance, higher quality and greater efficiency.

Digital Rail for Germany

Improved reliability
- Remote diagnostic systems and innovative obstacle detection systems allow trains to run more reliably and on time, leading to fewer service interruptions.
- Long-term upgrades to the quality of rail operations.

Increased capacity
- Standardized digital systems offer up to 20 % more network capacity.
- Digitalized scheduling and dispatching processes, as well as smart control technology, enable trains to run in closer succession, thereby optimizing the use of track infrastructure.

Greater efficiency
- The widespread implementation of standardized systems, such as ETCS and digital signaling technology, will reduce costs significantly.
- Rail operations can be made more cost-effective by removing external systems such as physical signals and reducing the number of interlockings.

Improving track infrastructure with digitalization
The European train control system (ETCS) is the cornerstone of Digital Rail for Germany. This new technology standard for the rail network ensures stable and efficient rail operations and transnational interoperability. ETCS is the foundation for many forward-looking technologies and offers the rail industry major market potential around the globe. Preparations are underway to upgrade rail operations, considerably improving their efficiency with enhanced quality, reliability and punctuality. This work is carried out in conjunction with digital interlockings, which require far less cabling with fewer maintenance costs in comparison with the 100 different models currently in use.

Upgrading vehicles with digitalization
In order to take full advantage of the new opportunities created by a digitalized track infrastructure, the vehicles also need to be fitted with the appropriate on-board equipment. More benefits are possible through fitting vehicles with smart sensor equipment for object detection, using new tracking technologies and a high-performance mobile communications environment. This would make it possible for trains to run in closer succession, for example, and even become fully automated in the future. It is important to equip infrastructure and vehicles at the same time with cutting-edge technology and to keep them up-to-date so that the benefits can be maximized.

Up to

20

percent more capacity on the German rail network

Better for the environment
Shifting traffic to the rail system is good for the environment. Digital Rail for Germany is working to boost this environmental benefit by making operations smoother. Stop-and-go wastes energy – especially true for heavy freight trains. Having additional resources on the railways will reduce harmful emissions even further.

A key opportunity for Germany
State-of-the-art infrastructure is being developed as a result of the Digital Rail for Germany program. A capital expenditure project on this scale strengthens Germany's reputation as a place for innovation and industry. The industrial sector is gaining a technological edge and attractive employment opportunities are being created. Expertise and technology can be exported and used to boost Germany's competitive edge on the world stage. Along with the government, the whole sector is collectively responsible for constructing and implementing the upgrades. The Federal Government is currently carrying out a feasibility study on the core elements of ETCS and digital interlockings. Railway companies, industry professionals, authorities and expert communities are engaged in discussions and will actively support the process.

How does a city become a smart city?

What does the city of tomorrow look like?
With the smart cities initiative, we are developing new concepts for inner-city mobility (smart bike, demand-responsive transport), logistics (cargo bikes, smart lockers) and railway stations as attractions (improving the quality of visits, finding new concepts for usage, for example coworking spaces). Forming the basis for a fully optimized service, a comprehensive data platform is in development that will link the range of services together.

3
Hamburg railway stations will be piloted first

1
micro-depot already in operation

100
on-demand shuttle buses in Hamburg in 2018

50
smart lockers planned for installation at up to 50 stations in the HVV network in Hamburg

Data
- Smart city platform
- Smart links between services to give them added value

Cities
- Overall appearance of cities to be collectively designed in response to challenges

Mobility
- Smart bike rental systems
- Demand-responsive transport

Railway stations
- Improving the quality of visits
- Coworking

Logistics
- Smart lockers
- Cargo bikes

Collaborative partnerships with cities
The services are designed collectively with the cities. We support the Free and Hanseatic City of Hamburg in its preparations to host the Intelligent Transport Systems World Congress (ITS) in 2021. In July 2017, a collective Memorandum of Understanding was signed by the First Mayor of Hamburg, Olaf Scholz, the Chief Executive Officer of Deutsche Bahn, Dr. Richard Lutz, and the Management Board member for Infrastructure, Ronald Pofalla. Hamburg is therefore the pilot city for our smart cities operations.

Dr. Meike Niedbal
Head of Smart Cities
Deutsche Bahn AG

"Increasing mobility and logistics on the roads have long caused problems, but we are creating solutions with our smart cities approach. We aim to improve the quality of life for city residents' through comfortable, affordable and eco-friendly services."

How do we design customized and interlinked mobility solutions?

Modern, flexible and customized mobility solutions
Flexible and accessible mobility solutions for everyone – anywhere, anytime, whether in large cities or in the countryside and without owning a car – that's what ioki is all about. The brand consolidates on-demand services, mobility analytics and autonomous transport into a one-stop service. ioki offers coordinated modular solutions, from IT platforms and apps, to driver-specific and autonomous vehicle designs, to traffic analytics that can be gathered specifically for any purpose at any time.

Not replacing local public transport, but expanding it
ioki aims to have a closer connection between the roads and the rails and to transform road transport, making it more sustainable and more efficient. The market for customized public mobility solutions is expanding along these lines and mobility services that meet customers' individual needs are being developed and integrated with local public transport.

On-demand services
ioki aspires to provide smart interlinked and integrated demand-responsive transport solutions. Transport lines and vehicles should have state-of-the-art equipment, which then enables users to have a shared, but nevertheless individual, driving experience.

Mobility analytics
Traffics flows can be analyzed in real-time so mobility analytics are able to detect updates to traffic situations early. Big data analysis tools help identify cost-effective and eco-friendly areas of application.

Autonomous transport
This is being taken to the next level – driverless transport is the future, and that is why ioki is already taking action to make on-demand transport with driverless vehicles a reality.

About

6,000

passengers have already traveled with our first autonomous bus service in Bad Birnbach.

Developing and testing new services
ioki is currently developing and testing new road transport services – the first autonomous bus service in Bad Birnbach as well as on-demand transport services in Frankfurt am Main and in the town of Wittlich in Rhinland-Palatinate. In Frankfurt more than half of the fleet is already electrified – and counting. The aim is to deploy electric vehicles nationwide in the future in order to ease the burden on traffic and the environment. In Frankfurt more than 6,000 DB employees have been transported and more than 5,000 bus journeys have been made in Bad Birnbach.

Michael Barillère-Scholz
Head of ioki

“Digitalization creates new forms of mobility that we are eager to utilize in smart ways – our mission is to incorporate demand-responsive transport solutions into public transport, in combination with autonomous vehicles and e-mobility solutions – every day, we work on making customized mobility possible.”

Harnessing digitalization
What makes the on-demand mobility services special is the ability to book them digitally. ioki has created an IT platform that receives requests for transport, intelligently processes them and transmits the information onwards. The secret lies in its algorithm, which enables smart pooling and routing.

How will we use interlinked and driverless vehicles for future transport?

Driverless and linked vehicles will radically change road freight transport
The program assesses the impact of (partly) automated vehicles on value creation in the logistics sector and promotes the pertinent features.

–10 %

Fuel consumption drops by up to 10 % when wind resistance is reduced and a constant driving speed is maintained.

Platooning tested on roads
Together with project partners MAN Truck&Bus and the Fresenius University of Applied Sciences, DB Schenker is conducting a pilot project that is testing platooning for the first time in real-life situations. By examining different features, it will be possible to draw conclusions from the tests and gain insights into the design for its use on highways nationwide. It will also be possible to sketch out the operating conditions. For the next round of assessment, tasks have been prepared and scheduled for testing autonomous truck runs in the terminal areas.

1. Two MAN trucks are digitally linked whilst driving in convoy and together they create a "platoon." All control signals are transmitted directly from the leading truck to the one behind. The vehicle behind directly reacts to the signals at the same time as the one in front without the driver actively intervening.

2. The distance between the two trucks varies over the course of the test drive. In certain traffic situations, the platoon disbands and the gap widens. As soon as this occurs, the driver in the truck behind regains complete control over the vehicle.

Jochen Thewes
CEO of DB Schenker

"DB Schenker is carrying out pioneering work with its project partners. Together, we are bringing truck platooning technology one step closer to the market in Germany. The project demonstrates our aspirations and ambitions to be the supplier of innovative transport and logistics solutions in the interests of our customers."

We drive progress and shape the future.

Welcome, you are one of us #RECRUITING

DB Group is expanding and the digital development is progressing in leaps and bounds, but at the same time many DB employees are retiring in the coming years, so, in short: we are hiring thousands of new employees. As usual, we are recruiting for traditional railway careers such as train drivers, dispatchers, electricians, service staff and rail construction workers. Engineers and IT experts are also greatly needed.

About

19,000

employees and young professionals are going to be employed in Germany in 2018 alone.

About

60,000

new **employees** have been hired in Germany since 2012.

About

4,000

new **vocational trainees and dual-program students** were welcomed in 2017.

To our stakeholders

Report of the Supervisory Board — 20

- Four ordinary meetings, one extraordinary meeting and one strategy meeting
- Supervisory Board has regular discussions on the progress of Railway of the Future
- Several changes in the composition of the Supervisory Board and the Management Board

Corporate Governance report — 24

- The Corporate Governance report is a component of the Group management report
- Good corporate governance is fundamental to the business success of the company
- Compliance with recommendations of the Public Corporate Governance Code with one exception

Sustainability management — 31

- Nine material sustainability topics
- In-depth engagement with six SDGs
- CDP awards top climate score of "A" in 2017 for most climate-friendly railway company in Europe

Report of the Supervisory Board

Meetings of the Supervisory Board —— 20
Meetings of the Supervisory Board committees —— 21
Corporate governance —— 22
Annual financial statements —— 22
Changes in the composition of the Supervisory Board and the Management Board —— 23

Prof. Dr. Dr. Utz-Hellmuth Felcht
Chairman of the Supervisory Board of Deutsche Bahn AG

GRI 102-18

In the year under review, the Supervisory Board of Deutsche Bahn AG (DB AG) observed the entirety of the responsibilities incumbent upon them by virtue of the law, the company's statutes and its bylaws. The Supervisory Board extensively advised and supervised the Management Board in the management of the company and business operations. The Management Board reported regularly, without delay and in detail to the Supervisory Board regarding corporate planning and the business, strategic and financial development of DB AG and its subsidiaries. All significant business events were discussed by the Supervisory Board and the responsible committees based on reports of the Management Board. Significant deviations in actual business development were explained by the Management Board and reviewed by the Supervisory Board. The Chairman of the Supervisory Board maintained close contact at all times with the Chairman of the Management Board, who regularly reported on the latest business developments at DB AG, upcoming business decisions and risk management.

Meetings of the Supervisory Board

The Supervisory Board was involved in all decisions of fundamental significance for DB AG.

In the year under review, the Supervisory Board held four ordinary meetings and one extraordinary meeting, as well as one strategy meeting. In addition, topics of material significance were explained in more detail to the Supervisory Board members in two information events.

No Supervisory Board member fully participated in less than half of the meetings held in the year under review. In the year under review, two resolutions were adopted by written ballot. Meetings of the Executive Committee, the Personnel Committee and the Audit and Compliance Committee were held in preparation for the meetings of the Supervisory Board of DB AG.

The main issues discussed in the plenary meetings were the development of Deutsche Bahn Group's (DB Group's) revenue, profit and employment situation, as well as significant capital expenditure and equity investment projects. Personnel changes and board vacancies in the course of the year under review necessitated several decisions concerning Management Board matters, which were also discussed in detail and decided upon in the regular meetings of the Supervisory Board. These issues were prepared by the Personnel Committee of the Supervisory Board, which was temporarily joined by two additional Supervisory Board members to form a Recruitment Commission.

In the scheduled meetings held during the year under review, the Supervisory Board discussed the progress of the RAILWAY OF THE FUTURE Zukunft Bahn program, which aims at achieving a sustainable increase in the quality and performance of the integrated rail system, and – together with the Chairman of the Advisory Board of DB Projekt Stuttgart–Ulm GmbH – the progress and development of costs of the major Stuttgart 21/Wendlingen–Ulm project.

The Supervisory Board discussed the strategy of DB Group and major business units and Group divisions at a special strategy meeting. This meeting also included an in-depth discussion of digitalization strategy and the market and competitive situation, especially in logistics.

One of the topics discussed by the Supervisory Board at an extraordinary meeting was the situation in rail freight transport.

The Supervisory Board was also informed of significant individual items and adopted the necessary resolutions.

In addition, in December, the Supervisory Board provided advice on mid-term planning for 2018 to 2022 for DB Group and approved DB Group's budget for the 2018 financial year and DB Group's capital expenditure plan for 2018 to 2022.

Meetings of the Supervisory Board committees

The Supervisory Board of DB AG has established four permanent committees to facilitate its work efficiently.

The Supervisory Board's Executive Committee met four times in the year under review and was in regular contact with the Management Board regarding all major business policy issues. In its meetings, it focused in particular on preparing the focal topics for each of the Supervisory Board meetings.

The Audit and Compliance Committee met five times in the year under review, addressing, in particular, the current financial situation of DB Group and of individual business units, the risk reporting, and the quarterly and half-year financial statements. The Audit and Compliance Committee discussed in detail the progress and development of costs of the major Stuttgart 21 project based on the Management Board's quarterly reports, each of which was accompanied by a review by the auditors. In its December meeting, the committee also discussed in detail the budget and capital expenditure plan submitted and the mid-term planning of DB Group. The situation of another major capital expenditure project – the Emmerich–Oberhausen section on expansion line 46 – was submitted for separate review and discussed in detail by the committee. The committee also continued to address updates in corporate governance and the internal control system necessitated by the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz; BilMoG). The Audit and Compliance Committee also received regular information on compliance-related investigations and internal audit findings. In addition, the committee discussed the hiring of the auditor for the financial statements and the progress of the auditing process for the reporting period. The committee was also informed of individual items of financial importance, such as the vehicle situation at DB Regional, digitalization initiatives, and DB Group's insurance management activities. The Chairman of the Audit and Compliance Committee was in regular contact with the Management Board and the external auditor, and reported regularly and in detail on the committee's work to the full Supervisory Board.

In the year under review, the Personnel Committee held five regular meetings and 12 extraordinary meetings or telephone conferences to prepare Management Board-related matters for discussion by the Supervisory Board. Two further members of the Supervisory Board temporarily joined the Personnel Committee to select suitable candidates to fill vacant Management Board posts. The methodology and progress of the selection procedure were discussed at the committee meetings, and proposals for appointment were developed for the full Supervisory Board. Compensation issues relating to members of the Management Board were also discussed. In addition to discussing new appointments, the Personnel Committee also focused on the reappointment of Management Board members. Furthermore, the committee adjusted the method for calculating the long-term incentive plan for Management Board members, reworded the catalog of ancillary services, and amended the pension rules for newly appointed Management Board members, as well as preparing the associated resolutions for adoption by the Supervisory Board.

The Mediation Committee established in accordance with section 27 (3) of the German Co-Determination Act (Mitbestimmungsgesetz; MitbestG) did not have occasion to meet in the year under review.

Corporate governance

During the year under review, the Management Board and Supervisory Board of DB AG again considered the further development of corporate governance. In a Cabinet decision on July 1, 2009, the Federal Government adopted the Public Corporate Governance Code (PCGK). The Federal Government's PCGK sets out the essential provisions of applicable law governing the management and monitoring of non-listed companies in which the Federal Republic of Germany holds a majority stake, while outlining the internationally and nationally acknowledged principles of good and responsible corporate governance. The Supervisory Board of DB AG dealt with the application of the PCGK within DB Group and adopted the necessary resolutions.

Supervisory Board members must immediately disclose any conflicts of interest and must also provide the Supervisory Board with information about any such conflicts. When Johannes Schmalzl was appointed managing director of the Chamber of Industry and Commerce for the Stuttgart region, effective November 1, 2017, he indicated that his new responsibility might entail a possible conflict of interest with regard to the Stuttgart 21 project. He therefore abstained from the Supervisory Board's subsequent adoption of resolutions relating to the Stuttgart 21 project and was not involved in any Supervisory Board decisions connected with the same. Johannes Schmalzl resigned his mandate on the Supervisory Board of DB AG with effect from the end of December 31, 2017.

Annual financial statements

The annual financial statements and management report of DB AG, as prepared by the Management Board, and the consolidated financial statements and Group management report for the period ending on December 31, 2017 were audited and awarded an unqualified audit opinion by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), the auditor appointed by resolution of the Annual General Meeting. The auditor also reviewed the risk management system as part of the annual audit of the financial statements, noting no objections.

The auditors' report was reviewed by the Audit and Compliance Committee in its meeting held on March 19, 2018, and was discussed in full at the Supervisory Board's financial statements meeting held on March 21, 2018 in the presence of the auditors who signed the audit reports. The auditors reported on the salient audit findings and were available to answer questions. The Supervisory Board concurred with the audit findings.

The Supervisory Board reviewed the annual financial statements and management report of DB AG, the consolidated financial statements and Group management report for the year under review, and the proposal for the disposition of income, noting no objections. The DB AG annual financial statements for the 2017 financial year were approved and thereby adopted.

The auditor additionally reviewed the report on relationships with affiliated companies prepared by the Management Board. The auditors issued an unqualified audit opinion and reported on their audit findings.

The Supervisory Board also reviewed this report, raising no objections concerning the Management Board's concluding declaration contained in the report or the result of the audit conducted by PwC.

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

In the reporting period, the following changes were made in the Management Board and Supervisory Board of DB AG:

Dr. Rüdiger Grube left DB Group on January 30, 2017. His appointment was rescinded in agreement with the Supervisory Board.

Dr. Richard Lutz was reappointed to the Management Board of DB AG from March 22, 2017 until March 21, 2022, and was appointed Chief Executive Officer. He is responsible for the Board division of the CEO, which he had already been co-managing in the interim since the departure of Dr. Grube, as envisaged in the provisions on representation.

Berthold Huber and Ronald Pofalla were also reappointed to the Management Board of DB AG from March 22, 2017 until March 21, 2022. Berthold Huber is responsible for Passenger Transport and assumed interim responsibility for Freight Transport and Logistics until Alexander Doll has joined DB Group, who was newly appointed as member of the Management Board in charge of the Freight Transport and Logistics division on November 10, 2017. Ronald Pofalla remains in charge of the Infrastructure division.

On November 10, 2017, the Supervisory Board appointed Prof. Dr. Sabina Jeschke to the Management Board of DB AG, effective immediately and until November 9, 2020. Prof. Jeschke is responsible for Digitalization and Technology, which Dr. Richard Lutz had been managing in the interim prior to her appointment.

Also on November 10, 2017, the Supervisory Board appointed Martin Seiler to the Management Board and as labor director with effect from January 1, 2018 until December 31, 2020. Effective January 1, 2018, Martin Seiler took over responsibility for Human Resources and Legal Affairs from Ulrich Weber, who left the Management Board at his own request and by mutual agreement at the end of December 31, 2017 and retired.

In the context of her appointment as Federal Minister of Economics and Energy, Brigitte Zypries resigned from the Supervisory Board of DB AG with effect from January 26, 2017. Effective March 3, 2017, Uwe Beckmeyer, Parliamentary State Secretary in the Federal Ministry of Economics and Energy, was seconded to the Supervisory Board of DB AG.

Fred Nowka resigned his Supervisory Board mandate with effect from the end of April 30, 2017. The District Court of Charlottenburg appointed Veit Sobek as his successor to the Supervisory Board of DB AG with effect from May 11, 2017.

Johannes Schmalzl, who had been seconded to the Supervisory Board of DB AG at the instigation of the Federal Ministry of Finance, resigned from the Board effective from the end of December 31, 2017. Dr. Levin Holle, Department Manager at the Federal Ministry of Finance, was appointed as his successor to the Supervisory Board of DB AG with effect from January 16, 2018.

The Supervisory Board thanks the departing members of the Management Board and the Supervisory Board for their committed and constructive support of the company.

The Supervisory Board would also like to thank the Management Board, the employees and the works council representatives of DB AG and affiliated companies for their achievements in the year under review.

Berlin, March 2018

For the Supervisory Board

Prof. Dr. Dr. Utz-Hellmuth Felcht
Chairman of the Supervisory Board
of Deutsche Bahn AG

Corporate Governance report

Statement of compliance —— 24
Cooperation between the Management Board and Supervisory Board —— 24
Transparency —— 26
Risk management —— 26
Compliance —— 26
Accounting and auditing —— 27
Efficiency audit of the Supervisory Board —— 27
Compensation report —— 27

GRI 102-18 102-16

Corporate governance rules are intended to ensure good, responsible, value-focused corporate management. On July 1, 2009, the Federal Government adopted the Public Corporate Governance Code (PCGK) regulating the principles of good corporate and investment management. The PCGK sets out the essential provisions of applicable law governing the management and monitoring of non-listed companies in which the Federal Republic of Germany holds a majority stake, while outlining the internationally and nationally acknowledged principles of good and responsible corporate governance. The objective of the PCGK is to make the corporate management and oversight of companies more transparent and easier to understand as well as to establish more precisely the role of the Federal Government as a shareholder in such companies. Concurrently, the intention is to increase awareness of good corporate governance.

We are convinced that good corporate governance is fundamental to the success of DB Group. Our aim is to sustainably increase the enterprise value so as to promote the interests of customers, business partners, investors, employees and the public, while maintaining and expanding trust in DB Group.

Statement of compliance

The Management Board and the Supervisory Board of Deutsche Bahn AG (DB AG) hereby issue the following joint statement:

"Since the last statement of compliance was published on March 22, 2017, DB AG has complied with the recommendations adopted by the Federal Government on July 1, 2009 concerning the PCGK, with the exception of point 3.3.2 (the insurance deductible when taking out D&O liability insurance for the Supervisory Board). DB AG will continue to comply with the recommendations of the PCGK with the exception mentioned above in the future, until a decision is reached concerning deductibles for the Supervisory Board."

Cooperation between the Management Board and Supervisory Board

As a German Aktiengesellschaft (joint stock corporation), DB AG is subject to a two-tier management and monitoring structure in the form of the Management Board and Supervisory Board. These two bodies are strictly segregated in terms of both their membership and their competencies. The Management Board manages the company solely on its own joint responsibility. The Supervisory Board monitors the activities of the Management Board and is responsible for appointing members to, and dismissing members from, the Management Board.

In the interests of optimum company management, we see it as very important for the Management Board and the Supervisory Board to maintain continuous dialog with each other and to work together efficiently and in an atmosphere of mutual trust for the benefit of the company. The Management Board provides the Supervisory Board with regular, prompt, comprehensive information on all matters relevant to the company, particularly those concerning planning, business development, risk position and risk management, as well as the internal control system.

An overview of the MEMBERS OF THE MANAGEMENT BOARD AND OF THE SUPERVISORY BOARD 231 FF. of DB AG, including the mandates they hold, is provided in the Notes to the consolidated financial statements.

Management Board

The Management Board manages the company solely on its own joint responsibility. It is required to safeguard the interests of the company and is committed to achieving the sustainable growth of enterprise value. It specifies the business targets and defines the strategies to be implemented in order to attain these targets. The Management Board is responsible for making decisions on all matters of fundamental and key importance for the company.

Following the resignation of Dr. Rüdiger Grube from DB Group as of January 30, 2017, in accordance with provisions on representation of the bylaws of the Management

Board, the CFO took over temporary responsibility for managing the Board division of the CEO and the Technology and Quality Board division. By resolution adopted by the Supervisory Board on March 22, 2017, the functions of the Finance/Controlling Board division were incorporated into the Board division of the CEO in connection with the appointment of Dr. Richard Lutz as CEO. Accordingly, Finance/Controlling no longer exists as a separate Board division. At the same time, DB Long-Distance, DB Regional and DB Arriva were pooled in a separate division – Passenger Transport – that is managed by Berthold Huber. The business units DB Schenker and DB Cargo were pooled in a new Board division – Freight Transport and Logistics – which is also being managed by Berthold Huber in the interim, until Alexander Doll, who has been appointed to the Management Board in charge of Freight Transport and Logistics, joins the company. Traffic and Transport no longer exists as a separate Board division. Equally, on March 22, 2017, the former Technology and Quality Board division was expanded to include digitalization and IT (which were previously in the CEO's division) and the name of the division changed to Digitalization and Technology. This Board division was managed in the interim by Dr. Richard Lutz until Prof. Sabina Jeschke took up her Management Board appointment in charge of Digitalization and Technology.

The Management Board of DB AG therefore continues to consist of six divisions. In addition to the CEO's division, there are Human Resources and Legal Affairs, Digitalization and Technology, Passenger Transport, Freight Transport and Logistics as well as Infrastructure.

Management Board members must discuss any conflicts of interest with the Supervisory Board immediately and must also provide their colleagues on the Management Board with information about any such conflicts. There were no conflicts of interest during the year under review.

Supervisory Board

The Supervisory Board advises and monitors the Management Board in its management of the company.

In line with the requirements of the German Co-Determination Act (Mitbestimmungsgesetz; MitbestG), the Supervisory Board of DB AG consists of 20 members, of whom ten members are shareholders' representatives and ten members are employee representatives. Some of the shareholders' representatives are seconded to the Supervisory Board and some are elected at the Annual General Meeting. The employees' representatives on the Supervisory Board are elected in line with the requirements of the Co-Determination Act.

The Chairman of the Supervisory Board of DB AG is Professor Dr. Dr. Utz-Hellmuth Felcht. PERSONAL OR BUSINESS RELATIONSHIPS 220 between individual Supervisory Board members and DB Group are stated in the Notes to the consolidated financial statements.

Supervisory Board members must immediately disclose any conflicts of interest with the Supervisory Board and must also provide the Supervisory Board with information about any such conflicts. When Johannes Schmalzl was appointed managing director of the Chamber of Industry and Commerce for the Stuttgart region, effective November 1, 2017, he indicated that his new responsibility might entail a possible conflict of interest with regard to the Stuttgart 21 project. He therefore abstained from the Supervisory Board's subsequent adoption of resolutions relating to the Stuttgart 21 project and was not involved in any Supervisory Board decisions connected with the same. Johannes Schmalzl resigned his mandate on the Supervisory Board of DB AG with effect from the end of December 31, 2017.

Transactions of fundamental importance and other Management Board decisions with a major impact on the business operations and on the assets, financial or profit situation of the company require the authorization of the Supervisory Board. The Management Board reports to the DB Supervisory Board on the development of business and the position of DB Group at least once every quarter. The Management Board also reports to the Supervisory Board regularly on all measures implemented within the company that are intended to ensure compliance with laws and corporate regulations. In addition, the tasks of the Supervisory Board include the auditing and approval of the company's annual financial statements and the auditing of the company's management report, the consolidated financial statements, and the Group management report. The Supervisory Board also monitors the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the process of auditing the annual financial statements.

In addition, the Chairman of the Supervisory Board is in regular contact with the Management Board and specifically the Chief Executive Officer to discuss company strategy, business development and risk management. The Chairman of the Supervisory Board receives regular reports from the Chief Executive Officer on all events that are of key importance for assessing the company's situation and development, as well as for its management.

There were no consultancy agreements or other comparable service agreements or contracts for services between the members of the Supervisory Board and DB AG in the year under review.

Supervisory Board committees

In order to enable it to carry out its monitoring activities to the best of its abilities, the Supervisory Board of DB AG has made use of the option of setting up further committees in addition to the Mediation Committee, which has to be set up in accordance with the Co-Determination Act, and has set up an Audit and Compliance Committee and a Personnel Committee. An overview of the COMMITTEE MEMBERS 233 can be found in the Notes to the consolidated financial statements. Details of the WORK PERFORMED BY THE INDIVIDUAL COMMITTEES 21 in the year under review are included in the report of the Supervisory Board. DETAILS OF THE FUNCTIONS OF THE INDIVIDUAL COMMITTEES can be found on our WEB SITE.

GRI 405-1

Share of women on the Management Board and Supervisory Board

Five women currently serve on the Supervisory Board of DB AG. A target of a 30% share of women on the Supervisory Board of DB AG was set, with a deadline of June 30, 2022.

One woman currently serves on the Management Board of DB AG. A target of a 30% share of women on the Management Board of DB AG was set, with a deadline of June 30, 2022.

At the other management levels of DB AG, the following targets have been set (deadline December 31, 2020): at the first management level below the Management Board a 25.5% share of women, and at the second management level below the Management Board a 28.6% share of women.

Transparency

All important information regarding the consolidated and annual financial statements, the interim report, the financial calendar and information on security transactions subject to a reporting obligation can be found on our WEB SITE. In addition, we provide regular information on current developments within the framework of our investor relations activities and corporate communication.

Risk management

Good corporate management also encompasses a responsible approach to the risks and opportunities arising in connection with business operations. The early identification and limitation of business risks is therefore of paramount importance to the Management Board and the Supervisory Board.

The Management Board is responsible for ensuring adequate risk management and monitoring it within the company, and for continuously improving both. The German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz; BilMoG) precisely defines the responsibilities of the Supervisory Board with regard to monitoring the accounting process and ensuring the effectiveness of the internal control system, the risk management system and the internal audit system. For the Supervisory Board to be able to discharge this responsibility, it must be provided with suitable information based on which it can form an opinion on the adequacy and effectiveness of the systems. Regular reports are made to the Audit and Compliance Committee concerning the adequacy and effectiveness of the internal control system. In addition, the Management Board reports to the Audit and Compliance Committee regarding risks of major importance to the Group companies and the handling of these risks by the Management Board. It also controls whether the early warning system for risks meets the requirements of section 91 (2) of the German Stock Corporation Act (Aktiengesetz; AktG).

Compliance

Compliance is an integral component of the corporate and leadership culture in DB Group. To us, compliance means ensuring our business activities comply with the relevant laws and regulations that apply to them.

Our compliance activities focus on preventing and consistently combating corruption and other corporate crime. Mandatory compliance policies serve to protect DB Group, our employees and our executives. Increasing awareness among our employees and executives remains of great importance, because only risk-aware employees can recognize risks and successfully avoid or, at least, minimize them.

The compliance work of DB Group includes the early detection of compliance risks as well as the introduction of relevant countermeasures. This work includes conducting compliance programs, constant communication and process improvements.

Additional information on compliance can be found in the chapter NOTES TO SUSTAINABILITY 237 and on our WEB SITE.

Accounting and auditing

On March 22, 2017, the Annual General Meeting of DB AG appointed PwC, Berlin, as auditor for the 2017 financial year. The Audit and Compliance Committee prepared the proposal of the Supervisory Board regarding the election of the auditor and, following the election of the auditor by the Annual General Meeting, defined the key audit aspects in conjunction with the auditor. Once again this year it was agreed with the auditor that the Chairman of the Audit and Compliance Committee will be notified of any possible reasons for exclusion or prejudice that emerge in the course of the audit. It was also agreed that the Chairman of the committee will be notified immediately by the auditor of any separate findings and any irregularities in the statement of compliance.

Efficiency audit of the Supervisory Board

The Supervisory Board regularly monitors the efficiency of its activities. An efficiency audit is carried out every two years. The last efficiency audit took place in the year under review.

Compensation report

The compensation report outlines the compensation system and lists the individual compensation of the members of the Management Board and the Supervisory Board.

The compensation system of the Management Board

The compensation system for the Management Board of DB AG aims to provide appropriate compensation to the Management Board members in accordance with their duties and areas of responsibility, while at the same time directly taking into account the performance of each Management Board member and the success of the company.

The appropriate level of compensation is reviewed regularly using a comparison process. This review examines the level of Management Board compensation both in comparison to the external market (horizontal appropriateness) and in comparison to other levels of compensation within the company (vertical appropriateness). If the review shows a need to adjust the compensation system or the level of compensation, the Personnel Committee of the Supervisory Board submits its proposals in this regard to the Supervisory Board for approval. The appropriateness of Management Board compensation was last reviewed in 2016.

Compensation components

The total compensation for Management Board members consists of a fixed salary, a performance-linked annual director's fee and a long-term incentive plan based on multi-year figures. Total compensation also includes benefit commitments, other commitments and ancillary benefits.

The fixed salary is cash compensation linked to the financial year. It is based on the scope of responsibility and the experience of each Management Board member. The individually defined fixed income is paid out in 12 equal installments.

The annual performance-linked director's fee is calculated using a factor linked to the achievement of business targets (director's fee factor) and the achievement of individual targets (performance factor). There is a multiplicative link between the director's fee factor and the performance factor. The director's fee factor depends on the level of success in attaining the business targets set out by corporate planning. The parameters for this relationship are in equal parts operational success (operating income after interest) and return on capital employed (ROCE).

The performance factor reflects success in meeting personal targets. The target fee corresponds to the annual director's fee paid to the Management Board member in a "normal financial year" for fully meeting performance targets (meeting targets). If the Group results do not meet planned objectives, the director's fee factor can, in extreme cases, be reduced to zero, regardless of personal performance. This means that the annual director's fee can be zero. If planned objectives are sufficiently exceeded and the maximum performance factor is also achieved, the annual director's fee can amount to 2.6 times the target director's fee.

The business and personal targets of the Management Board members are decided by the Supervisory Board each year based on recommendations from the Personnel Committee, and are then agreed in writing with the Management Board members.

Together with the corporate planning adopted by the Supervisory Board, the personal targets form the basis for assessing the annual director's fee. This means that all of the key parameters for total compensation are established at the beginning of the financial year.

At the end of each financial year, the director's fee and the personal performance factor are calculated for each Management Board member based on Group results. Target income is attained if both business goals and individual targets have been met in full. The final decision on this matter is made by the Supervisory Board and is prepared by the Personnel Committee.

The methodology for calculating the long-term incentive plan for the Management Board has been changed, starting with the 2017 tranche. The basis for assessing the long-term element of compensation is now a customary return on capital, based on equity value. Aligning the long-term incentive to the equity value rewards sustainable increases in the value of the company. After the end of each planning period, the increase in value achieved in comparison to the company's original planning and the payment factor are calculated. The term of each plan is four years. The payment amount for the long-term incentive plan has an upper limit and can vary between 0 and 250 %. Claims from the long-term incentive plan are inheritable.

The Management Board members are entitled to an appropriate severance package if their contract is terminated before the contractually stipulated termination date, provided that the Management Board member was not personally responsible for the termination through his or her actions. The severance package is based on the remaining term of the contract, the agreed target salary and, where applicable, the pension benefits already owed by DB AG for the remainder of the contract.

In accordance with the recommendations of the PCGK, a severance payment cap is included in all contracts of DB AG Management Board members. This cap means that payments made to a Management Board member due to premature termination of Management Board duties without good cause as defined by section 626 of the German Civil Code (Bürgerliches Gesetzbuch; BGB) cannot exceed the value of two years' salary, including variable compensation components, and must not provide compensation for more than the remaining term of the employment agreement.

Management Board members do not receive any additional compensation for mandates exercised in control bodies of Group companies or affiliated companies.

Group-wide compensation system for executives

The compensation system for executives aims primarily to closely link compensation to the sustainable success of the company in the sense of the business success of the integrated rail system and of DB Group as well as the alignment of all divisions toward this objective.

The annual director's fee for executives and employees not subject to wage agreements in the integrated rail system are structured as profit shares. Personal goals are then agreed with executives as part of a regular process. The achievement of the goals is regularly included in the assessment when making decisions on increases to the fixed salary. If the executives are members of bodies of DB AG subsidiaries, the respective subsidiary's Supervisory Board is responsible for discussing the personal goals if possible until the end of a financial year. As a rule, the respective decision-making will take place after the DB AG Supervisory Board meeting in which the mid-term planning and the targets for the Group's Management Board are adopted. This chronological sequence of the handling of personal goals in the Supervisory Boards of the subsidiaries is due to the Group structure of DB AG.

In some cases, given the regulatory requirements, DB Netz AG is subject to separate regulatory requirements which take even greater account of the business success of DB Netz AG.

Pension entitlements

The Supervisory Board of DB AG has set a general retirement age of 65 for Management Board members. After leaving the company, Management Board members are entitled to pension payments. At the latest upon reaching the age of 65, a Management Board member is entitled to a lifelong pension if the term of employment ends due to permanent invalidity, or if the contract is terminated before the agreed termination date or is not extended, where the Board member was not responsible for the termination, or if the Management Board member refuses to continue the contract under the same or more beneficial conditions.

The system governing benefit commitments to Management Board members was amended in the year under review. Members appointed to the Management Board for the first time in 2017 and thereafter receive a defined benefit commitment under which a capital stock is saved up for the Board member for the duration of their employment and paid out when they reach retirement age. An annual amount derived as a specific percentage of fixed salary is paid into the defined contribution plan.

Company pension commitments for Management Board members already in office at the start of 2017 are based on a percentage of the basic salary depending on the length of time that the Management Board member has been with the company. Pension commitments include lifelong retirement and surviving dependent benefits. There is no lump-sum payment option.

In addition to Management Board member contracts entered into before January 1, 2009, a reinsurance policy was concluded to cover company pension benefits.

Contractual ancillary benefits

The contractual ancillary benefits for members of the Management Board include a company car with driver for business and personal use, a personal BahnCard 100 First free travel card and standard insurance coverage. A housing allowance is provided for second homes where these are required for business purposes. Where these monetary benefits cannot be granted on a tax-free basis, they are taxed as non-monetary benefits for which the Management Board members are fully responsible. Management Board members, like any other member of the Group's executive staff, can choose to take part in the company's deferred compensation program.

The members of the Management Board are covered by liability insurance against financial losses incurred due to DB AG's business operations (D&O insurance). In the year under review, this insurance was designed as a Group insurance policy with the deductible provided for under law; it provides coverage for financial losses that may occur during the performance of Management Board activities. The insurance coverage of the existing D&O insurance policy is valid for a period of five years after the termination of activities as a member of the Management Board.

Compensation for the 2017 financial year

The director's fee for the previous financial year is due at the end of the month in which the company's Annual General Meeting takes place.

The members of the DB AG Management Board will receive the following compensation for their work during the year under review:

Total compensation of the Management Board (€ thousand)	**Fixed compensation**	**Compensation in connection with the early termination of service**	**Variable compensation**			**Other** [3]	**Total** [4]
			Short-term [1]	**Long-term (payment in 2017)**	**Long-term** [2]		
INCUMBENT MEMBERS OF THE MANAGEMENT BOARD OF DB AG AS OF DEC 31, 2017							
Dr. Richard Lutz	844	-	1,045	-	47	20	1,909
Ulrich Weber	715	-	837	-	15	9	1,561
Ronald Pofalla	594	-	723	-	184	29	1,345
Berthold Huber	594	-	629	-	184	28	1,251
Prof. Dr. Sabina Jeschke (since Nov 10, 2017)	57	-	70	-	104	0	127
	2,804	**-**	**3,304**	**-**	**534**	**85**	**6,193**
MEMBERS WHO LEFT THE MANAGEMENT BOARD OF DB AG DURING THE YEAR UNDER REVIEW							
Dr. Rüdiger Grube (until Jan 30, 2017)	75	2,251	-	-	-165	2	2,328
Total	**2,879**	**2,251**	**3,304**	**-**	**369**	**87**	**8,521**

Individual figures are rounded and therefore may not add up.

[1] Subject to the decision of the Supervisory Board.

[2] Long-term variable compensation refers to additions to and releases of provisions for long-term incentives.

[3] Monetary benefits accruing from travel discounts, usage of company cars, and insurance and housing allowances.

[4] Total without long-term variable compensation.

In the year under review, no members of the Management Board of DB AG received benefits or promises of benefits from a third party with regard to their activities as a member of the Management Board.

Pension benefits of the Management Board in the 2017 financial year

During the year under review, an amount totaling € 1,940 thousand was added to the pension provisions.

Additions to pension provisions (€ thousand)	**2017**
INCUMBENT MEMBERS OF THE MANAGEMENT BOARD OF DB AG AS OF DEC 31, 2017	
Dr. Richard Lutz	223
Ulrich Weber	101
Ronald Pofalla	190
Berthold Huber	523
Prof. Dr. Sabina Jeschke (since Nov 10, 2017)	33
	1,070
MEMBERS WHO LEFT THE MANAGEMENT BOARD OF DB AG DURING THE YEAR UNDER REVIEW	
Dr. Rüdiger Grube (until Jan 30, 2017)	870
Total	**1,940**

Individual figures are rounded and therefore may not add up.

PENSION PROVISIONS FOR FORMER MEMBERS OF THE MANAGEMENT BOARD 220 are shown in total in the Notes to the consolidated financial statements.

Compensation of the Supervisory Board for the 2017 financial year

Compensation of the Supervisory Board of DB AG was most recently regulated by the Annual General Meeting resolution of September 21, 2010. In addition to being reimbursed for their cash outlays and the value-added tax due on their compensation and cash outlays, the Supervisory Board members each receive fixed annual compensation of € 20,000, plus performance-linked annual compensation. The performance-based compensation is calculated based on the relationship between operating profit (EBIT) as disclosed in the consolidated financial statements for the financial year compared to the previous year's figures, and the attaining of specific operational performance figures. Performance-based compensation is limited to a maximum of € 13,000. The Chairman of the Supervisory Board receives twice this amount, while his deputy receives one and a half times the above figure. This compensation is increased by a quarter for every position held on a committee by the individual Supervisory Board member. This compensation increases by 100 % for the Chairman of the Executive Committee and the Chairman of the Audit and Compliance Committee, and by 50 % for the Chairman of the Personnel Committee. This does not include membership or chairmanship of the committee that is formed under the terms of Section 27 (3) MitbestG.

In addition, the members of the Supervisory Board of DB AG receive an attendance fee of € 250 for each meeting of the Supervisory Board and its committees at which they are present. The members of the Supervisory Board also have the choice between a personal BahnCard 100 First and five free train tickets.

The members of the Supervisory Board are covered by liability insurance against financial losses incurred due to DB AG's business operations (D&O insurance). This insurance is designed as a Group insurance policy with no deductible and provides coverage for financial losses that may occur during the performance of Supervisory Board activities. There is also a Group accident insurance policy in place for members of the Supervisory Board. The relevant company pays the premiums for these policies.

Supervisory Board members who have only been members for part of the financial year in question receive a twelfth of the total compensation for each month or part of a month of their membership. This rule also applies to the increase in compensation for the Chairman of the Supervisory Board and his or her deputy and to the increase in compensation for membership and chairmanship of a Supervisory Board committee.

Compensation is paid after the conclusion of the Annual General Meeting that votes to ratify the Supervisory Board's activities in the previous financial year.

Taxes due on compensation received, including the personal BahnCard 100 First and the five free train tickets, are the individual responsibility of each Supervisory Board member.

Supervisory Board members currently hold no shares in the company, nor do they hold options entitling them to purchase shares in the company.

Subject to the approval of the activities of the Supervisory Board by the Annual General Meeting on March 21, 2018, the members of the Supervisory Board of DB AG will receive the following compensation for their work during the year under review:

	Annual compensation 2017				
Total compensation of the Supervisory Board (€ thousand)	**Fixed compen-sation**	**Variable compen-sation**	**Atten-dance fee**	**Ancillary fee**	**Total**
INCUMBENT MEMBERS OF THE SUPERVISORY BOARD OF DB AG AS OF DEC 31, 2017					
Prof. Dr. Dr. Utz-Hellmuth Felcht	70.0	30.8	4.3	–	**105.1**
Alexander Kirchner	40.0	17.6	4.3	7.1	**68.9**
Uwe Beckmeyer [1]	3.3	1.5	0.8	7.1	**12.6**
Jürgen Beuttler	20.0	8.8	1.3	–	**30.1**
Dr. Michael Frenzel	20.0	8.8	1.5	7.1	**37.4**
Dr. Jürgen Großmann	20.0	8.8	1.3	7.1	**37.1**
Dr. Ingrid Hengster	20.0	8.8	1.5	–	**30.3**
Jörg Hensel	25.0	11.0	2.3	0.9	**39.1**
Klaus-Dieter Hommel	20.0	8.8	1.0	–	**29.8**
Prof. Dr. Susanne Knorre	20.0	8.8	1.3	7.1	**37.1**
Ludwig Koller	20.0	8.8	1.5	7.1	**37.4**
Dr. Jürgen Krumnow	40.0	17.6	2.0	0.9	**60.5**
Kirsten Lühmann	20.0	8.8	2.0	0.9	**31.7**
Heike Moll	20.0	8.8	1.5	7.1	**37.4**
Michael Odenwald	35.0	15.4	4.8	0.9	**56.0**
Mario Reiß	20.0	8.8	1.5	7.1	**37.4**
Regina Rusch-Ziemba	25.0	11.0	2.5	7.1	**45.6**
Johannes Schmalzl	20.0	8.8	2.3	7.1	**38.1**
Jens Schwarz	30.0	13.2	3.8	7.1	**54.0**
Veit Sobek	13.3	5.9	1.0	7.1	**27.3**
MEMBERS WHO LEFT THE SUPERVISORY BOARD OF DB AG DURING THE YEAR UNDER REVIEW					
Fred Nowka	6.7	2.9	0.5	–	**10.1**
Brigitte Zypries [2]	–	–	–	–	**–**
Total	**508.3**	**223.7**	**43.0**	**88.8**	**863.0**
Compensation for further Supervisory Board mandates in DB subsidiaries					**46.8**
Total					**909.9**

Individual figures are rounded and therefore may not add up.

[1] Uwe Beckmeyer waived the compensation for work as a member of the Supervisory Board that was owed to him up to October 2017.

[2] Brigitte Zypries waived the compensation for work as a member of the Supervisory Board.

No pension obligations exist for members of the Supervisory Board of DB AG.

The members of the Supervisory Board of DB AG did not receive any compensation in the year under review for any personally provided services.

Sustainability management

Materiality is our benchmark —— 31
Sustainability organization —— 36
Social acceptance resulting from open stakeholder dialog —— 37
Responsibility and social commitments —— 40

Materiality is our benchmark

102-43
102-44
102-46
102-47

We are working on issues that are material to us and our stakeholders. In our 2016 STAKEHOLDER SURVEY, we identified and prioritized issues and examined them in more detail in the year under review. The central ambitions of our stakeholders are to make sure DB Group is fit for the future and to secure its performance capabilities, as well as addressing topics relating to security and the environment. Digitalization and innovation, as well as performance capability were defined as material topics for the first time in 2016 and were addressed partly through measures put in place as part of our RAILWAY OF THE FUTURE Zukunft Bahn 2 F. (DEPARTURE ECONOMIC), DIGITAL RAIL FOR GERMANY 60 F. and SMART CITIES 60 programs, and partly by our newly established COMPETENCE CENTER DIGITALIZATION 33 F. and the EXECUTIVE CENTER TRANSFORMATION 35 F. The material issue of security is being addressed through the strengthened focus of our activities relating to EMPLOYEE SAFETY 241 and CYBER SECURITY 154. The new CLIMATE TARGET 76 is our response to the issue of climate protection, which has been classified as material.

For the purposes of simplification, we have consolidated the top issues arising in our 2016 stakeholder survey and our DB2020+ top targets into nine material sustainability topics (DB 01 to DB 09). The impacts of the topics both within and outside DB Group are analyzed.

The GROUP TARGET SYSTEM 58 forms the basis for the selection of the key figures relevant to management. Further topics are reported based on an internal assessment of their significance. They include SOCIAL COMMITMENTS 40, AIR QUALITY CONTROL 247, NATURE CONSERVATION 247 F. and SUPPLY CHAIN 241 F.

Material sustainability topics 2017	Key figures (relevant to management)	SDG assignment	Management approach	Measures
PRODUCT QUALITY (DB 01) – Customer satisfaction – Punctuality – High-performance infrastructure – Customer and transport information – Interlinked mobility	– Customer satisfaction index (67) – Punctuality (68) – Facilities quality (143) – Supply reliability (147)	SDG 9, SDG 11	32 F.	61 FF., 66 FF., 98 FF.
DIGITALIZATION AND INNOVATION (DB 02)	–	SDG 9, SDG 11	33 F.	61 FF.
PROFITABILITY (DB 03) – Profitability – Financial stability	– ROCE (90 F.) – Redemption coverage (92)	SDG 8	34	89 FF.
EMPLOYEE SATISFACTION (DB 04)	– Employee satisfaction index (72) – Follow-up workshop implementation rate (72)	SDG 8	34	72 FF., 98 FF., 242 FF.
EMPLOYER ATTRACTIVENESS (DB 05)	– Ranking in Germany (70 F.)	SDG 8	35	70 FF., 98 FF., 242 FF.
CLIMATE PROTECTION (DB 06)	– Specific CO_2e emissions compared to 2006 (77) – Share of renewable energy in DB traction current mix (77 F.)	SDG 12, SDG 13	35	76 FF., 98 FF., 246 FF.
NOISE REDUCTION (DB 07)	– Noise-remediated track kilometers (78) – Quiet freight cars in operation at DB Cargo in Germany (79)	SDG 3, SDG 11	35	78 FF., 138
SECURITY (DB 08)	–	SDG 3, SDG 9	35	240 F.
PERFORMANCE CAPABILITY (DB 09)	–	SDG 8, SDG 9	35 F.	57, 66, 70 FF.

GRI 102-1 102-16

Our commitment to the UN Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) were adopted in September 2015. The 17 SDGs cover environmental, social and economic objectives of sustainable development. With the SDGs, the United Nations has agreed on a World Future Treaty that defines a common Agenda 2030.

DB Group is expressly committed to the ten principles of the UNITED NATIONS GLOBAL COMPACT 250. For this reason, we also feel committed to the objectives of the Agenda 2030 and the SDGs.

Achieving the ambitious objectives for 2030 will require the commitment and cooperation of all stakeholders: business, politics, science and civil society. For this reason, we also intend to intensify our dialog with stakeholders on the SDGs. The Federal Government's national sustainability strategy, which was adopted on the basis of the SDGs in early 2017, is also an important basis.

In the previous year, we studied the content of the SDGs in detail and prioritized six that are strategically aligned to the top issues raised in our 2016 stakeholder survey and to the DB2020+ top targets. We believe that these are the six areas where our products and services can exert the greatest influence. They are:

- SDG 3 (Good health and well-being),
- SDG 8 (Decent work and economic growth),
- SDG 9 (Industry, innovation and infrastructure),
- SDG 11 (Sustainable cities and communities),
- SDG 12 (Responsible consumption and production) and
- SDG 13 (Climate action).

In the year under review, we also partnered with the Federal Ministry of Economic Cooperation and Development (BMZ), the UN Action Campaign, Canon and econsense, among others, to implement communication programs and to plan further action in 2018. Our aim is to encourage our stakeholders to commit to the SDGs. One such measure was the prominent communication of the SDGs in the TRAIN TO BONN 5 (DEPARTURE ENVIRONMENTAL) – the special train used to bring the German delegation to the 23rd World Climate Conference in 2017 (COP23). A photo competition entitled "We design sustainable cities" was organized for all DB employees not just to inform them about the SDGs, but also to inspire them to get involved. Communication focusing on the SDGs will continue in 2018, with particular emphasis on our customers. We want to spread the message of the SDGs throughout society – through explicit communication of the same to our customers, for example.

Management approaches to our material sustainability topics

GRI 103

The GRI STANDARD GRI 103 foresee that for material economic, environmental and social aspects so-called management approaches should be displayed. These give us the opportunity to explain how we address MATERIAL SUSTAINABILITY TOPICS 31 within DB Group.

Product quality (DB 01) #QUALITY

There are a number of levers to improve product quality, the most important of which is PUNCTUALITY 68. Other levers include the use of modern vehicles, reliable and comprehensive customer and transport information, the quality and reliability of services offered, as well as reasonable travel and transport times. For this reason, we continuously invest in our fleets and infrastructure, optimize cooperation with our suppliers and our industry partners and pursue numerous activities aimed at improvement. We also grasp the opportunities offered by digitalization. Most of the initiatives to increase product quality and improve customer satisfaction are bundled in RAILWAY OF THE FUTURE Zukunft Bahn 2 F. (DEPARTURE ECONOMIC). These topics are steered across all business units by the Group Management Board.

We place customers at the center of our actions. CUSTOMER SATISFACTION 67 is therefore the most important indicator. It provides a measure of our success from the

point of view of our customers. We gain insights from this indicator, which we use to create specific improvement measures. In addition to the various aspects of product quality, continuous optimization of the PRICE-PERFORMANCE RATIO (PPR) 67 F. and PRODUCT INNOVATIONS 61 FF., especially in the context of digitalization, are the main levers for increasing customer satisfaction.

In order to increase customer satisfaction, we work intensively on the high-quality delivery of our basic service. We focus on the optimization of product and service quality, and offer customers comprehensive services to meet their information needs. Our goal is to provide our mobility and logistics solutions at a reasonable PPR in order to meet the expectations of our customers. The focus is on measures that increase the quality of our services and the efficiency of our processes. We use both direct indicators, such as revenues and number of customers, and the results of regular surveys to assess the success of the measures taken from the customer's point of view. These surveys are carried out in each business unit and, as with the cooperation with the PASSENGER ADVISORY BOARD 38, they serve to identify further areas where customers believe there is potential for improvement.

Key indicators for CUSTOMER SATISFACTION 67 are customer satisfaction in passenger transport and customer satisfaction in freight transport and logistics. Success is measured on the basis of the targets achieved along the development path defined in our strategy DB2020+.

PUNCTUALITY 68 is a central component of our promise of performance. The relevant figures are recorded daily and made available online to the executives and employees involved in punctuality management in the Digital Situation Room. In addition, punctuality data, together with the associated indicators, are prepared regularly and used by the Group Management Board to determine what currently needs to be acted upon and where decisions are required.

Punctuality is the key indicator of product quality at the Group level and is a determining factor in calculating the amount of the variable compensation of DB Group's executives. #PUNCTUALITY

Customer demand for comprehensive, understandable and current (real-time) information plays a very important role. For this reason, we are continually improving passenger information for our customers in passenger transport as well as the transport information for our logistics customers.

A further component of the product quality is a high-performance infrastructure. The capital expenditures for maintaining a high-performance infrastructure is governed by the PERFORMANCE AND FINANCING AGREEMENT (LEISTUNGS- UND FINANZIERUNGSVEREINBARUNG; LUFV) 218 F., through which the Federal Government and DB Group are comprehensively modernizing the existing network. Compliance with the quality specified for the existing network is continuously monitored on the basis of contractually agreed key figures. Monitoring findings are published in the annual infrastructure state and development report (Infrastrukturzustands- und -entwicklungsbericht; IZB).

In addition to maintaining the existing infrastructure, capacity increases and the digitalization of infrastructure are also very important for the high performance of the infrastructure and for infrastructure users. Together with the Federal Government, we are working on comprehensive NEW AND EXPANSION PROJECTS 9 F. (DEPARTURE ECONOMIC) and on DIGITALIZATION 4 F. (DEPARTURE ECONOMIC).

Interlinked mobility is the combination of different means of transport in order to individualize the design of the mobility and transport chain; this is made possible by the digital information service for travel and transport planning. For us, interlinked mobility is crucial in order to offer our customers individualized and tailored solutions. In this area, digitalization offers new opportunities to provide innovative services. Existing combined services, such as our door-to-door mobility portfolio for passenger transport comprising our tried and trusted products Flinkster and Call a Bike, are being steadily improved and expanded to incorporate future digital forms of mobility, such as autonomous driving, on-demand transport services and platforms for customers to use these services in future. One such example, to start with, is the new IOKI 6 F. (DEPARTURE FUTURE) brand. New forms of mobility are also being further developed in logistics. DB Schenker and MAN have entered into a platooning partnership, for example.

There are no indicators for interlinked mobility.

Digitalization and innovation (DB 02)

#DIGITALIZATION

We have grasped the significance of digitalization: the digital revolution reaches farther and deeper than any prior changes witnessed in industry. New customer requirements and technologies, in particular, are causing disruptive changes in the marketplace at a pace not seen before.

Over the past years, we have passed key milestones on our digital journey, and developed new products and services, processes and businesses. In addition, we have created the material structural framework needed to grasp the

opportunities offered by digitalization. The Chief Digital Officer (CDO), working with an interdepartmental team, drew up the digitalization strategy for DB Group in the year under review. The competence center Digitalization is responsible for operationalizing the digitalization strategy. The digitalization decision makers from the business units and Group headquarters meet regularly in this center. Thanks to their interdepartmental approach, they are managing to align and link centralized and decentralized activities in a digital context along an overarching management system.

The content of the digitalization strategy was designed with technology trends in mind, and includes clear positioning with regard to our material target markets "Smart Mobility" and "Smart Logistics." The focus is on two areas of action: firstly, the DEVELOPMENT AND DIGITALIZATION OF OUR CORE BUSINESS 14 F. (DEPARTURE ECONOMIC) by developing new digital services at all interfaces to our customers, such as WIFI IN ICE TRAINS 7 (DEPARTURE ECONOMIC). Secondly, we are focusing on developing new business models, such as IOKI 6 F. (DEPARTURE FUTURE) or PLATOONING 8 F. (DEPARTURE FUTURE). Alongside the areas of action at the interfaces to our customers, our digitalization strategy also describes the areas of action for "Smart Assets," smart infrastructure and production, while "Smart Admin" focuses on the opportunities to be gained from digitalizing administrative processes.

To successfully secure our planned positions in our markets, we are systematically advancing DB Group's DIGITAL ECOSYSTEM 4 F. (DEPARTURE ECONOMIC).

The workforce at DB Group is a key driver of digital transformation. A Group-wide initiative has been put in place to give executives and employees the chance to expand their digital expertise, through training programs and learning opportunities, for example. Networking opportunities and events also encourage learning, exchange and the initiation of interdepartmental digital projects. In addition, the Intrapreneurship Program launched for our employees in the year under review gives employees the opportunity to put their own business ideas into practice.

The digitalization strategy constitutes a digital compass for DB Group and provides an important general framework.

Profitability (DB 03)

At DB Group, profitability is a material requirement for financing capital expenditures in our core business, further developing our businesses, and grasping opportunities for future growth. ENTREPRENEURIAL LEADERSHIP 89 FF. is indispensable for improving profitability.

Profitability as an overarching target in VALUE MANAGEMENT 89 F. ensures a reasonable long-term rate of return over several economic cycles. On the basis of market values, we calculate the annual COST OF CAPITAL 90 F. as a weighted average from risk-adequate market returns on equity and debt capital. The actual yield, the RETURN ON CAPITAL EMPLOYED (ROCE) 90 F., is calculated as the ratio of operating profit before interest and taxes (EBIT adjusted) to capital employed. The ROCE target is set higher than the cost of capital. The long-term objective is to achieve an ROCE whose multi-year average is above the target value, ensuring that costs of capital are covered. This ROCE target corresponds to the minimum required rate of return (MRR).

Financial stability is an essential component for sustainable economic activity. For DB Group as an asset-intensive company, it is essential that we have access to the capital market at all times under favorable conditions. A major objective is therefore to achieve adequate key debt ratios. Our key indicator for managing indebtedness is REDEMPTION COVERAGE 92.

Employee satisfaction (DB 04)

Committed and motivated employees mean satisfied customers and thus sustainable business success. We therefore constantly strive to further develop our corporate culture to enhance the performance capability of DB Group. Alongside customer focus and performance capability, our corporate culture also encourages interdepartmental collaboration, leadership skills and the willingness to take on responsibility. Following our third Group-wide employee survey, a far-reaching follow-up process was launched at team, business unit and Group levels in the year under review, based on the findings of the 2016 survey. For example, specific recommendations for improvement and change were agreed at the team level in follow-up workshops throughout the Group.

Our indicator of EMPLOYEE SATISFACTION 72 is calculated on the basis of an employee survey that we conduct every two years. In the years between surveys, the FOLLOW-UP WORKSHOP IMPLEMENTATION RATE 72 serves as the indicator.

Employer attractiveness (DB 05) #RECRUITING

We work intensively on increasing our attractiveness as an employer. A visible and persuasive presence in the labor market is decisive for success in the competition for specialists and executives.

The close linkage of all the key elements of talent acquisition in our holistic talent acquisition approach forms the basis for a strong competitive position in an increasingly difficult market for employers. This approach includes: our EMPLOYER BRANDING CAMPAIGN 5 (DEPARTURE SOCIAL), professional and modern RECRUITING 4 (DEPARTURE SOCIAL), innovative social media activities and a candidate experience oriented toward the target group. But it takes even more than that to be and remain attractive as an employer, so we offer our employees diverse and responsible tasks and activities, attractive employment conditions and a corporate culture that is perceived as being based on partnership and fit for the future.

Our indicator of EMPLOYER ATTRACTIVENESS 70 is calculated on the basis of the employer rankings published by trendence.

Climate protection (DB 06) #CLIMATE PROTECTION

Environmental and climate protection is in our genes. We set ourselves a new and ambitious climate target in the year under review. It represents a huge step toward becoming a completely climate-neutral Group. To achieve this goal, we are further raising the share of renewable energy in DB's traction current mix in Germany. DB Environment, one of our central Group divisions, is working closely with the environmental officers and production functions in the business units to implement it. By using energy-efficient production equipment and by continuously replacing our fleet, we are striving to use energy as efficiently as possible. We want to further increase the environmental benefits of rail transport and, in addition, create incentives to bring more traffic to the rails. Shifting traffic to rail is the key to meeting the national climate targets in the transport sector. To monitor our progress, we have defined proprietary energy efficiency targets in our business units, which are measured at regular intervals.

Our climate protection indicators are SPECIFIC CO_2E EMISSIONS (CARRIER) COMPARED TO 2006 77 and the SHARE OF RENEWABLE ENERGIES IN THE DB TRACTION CURRENT MIX 77 F.

Noise reduction (DB 07)

We want to noticeably relieve residents of rail transport noise as a crucial prerequisite for raising acceptance of rail transport and shifting traffic from road to rail. We will therefore strive to reduce this noise by half by 2020. This target builds on two pillars: firstly, noise remediation through building noise protection walls and fitting homes with soundproofed windows on existing rail lines, and secondly, conversion of the existing fleet to quiet brake shoes and procuring quiet new freight cars. Under the leadership of the noise protection officer, the department for noise protection in our Group area DB Environment tracks and coordinates the progress of our actions, our collaboration with the Federal Government, and our communication with stakeholders.

Progress measurement is based on the indicators of TRACK KILOMETERS NOISE-REMEDIATED 78 and QUIET FREIGHT CARS IN OPERATION AT DB CARGO IN GERMANY 79.

Security (DB 08)

Security is an important commodity and a basic requirement of our customers and employees. We have a great deal of responsibility for many people and goods – around the clock. The security units of DB Group cooperate closely with the security authorities. In the railway joint security center, Group security exchanges status information with the Federal police around the clock.

Since March 2017, moreover, six new operations centers in DB Security's regional area coordinate all regional safety topics and are available to talk to DB Group business units around the clock.

In total, more than 5,000 Federal police officers and about 4,000 security staff from DB Security are deployed. In order to further increase safety, in the year under review, DB Security continued increasing its staff by a total of 500 employees. In the year under review, 185 young people followed the 100 predecessors who had completed their three-year training in the previous year to become protection and security specialists in DB Group.

Performance capability (DB 09)

Our strategy DB2020+ comprises ambitious goals that we have set ourselves in three central areas of action: culture of quality, digital expertise and performance capability. It is the responsibility of the two competence centers (CC) Operative Excellence (OPEX) (charged with enhancing the culture of quality) and Digitalization (charged with increasing

digital expertise) as well as of the executive center Transformation (charged with raising the performance capability of the entire organization) to populate these areas of action.

Meeting these targets will require far-reaching change; a transformation in the mindsets, actions and cooperation of everyone. This transformation process will only succeed if we align our actions strictly with DB's target culture with its five dimensions. We need:

- an unwavering focus on our customers,
- better and more trusting collaboration transcending divisional, business unit and functional boundaries,
- convincing proactive leaders,
- greater willingness to take on personal responsibility and
- improved performance capability throughout the organization, whereby this higher performance is all destined for our customers' benefit.

An executive center (EC) Transformation will be set up, starting in 2018, to link this transformation more closely with our business. It will be headed by the Group Strategy and Transformation Officer. The EC will be responsible for the entire management of the intra-Group transformation process while complying with legal regulations. The HR department is key to the success of the transformation. Change management will be organized as an independent Group function within the division. The unit will be responsible for flanking and implementing the transformation until it is firmly anchored throughout the Group.

Performance management/leadership

We plan to replace the former management planning process (MPP) and senior management/staff dialog with a system of regular feedback sessions focusing on individual performance from different perspectives. In five business units, we are piloting new methods of improving transformational leadership performance in order to enhance the effectiveness and efficiency of our leadership. These methods will then be transferred to operational management in all business units as "blueprints." In addition, alterations to the rotation and career rules will give our executives a broader knowledge base to enable them to gain a better understanding of the railway system as a whole and to successfully undertake different management tasks in the course of their development.

Competence building

A standardized qualification architecture makes it possible for our employees to contribute to transformation. However, qualification and education are not always sufficient to meet the growing requirements. Some tasks – such as automating railway operations, or cyber security – necessitate the recruitment of new employees, whereas other competencies will gradually become less essential. This shift in competence is a long-term issue that will largely take place as new generations rise through the ranks. Experienced employees with traditional technology and process expertise will continue to be crucial in relevant parts of our railway operations.

Change/working environment

Digital transformation is also changing our working environments and structures. We must ask ourselves the question: how can we organize ourselves to tackle the growing complexity and momentum in our markets? Since 2015, we have been designing future work scenarios and developing and piloting appropriate prototypes in our Group initiative "Working Environments 4.0." The findings and lessons learned are being incorporated into the action field change.

One of the issues to be addressed will be how to reconcile conventional working methods in railway operations and maintenance with the new, extremely digitalized work methods. This is how we are preparing to face the changed approach to cooperation, which will be even more in demand in the future, in the very different work environments within DB Group, and making sure we remain an attractive employer for future high performers and high potentials.

Sustainability organization

The Chief Sustainability Officer (CSO) has overall responsibility for the issue of sustainability. The CEO, Dr. Richard Lutz, holds this office. The CC Sustainability is the central sustainability body within the Group. All relevant divisions and key business units are represented in it. Among other things, the CC sets targets for the sustainable orientation of DB Group, carries out Group-wide projects on central sustainability topics, manages stakeholder dialog and advises the Group companies on sustainability issues. The responsibility for the content remains with the departments and the business units. The sustainability management and future research department, which is incorporated into the corporate strategy division, is responsible for coordination and further development of the body. One of its areas of focus in this respect is to strengthen governance. In the year under review, the CC Sustainability met three times.

Sustainability ratings

Outside perspectives give us an important indication of where we stand and where we can improve. Our aim is to rank among the best in key sustainability ratings.

Sustainability ratings	2017	2016	2015
CDP – Climate Scoring [1]	A	A–	100A
EcoVadis	Gold	Gold	Gold
oekom – Corporate Rating	B–	B–	–

[1] Change in method from 2016. Transparency score abolished.

- In the year under review, international rating organization CDP awarded DB Group the best possible climate score of "A" and ranked us the most climate-friendly railway company in Europe. This evaluation ranks DB Group in the very best group, numbering just 106 companies worldwide.
- EcoVadis again awarded DB Group Gold status. We were able to improve our score by two points. EcoVadis prepares supplier scores for third parties in the area of sustainability. EcoVadis gave DB Group the same, very positive score in the environment and work conditions categories, and we were again able to significantly improve our performance in the field of sustainable procurement.
- In its Corporate Rating 2017, oekom research also assessed DB Group's sustainability activities. The ratings agency draws on more than 100 selected sector-specific social and environmental criteria to measure sustainability performance. DB Group was rated "B–," which again ranks us among the very best in the transport and logistics/rail sector. This is reflected in the "Prime" status, which is awarded to companies that are leaders in their industries.

GRI 102-12 102-13

Memberships in sustainability networks

Our commitment to the UN Global Compact is underscored by the annual presentation of our progress along the ten principles of the Global Compact (Communication on Progress). In addition, we are committed to the German Global Compact Network (Deutsches Global Compact Netzwerk; DGCN), the German multi-stakeholder forum to implement and promote the principles of the United Nations Global Compact (UNGC), as well as the SDG 32. In the year under review, the head of sustainability management at DB Group was elected to the steering committee of the German Global Compact Network.

As a signatory of the German Sustainability Code (Deutscher Nachhaltigkeitskodex; DNK), we also provide a clear signal in Germany for the transparent presentation of our sustainability performance.

DB Group is an active member of econsense, the Forum for Sustainable Development of German Business. Together with some 30 German companies and organizations with global operations, we are committed to initiating and developing solutions for sustainable economic activity. DB Group manages the SDGs&Digitalization project group within econsense.

As part of the fight against corruption, DB Group is a corporate member of Transparency International. Our anti-corruption efforts involve the regular exchange of experience regarding systems and procedures for the fight against corruption.

DB Group is a founding member of the industry initiative Railsponsible. This initiative aims to create transparency regarding social, environmental and socioeconomic effects along the entire supply chain and to support suppliers in improving their sustainability practices. Other key European players in the industry are also members of the initiative, alongside DB AG. In the year under review, two new members joined: the Swiss Federal Railways and the Italian infrastructure company RFI. Our Chief Procurement Officer was elected Chairman of Railsponsible in April 2017.

The following memberships have particular relevance for political dialog at a national and international level:

- Pro-Rail Alliance (Allianz pro Schiene; ApS)
- Mobility and Transport Services Association (Arbeitgeber- und Wirtschaftsverband Mobilität und Verkehr; Agv MoVe)
- Association Française du Rail (AFRA)
- Comité international des transports ferroviaires (CIT)
- Community of European Railway and Infrastructure Companies (CER)
- German Transport Forum (Deutsches Verkehrsforum; DVF)
- Union Internationale des Chemins de Fer (UIC)
- Association of German Transport Companies (Verband Deutscher Verkehrsunternehmen; VDV)

Social acceptance resulting from open stakeholder dialog

GRI 102-42 102-43

Clear guidelines for stakeholder dialog

The acceptance of stakeholders is an essential prerequisite for DB Group's sustainable success. For this reason, we are committed to holding dialogs with stakeholders as partners and working with all stakeholder groups in an atmosphere of mutual trust.

Our STAKEHOLDER CHARTER provides the foundation and guidelines for all dialog activities. It serves as the basis for an open discussion of our stakeholders' expectations and for fostering cooperation, so that we can learn from each other and develop viable solutions.

GRI 102-40

Important stakeholders of DB Group are employees, private and business customers, investors, policymakers and regulators, suppliers, media as well as associations and the specialist public. Our guidelines are used, for example, by more than 1,000 of our colleagues who actively promote RAILWAY OF THE FUTURE Zukunft Bahn in their work areas.

Regular dialog with policymakers and the public

Being one of the largest mobility and logistics services providers, DB Group attracts a lot of public and political attention in Germany. Given the importance of our role in advancing the railway system in Germany and Europe, we are sought after as a dialog partner, especially in public discussions, and also actively engage in dialog with the entire sector. DB Group establishes its own transport policy positions at the national and international level in dialog with political and administrative institutions as well as parties, associations and relevant scientific areas. DB Group seeks to use logical arguments to contribute to a constructive debate process. The principles of the stakeholder charter also apply to dialog with policymakers. In addition, DB Group has set strict internal standards for participation in political processes, which are summarized as "Group Principles Ethics Code of Conduct" and which are binding Group-wide.

Passenger Advisory Board makes a valuable contribution

Since its founding, the Passenger Advisory Board has made major contributions from its 27 meetings, numerous workshops and surveys, and it has also successfully initiated measures. The Passenger Advisory Board convenes for regular meetings twice a year, and it provides support and advice to all Group divisions on numerous projects related to customers. In the year under review, the joint work effort focused on the FURTHER DEVELOPMENT OF DB'S INFORMATION SYSTEM 16 (DEPARTURE ECONOMIC), STATION WAITING AREAS 16 (DEPARTURE ECONOMIC) and the DB Travel Centers. The Passenger Advisory Board was also involved in strategic topics in the year under review, for example in the workshop "Sustainable products in passenger transport." Focus in the year under review was mainly on the importance of sustainability during the travel experience, for which members of the Passenger Advisory Board kept travel diaries that served as the basis for discussing the importance of sustainability in the travel chain and specific product ideas in a subsequent workshop.

Main activities in 2017

Hosting of the 21st Environmental Forum

Dialog with environmental and passenger associations is very important to us, which is why DB Environment invites representatives of these associations to our annual "Environmental Forum" to exchange ideas about the challenges we are currently facing. The 21st event was hosted in Berlin and featured workshops and panel discussions at which Management Board members Ronald Pofalla (Infrastructure) and Berthold Huber (Passenger Transport) and others answered participants' questions. The CEO of DB Cargo and representatives from the logistics industry discussed challenges and innovations in green logistics with association delegates.

Summit meeting with environmental associations

Since 2000, DB Group management has been meeting with environmental associations to examine current environmental topics. In the year under review the representatives met up in Berlin in October. Topics addressed between the managers of the associations and DB CEO Dr. Richard Lutz and DB Management Board member in charge of Infrastructure Ronald Pofalla included the new DB CLIMATE TARGET 76 and the use of herbicides. We also presented our new environmental communication concept THIS IS GREEN. 3 (DEPARTURE ENVIRONMENTAL).

Compliance conference

DB Group places great importance on only doing business with companies that demand ethical and legal conduct, and on encouraging its suppliers to adopt an appropriate attitude. At the Compliance conference in March 2017, suppliers and representatives from associations met with top-level DB Group managers to set the course for future cooperation. In various workshops around 100 participants discussed topics such as DB Group's new supplier management system, current compliance issues affecting the associations and their work, business partner compliance, and DB Group's antitrust damage prevention system.

Wide range of dialog formats continued

GRI 102-40 102-44

In the year under review, numerous dialog formats for a continuous exchange with all stakeholder groups were implemented. The main activities are summarized in the following table:

Stakeholders	Key topics in 2017	Key dialog formats
Passengers	— Timetable change/shorter travel time Berlin–Munich — Punctuality — Digitalization — Travel comfort/customer service — Vehicle modernization	— Passenger Advisory Board — Online dialog platforms/social networks — Customer dialog (telephone) — Customer surveys — Labs (d.lab, mindbox) — Dialog forum with BahnCard 100 customers/top customer events — Train and bus labs — Trade fairs and product conferences
Business customers	— Punctuality and reliability — Customer dialog — Implementation of Railway of the Future @ DB Cargo — Green logistics	— Direct exchange with customers — "transport logistic" trade fair with "Rail Club" event for top customers — Own dialog events, such as "Port conferences," "Rail Safety Days" — Customer workshops — In-person and telephone surveys, for example the new satisfaction check
Policymakers/regulators	— Infrastructure development and financing — Intermodal competition — Future of financing public transport — Safety in rail transport — Regulatory framework; in particular noise reduction, Railway Regulation Act	— Parliamentary evenings — Association activities — Participation in discussion rounds and expert presentations — Our own events, such as competition symposiums or fireside evenings
Employees	— Employee satisfaction — Employer attractiveness — Demographic preparedness	— Global follow-up process down to team level following employee survey — DB Planet networking and dialog platform — Working Environments 4.0: inter-company network of experts and joint implementation of prototypes — Action workshops as part of DB Transformation — Job casting – largest recruitment event — Collective wage negotiations, including agreement on new model for choosing working hours — Conference for women in management
Investors	— Competitive situation/regulatory environment — Dividend policy/capital increase — Indebtedness — Development of factor costs	— Roadshows — One-on-ones — Direct contacts — Investor relations Web site
Suppliers	— Competitive awarding of contracts — Quality — Innovation — Antitrust law — Ombudspersons — Reviews of business partners — Sustainability in the supply chain	— "Railway Forum" dialog event — Innotrans (including supplier award, innovation prize) — Direct supplier development meetings — Innovation workshops — Discussion rounds and expert presentations (for example, VDB, econsense, BME, IZBE) — Compliance dialog with business partners (for example, DB Compliance Conference) — Railsponsible industry network
Associations/specialist public	— Infrastructure development and financing — Energy policy framework — Noise reduction — Compliance/anti-corruption	— Host of this year's conference of the VDV — "Environmental Forum" workshop — High-level talks and exchanges on special topics with passenger, environmental and industry associations and the public transport authorities — Compliance conference — Presentation of DB compliance activities to foreign delegations — Member of the Administrative Board of the German Compliance Institute (Deutsches Institut für Compliance e. V.; DICO) — Corporative member of Transparency International Deutschland e. V.
Media	— Railway of the Future — Digitalization projects — Commissioning of Berlin–Munich high-speed link — New climate targets and noise protection — Introduction of ICE 4 — DB Group as an employer — Infrastructure plans — International achievements	— Press Web site — Press trips and dates — Background discussions — Interviews — Social media (Facebook, Twitter)

GRI 102-16

Responsibility and social commitments

The DEUTSCHE BAHN STIFTUNG GMBH (Deutsche Bahn Foundation) consolidates the charitable commitment of DB Group in Germany and the DB Museum and continues to develop them in accordance with its mission statement: "Ensuring a connection. Creating links. Setting the course." The Deutsche Bahn Foundation cooperates with partners in the fields of integration, education and voluntary engagement. Key areas of focus are providing humanitarian aid and improving equal opportunities.

GRI 102-12

Humanitarian aid

The Deutsche Bahn Foundation campaigns for people in emergencies, and supports projects that help bring them back into mainstream society. For example, it has expanded its support for the railway station missions by paying for new vests, polo shirts and jackets, and facilitating programs for recruiting volunteer helpers.

Deutsche Bahn Foundation organizes and funds projects near railway stations, such as the MOBILE CASE WORKERS, who look after people who have given up hope, or the out-patient clinic near Berlin central station, where people without health insurance can receive free medical treatment.

In the railway station mission in Berlin central station, Deutsche Bahn Foundation has established an aid network to help people with mental and psychosocial problems. It is called COURAGE PROVIDERS AT THE STATION.

Deutsche Bahn Foundation is also striving to give homeless youngsters a new perspective in life by supporting the work of the OFF ROAD KIDS Foundation.

!

"Ehrensache" program (A matter of pride)

Deutsche Bahn Foundation launched its "Ehrensache" program in 2016 with the aim of fostering voluntary engagement in Germany. In this program, Deutsche Bahn Foundation supports charitable organizations for which DB employees work as volunteers in their free time. A total of 351 DB volunteers applied for funding. In response, the foundation now provides funding of up to € 500 for 310 individual projects and, for the first time, of up to € 1,500 for 41 applications submitted by teams. The jury selected the most convincing submissions based on the funding criteria.

GRI 102-12

Promoting mental health

Deutsche Bahn Foundation works with GERMAN DEPRESSION AID FOUNDATION to destigmatize the widespread illness of depression. It provided start-up funding to enable further expansion of the Depression Research Center. The expansion of the depression hotline and strengthening of regional alliances against depression has improved the service provided to those suffering from depression. The first "Depression barometer in Germany" attracted widespread attention in the media.

Language as the key to integration

The German Reading Foundation (Stiftung Lesen) and Deutsche Bahn Foundation are working together to promote reading and language development in an effort to create a level playing field for as many children as possible in Germany. In collaboration with the German Reading Foundation and the newspaper DIE ZEIT, Deutsche Bahn Foundation organizes Germany's largest reading festival every year. Many DB employees are also involved in these efforts.

!

"It starts with reading"

It is scientifically proven that reading forms the foundation for a successful and independent life: children who were read stories from a very young age achieve better grades at school. Reading also enhances empathy and general contentment. One-third of all parents do not read to their children often enough. More than seven million adults are functional illiterates. This has prompted German Reading Foundation and Deutsche Bahn Foundation to launch a joint campaign to promote reading.

GRI 102-12

Learning through engagement

At the start of the 2016/2017 school year, Deutsche Bahn Foundation and the Service Learning Foundation launched the project "Berufene Helden" (Appointed Heroes). Two schools that participated won the school prize awarded by the Chamber of Commerce and Industry for their particularly successful approach to combining career orientation with volunteering. As part of their everyday school routine, youngsters organized a social project in their environment, which enabled them to build their own training skills at the same time.

DB Museum – living history

Deutsche Bahn Foundation runs the DB MUSEUM, with three locations. A permanent exhibition tracking the history of the railway in Germany forms the core of the museum and is on show in the main building in Nuremberg. DB Museum also owns one of the world's foremost collections of vehicles, which is on show at two external locations in addition to Nuremberg. Both of these locations are run with the invaluable help of volunteer employees through the Railway Social Work Foundation (Stiftung Bahn-Sozialwerk; BSW), the foundation for DB employees.

Some 215,000 people visited DB Museum in the year under review. Visitor numbers increased significantly at the sites in Koblenz and Halle (+7% in each case) whereas the museum in Nuremberg had fewer visitors (–12%) due to extensive construction work.

Group management report

Fundamentals — 42
- Management Board structure adjusted
- Voluntary application of the CSR directive
- Business model unchanged

Targets and strategy — 56
- Business environment in a state of constant change
- Continued implementation of DB2020+ strategy
- Group programs for readiness for the future and growth

Quality — 65
- Various restrictions in rail operations
- Customer satisfaction: not a uniform trend
- Punctuality down

Social — 69
- Improved position in employer rankings
- Follow-up process to the 2016 employee survey conducted
- Individual working hours option agreed
- Number of employees increased again

Environmental — 75
- New climate target adopted for 2030
- Proportion of renewable energies in the DB traction current mix increased again
- Noise remediation and prevention continued

Economic report — 81
- Positive business environment
- Marked increase in revenues and profit
- Financial and asset situation stable
- Most key value management indicators improved

Development of business units — 98
- Positive developments at DB Long-Distance and DB Netze Track
- DB Cargo still under pressure
- International business units continue to grow

Opportunity and risk report — 150
- DB Group well positioned to exploit opportunities
- Major production and technology risks persist
- Risk portfolio unchanged with no threats to DB Group as a going concern

Events after the balance sheet date — 158
- Two bonds issued
- Cyclone Friederike causes major damage
- Developments at Stuttgart 21 and Wendlingen–Ulm

Outlook — 159
- Improved environment
- Slightly positive development expectations for 2018 financial year
- Outlook dampened by uncertainty

Fundamentals

DB Group —— 42
Non-financial Group statement —— 48
Business model stable —— 48
Development in relevant markets —— 51
Legal and political topics —— 53

DB Group

102-1
102-3
102-4
102-5

Deutsche Bahn Group (DB Group) is an international provider of mobility and logistics services operating globally in more than 130 countries. Its headquarters are in Berlin. DB Group has more than 310,000 employees, with almost 40% employed outside Germany. We design and operate the transport networks of the future. By integrating transport and rail infrastructure, as well as through the economically and environmentally intelligent linking of all modes of transport, we move both people and goods.

In passenger transport, we transport more than 12.5 million people each day on our trains and buses throughout Europe. In freight transport and logistics, our European network transports over 270 million t of goods per year by rail, and over 100 million shipments by road. Our global networks move about 1.3 million t of freight by air and nearly 2.2 million TEU by sea. At about 33,000 km, our rail network in Germany is Europe's longest. We are also the fifth-largest energy provider in Germany. The main components of our integrated rail system are our passenger transport activities in Germany, our rail freight transport activities, the operating service units and the rail infrastructure companies (RIC).

Deutsche Bahn AG (DB AG) has been a stock corporation under German law since it was founded in 1994. Accordingly, it has a dual management and control structure comprising a Management Board and a Supervisory Board. It is wholly owned by the Federal Republic of Germany (Federal Government).

Within DB Group, DB AG manages all the business units in its function as an operating management holding company and supports the business units via various central GROUP FUNCTIONS 45 F. (including legal, corporate development, Group controlling and finance and treasury) and ADMINISTRATIVE SERVICE UNITS 45 F. In addition, operational service units, as legally independent DB AG affiliates, primarily provide services for internal customers. These include DB Systel GmbH, DB Sicherheit GmbH, DB Services GmbH and DB Kommunikationstechnik GmbH. The RIC are legally independent companies with separate balance sheets and statements of income, and thus fulfill all unbundling requirements under European and national law. There is also a functional unbundling, which guarantees the independence of decisions by DB Netz AG on infrastructure access and charges. Reliability and stability provide proof of the high quality of the infrastructure. The essential cornerstones for profitable business are sustainable financing of the existing infrastructure and its expansion as required. The PERFORMANCE AND FINANCING AGREEMENT (LEISTUNGS- UND FINANZIERUNGSVEREINBARUNG; LUFV) 218 F. contributes significantly to ensuring the maintenance of the existing network.

ADDITIONAL INFORMATION

Changes in DB Group

102-10

By resolutions of the Supervisory Board the structure of the Management Board of DB AG was altered in the year under review in two stages.

- Effective January 1, 2017 the Economics, Law and Regulation Board division was dissolved and the Technology and Quality Board division established, and the Group functions and service units operating within the divisions reallocated accordingly.
- Effective March 22, 2017 the Finance/Controlling Board division was merged with the CEO's division. At the same time the Freight Transport and Logistics Board division was introduced, and the DB Cargo and DB Schenker business units were assigned to it. The Traffic and Transport Board division became the Passenger Transport Board division, managing the DB Long-Distance, DB Regional and DB Arriva business units. IT functions and digitalization activities, which were previously part of the Finance/Controlling Board division and the CEO's division respectively, were bundled in the renamed Digitalization and Technology Board division.

CHANGES TO THE MEMBERSHIP OF THE MANAGEMENT BOARD 23 are set out in the Report of the Supervisory Board.

Capital measures taken

At the end of August 2017, the Federal Government, our sole owner, implemented DB AG's planned € 1 billion capital increase to strengthen our capital base. The Budget Committee had approved the second half of the capital increase at the end of June 2017. This unblocking was subject to the condition that the pro rata resources of the LuFV II for 2016 were fully implemented in accordance with the terms of agreement.

Furthermore, as announced by the Federal Government, the dividend for the 2016 financial year paid in May 2017 was set by resolution of the Annual General Meeting of DB AG at € 600 million.

Corporate Governance report

The CORPORATE GOVERNANCE REPORT 24 FF. is part of this Group management report.

Service and financial relationships in DB Group

Within DB Group, because of strong operational interconnections and dependencies, there are service and financial relationships between the holding company and the individual business units, as well as between business units.

These can be organized into four groups.

- Operational business relationships between two companies, which may arise through the use of infrastructure, such as when DB Regio AG uses the rail network of DB Netz AG, for which it pays train-path usage fees.
- Business relationships with the Group management: the management holding company DB AG is responsible for providing services for the operating companies such as central purchasing, which organizes and controls the procurement process for trains.
- Group financing: the management holding company performs and consolidates the financing function in DB Group. In this context, DB AG obtains funds on the capital market through its subsidiary DEUTSCHE BAHN FINANCE GMBH (DB FINANCE) 87 F. and transfers these funds as loans to the Group companies.

- Domination and profit and loss transfer agreements: in Germany, domination and profit and loss transfer agreements are used for the formation of a fiscal unit that allows companies to offset tax losses against profits. In DB Group, the company ultimately subject to tax in Germany is DB AG.

The arm's length principle serves as the fundamental characteristic of business relationships. This means that compensation is always based on market prices. In DB Group this applies to charges for operational business relationships, service units and Group financing. Intra-Group customers pay exactly the same fees for utilizing train-paths as non-Group customers, for example. The prices of intra-Group services are reviewed regularly on the basis of market analyses to ensure that they are in line with the market. The terms of financing transactions are based on prevailing market conditions in the financial and capital markets.

GROUP FUNCTIONS 45 F. perform controlling and monitoring functions. These services are generally not charged. In contrast, the services of the SERVICE UNITS 45 F. are generally charged to the internal recipients of the service, in relation to the service provided.

The reasons and motivation for aligning the costs of business relationships in DB Group with market conditions are as follows:

- A value-based corporate management approach can only be successful if it is embedded at all levels in DB Group. This, in turn, can only be achieved through business relationships at fair market conditions. Success and failure must be transparent in order to facilitate economic control.
- The infrastructure companies are legally required to provide their services without discrimination. The Federal Network Agency (Bundesnetzagentur; BNetzA) assesses whether prices are in line with the market. Prices are transparent for everyone.
- Alignment of business relationships with market conditions is also both necessary and stipulated for tax reasons and from the perspective of minority shareholders.

The effects of domination and profit and loss transfer agreements within DB Group on profits and payments are not qualified as business relationships, but are a consequence of DB Group's status as a domestic contract group and the associated rights and obligations of all the incorporated domestic companies.

Operational business relationships

The most extensive operational business relationships arise from the use of the track infrastructure and the procurement of energy from DB Netze Energy. As for non-Group customers, fees for the use of infrastructure are based on

← Significant intra-Group relationships

the published pricing systems (train-path pricing system, facility pricing system and station pricing system). The procurement of energy includes the purchase of traction energy (diesel fuel and traction current) as well as electricity for stationary facilities (such as switch heaters and train preheating systems).

The main effects of the intra-Group settlement of business relationships between the various DB Group business units for services rendered in infrastructure utilization are illustrated in the table below:

Intra-Group business relationships from infrastructure utilization in 2017 (€ million)	**DB Long-Distance**	**DB Regional**	**DB Arriva**	**DB Cargo**	**DB Schenker**	**DB Netze Track**	**DB Netze Stations**	**DB Netze Energy**	**Subsidiaries/ Other**
Train-path utilization	-910	-2,234	-1	-425	-	+3,576	-	-	-6
Use of local infrastructure	-27	-53	-	-133	-	+215	-	-1	-1
Station use	-95	-577	0	0	-	+6	+666	-	0
Energy charges	-332	-614	0	-284	0	-134	-78	+1,488	-46

Business relationships with Group management

DB Group incorporates various Group and service functions that, with a few regulatory exceptions, perform functions for the entire DB Group. The costs of Group functions are not passed on to the business units (no "Group charges").

Expenses for administrative service units are only passed on if these result from direct service relationships with the business units or expenditure that is directly attributable to a specific service. This applies in particular to expenditures on the use of real estate, central purchasing and technology services and for centrally consolidated insurance expenses.

← Group functions, not directly attributable and not charged

← Service units, attributable and charged in case of direct business relationships

The Group job market performs an important central function. DB JobService GmbH employs staff whose jobs in German companies of DB Group have been lost, with the aim of finding another job for them internally. It therefore plays a key role in the functioning of the DB-internal labor market. DB Zeitarbeit GmbH provides companies in DB Group with temporary employees.

Group financing

Group Treasury at DB AG is responsible for DB Group financing. This ensures that all Group companies are able to borrow and invest funds at optimal terms and conditions. Before obtaining funds from external sources, we first conduct intra-Group financing transactions. When borrowing external funds, DB AG takes out short-term loans in its own name, whereas long-term capital is generally obtained through the Group's financing company, DB Finance. The funds are passed on to the Group companies within the context of a treasury concept as short-term credit lines, which can be utilized as part of cash pooling on internal current accounts and/or through fixed short-term credit, or in the form of long-term loans. This concept enables us to pool risks and resources for the entire Group, and to consolidate our know-how, realize synergy effects and minimize refinancing costs.

The Treasury operates throughout DB Group as an in-house bank, although it provides a service function rather than acting as a profit center. All Group companies have business relationships with the Treasury. They predominantly involve the borrowing and investment of financial resources and the pooling of liquidity. Treasury transactions are conducted at current market rates, meaning that the agreed interest rates are in line with those quoted by the banks if they were intended to yield a profit.

Market rates also mean that credit margins are adjusted in line with creditworthiness. The credit margin for the infrastructure companies is largely in line with the credit margins of DB AG in the financial and capital market. The credit margins for non-infrastructure companies are higher and are based on an internal metric-based credit rating and the credit margins quoted on the capital market.

Consolidation of the Group finance function in DB AG gives us a uniform market presence in the financial and capital markets, and allows us to achieve economies of scale and cost benefits. In addition, central Group financing enables us to adequately monitor financial transactions and achieve comprehensive risk management.

Domination and profit and loss transfer agreements

Profit transfers and losses offset do not constitute business relationships. On the contrary, the profit and loss transfer agreement stipulates that the amount of profit distributed or the sum required to offset losses is not reset every year but is calculated automatically. The flow of capital is based on the shareholder's right to profits or obligation to compensate any losses. Notwithstanding this, DB Group ensures that Group companies have sufficient capital stock despite the obligation to offset potential losses generated by other companies within the Group.

Capital providers are only willing to provide capital if amortization and returns are guaranteed. A purely debt-based financing model is not commercially viable, as it is associated with high risks. Profits are essential for maintaining DB Group's capital expenditure capacity. Profits generated are either retained or distributed to the Federal Government as the sole shareholder. The share of profit retained in the company increases the Group's capital expenditure and borrowing capacity.

Profit transfer/capital measure

Tax group in Germany; integration into the DB AG profit and loss transfer agreement with the automatic transfer of profits and compensation for losses.

Partial tax group in Germany.

No tax group in Germany.

Cash flows between DB AG and DB infrastructure companies (€ million)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**	**Total**
FROM PROFIT AND LOSS TRANSFER AGREEMENT																			
DB Netz AG	+790	+181	+548	+324	+183	+260	+212	-146	-338	-768	+44	-307	-197	-66	-217	-81	-280	-390	**-248**
DB Station&Service AG	+70	-0	+251	-37	-55	-69	-52	-90	-190	-150	-141	-155	-160	-169	-188	-203	-176	-186	**-1,700**
DB Energie GmbH	-34	-2	-29	-43	-47	-44	-111	-106	-18	-91	-38	+38	-62	+37	-39	-51	-35	-59	**-734**
FROM CAPITAL INCREASES BY DB AG																			
DB Netz AG	-	-	-	-	-	+600	-	-	-	-	+620	-	-	+5	-	-	-	+1,000	**+2,125**
DB Station&Service AG	-	-	-	-	-	-	-	+286	-	+28	+111	+14	-	-	-	-	-	-	**+439**

(+) Inflow of capital to subsidiary

(-) Outflow of capital to DB AG

Non-financial Group statement

102-16

The CSR Directive Implementation Act (CSR-Richtlinien-Umsetzungsgesetz; CSR-RUG) implementing EU Directive 2014/95/EU (CSR Directive on disclosure of non-financial and diversity information by certain large companies and groups) came into force on April 19, 2017. The Act requires companies with a capital-market orientation, together with large banks and insurance companies with more than 500 employees, to issue a non-financial statement. This must contain information on their business model, on environmental, employee and social affairs, on respect for human rights and on combating corruption. The obligation to issue a report applies to financial years beginning after December 31, 2016.

Although DB Group does not fall within the scope of the CSR-RUG, we have decided to comply with its content voluntarily.

Under our integrated report approach, DB Group already reports fully on all MATERIAL SUSTAINABILITY TOPICS 31 FF.

This Group management report contains a non-financial Group statement in accordance with the CSR-RUG based on the INTERNATIONAL STANDARDS OF THE GRI 250 and the UN GLOBAL COMPACT 250 as well as the German Sustainability Code (Deutsche Nachhaltigkeitskodex; DNK). The required information is contained at several points in this Integrated Report. We focus on the principal sustainability topics that are relevant to DB Group. The information is clearly displayed in the following table.

Report content according to the CSR Directive

Factors in accordance with Section 289c (2) HGB	DB topics	Reference
Business model	— DB Group (48 FF.)	–
Environmental matters	— Emissions (76 FF.), — Energy consumption (76 FF.), — Protection of biological diversity (247 F.)	–
Employee matters	— Gender equality (72), — Working conditions (72 F.), — Health protection (73 F.)	–
Social matters	— Dialogue at local and regional level (38 FF.), — Protection/development measures for local communities (38 FF.)	–
Respect for human rights	— Preventing violations of human rights (239 F.)	We also report on the subject of respect for human rights in addition to the significant topics identified in the stakeholder survey.
Combating corruption and bribery	— Compliance (238 FF.)	We also report on the subject of combating corruption and bribery in addition to the significant topics identified in the stakeholder survey.

Business model stable

102-2
102-4
102-7

DB Group offers attractive, customer-focused and environmentally friendly mobility, transport and logistics solutions and networks from a single source. We selectively use the possibilities of DIGITAL TECHNOLOGIES 61 FF. to improve our operational and administrative processes, to continue to develop services for the customer, to integrate new services and to simplify the customer interface. Our customers are individuals, business customers and contracting organizations in local and regional transport.

The integrated rail system is at the heart of our business activities. In addition, we are gradually expanding our business portfolio in order to meet our customers' needs more effectively and respond to new market demands.

Our passenger transport business activities are broadly diversified. They comprise not only bus and rail transport, but also intelligent linkage with other modes of transport such as the car and bicycle. We offer long distance rail passenger transport within Germany and into neighboring countries. Furthermore, we have regional transport operations throughout Europe that enable us to benefit from increasing market potential in bus and rail transport markets that are opening up.

Our business activities in the freight transport and logistics market were moved to an international platform very early on. DB Cargo and DB Schenker operate first and foremost in the business-to-business segment. We offer our customers industry-specific solutions in European rail freight and land transport, in global air and ocean freight as well

as in global contract logistics. Covering all relevant modes of transport allows us to offer complex combined logistics services and to make use of synergies in our networks for the benefit of our customers.

As an operator of networks and provider of services in passenger transport, freight transport and logistics, as well as track infrastructure, our economic success is influenced by the general economic environment and the specific development of the various RELEVANT MARKETS 51 FF.

- Demand for passenger transport is driven first and foremost by the size of the population, the number of people in employment and real disposable incomes. The competitive situation relative to the car is markedly influenced by the trend in fuel prices.

  The financial resources of the contracting organizations are also of key importance in the DB Regional and DB Arriva business units.
- Our freight transport and logistics operations depend largely on economic developments. Due to our global networks we monitor the development not only of global

1) Key products and services.

2) Internal and external consequences and profit from business activities and outputs along the entire value-added chain.

gross domestic product (GDP) and world trade, but also of economic growth in the regions, countries and trade relations in which we have a high market share or in-which high growth rates in the exchange of goods can be expected. Customary early-warning indicators of the business climate and of the expectations of purchasing managers are an integral part of our monitoring system.
- The specific market environment of DB Cargo is particularly influenced by the manufacturing industry's production output and the development of the iron, coal, steel and chemical industries. Furthermore, the cross-border movement of goods within Europe is growing in importance.
- The services of the Infrastructure business units cover important elements of their customers' value-added chains. In this respect, the development of demand is a factor that is largely determined by upstream passenger and freight transport markets. The area of marketing in DB Netze Stations is also important. Consumer trends in the general public are an important factor here, much as they are in general retail in Germany.

The development of the economic and early-warning indicators, as presented above, influences how we manage our market activities and resources. Opportunities and risks can therefore be recognized early on, and as a result short-term management activities and long-term positioning can be focused accordingly. At the same time we work systematically on optimizing our operating value drivers.

Operating regional and global transport networks often necessitates a high level of capital employed, long investment cycles and distinctive fixed-cost structures. In this respect, achieving optimal capacity utilization of our networks and systematically developing, integrating and cost-effectively operating these networks with the efficient use of resources are important to DB Group's economic development. Ensuring and improving service quality for our customers is at the center of our activities. By expanding what we offer our customers, particularly digital services and customer loyalty programs, we intend to gain additional customers in order to achieve increasing volumes and economies of scale.

We generally use operating performance data to measure capacity utilization in our networks and our relative shares of the transport markets. In order to determine a relative return, we calculate ratios comparing this performance data with the revenues generated (specific revenues). With its comprehensive portfolio, DB Group has an effective business model. This allows DB Group to offer services from one single source and means that it operates successfully in all segments of the transport market with its national and international services.

In most of our business units incoming orders are not a relevant performance indicator, and the majority of the Group's revenues are generated independently of long-term contracts. DB Regional and DB Arriva are an exception to this rule, together accounting for about one-third of Group revenues. In these business units, the development of orders in the form of long-term transport contracts entered into with the ordering organizations of Germany's Federal states and franchisers in other European countries constitutes a key performance metric for business development. There are also long-term contractual relationships with customers in DB Schenker's contract logistics/SCM business, which generates about 6% of Group revenues.

There are four key success factors in the development of DB Group, which are a central component of DB Group's business model:
- Entrepreneurial approach to business: in the course of the German rail reform DB Group has established itself as a commercial enterprise. Particularly worth mentioning in this context are the establishment of a modern and efficient organization and a value-based management approach with capital market viability as a target.
- Integrated Group: as a system integrator in Germany, DB Group optimizes the integrated rail system. In doing so, it serves as an important driving force for technological innovation. The integrated Group structure enables us to achieve positive synergies and align our infrastructure to support efficiency, market orientation and profitability.
- International position: due to our focus on Europe in passenger transport as well as our European and global orientation in the areas of freight transport and logistics activities, DB Group has an excellent position in the relevant markets. As a result, we are responding to the increasing demand for cross-border solutions. At the same time, we are best positioned to take advantage of growth opportunities.
- Cross-modal transport solutions: we offer our customers door-to-door mobility and logistics solutions from a single source. We use digital technologies to intelligently link various modes of transport in an economical and environmentally friendly way. In addition, we offer complementary products and services in the freight transport and logistics market.

GRI 102-6

Development in relevant markets

DB Group provides national and international services. We operate globally and have leading market positions around the world:

- In Europe DB Group is market leader in regional rail passenger transport and second in long-distance rail passenger transport.
- DB Group occupies third position in European public road passenger transport.
- DB Group is also market leader in track infrastructure and in operating stations in Europe, as well as in European rail freight transport and in European land transport.
- DB Group occupies third place both for global air freight and for global ocean freight, and fifth place for contract logistics.

Passenger transport

In passenger transport our objective is to maintain our strong market position in the rail and bus transport market in Germany, while growing in Europe. Throughout Europe, regional and local transport contracts are being increasingly put out to tender. Through DB Arriva we have successful operations in the bus and/or rail transport business in 14 European countries. This puts us in a good position for further growth. The liberalization of the European passenger transport markets is, however, progressing at different speeds across Europe. In many other countries, the national long-distance transport market has not yet been opened to competition.

Outside Europe a new market for rail operation and maintenance projects is developing, for which international operators are increasingly being sought. In the year under review we accordingly established DB INTERNATIONAL OPERATIONS 148.

Falling momentum in the German passenger transport market

Passenger transport market in Germany (% based on volume sold)	Growth rate		Market share	
	2017	2016	2017	2016
Motorized individual transport	+1.0	+2.1	84.3	84.3
Rail passenger transport	+3.0	+4.5	8.5	8.4
DB Group	+2.6	+1.0	7.1	7.0
Non-Group railways	+5.6	+27.4	1.4	1.4
Public road passenger transport	+0.0	+0.4	6.3	6.4
DB Group	−7.7	−2.2	0.6	0.7
Air transport (domestic)	+0.5	+3.2	0.9	0.9
Total market	**+1.1**	**+2.2**	**100.0**	**100.0**

Figures for 2016 and 2017 are based on information and estimates available as of February 2018. As the market shares for each mode of transport have been rounded up or down, the total may not add up to 100.

The GERMAN PASSENGER TRANSPORT MARKET 98 grew once more in 2017, though on the whole less strongly than in the previous year.

- We estimate that there was moderate growth in motorized individual transport.
- Rail passenger transport posted marked growth.
- Public road passenger transport was stagnant.
- There was a slight increase in air transport.

This was largely due to developments in the prevailing socio-economic conditions, which – though less dynamic – were still positive, as well as to special factors.

- Employment figures and disposable incomes posted solid growth, but so did fuel prices and inflation.
- There were marked increases in the costs of using motorized individual transport and in air and long-distance bus fares, whereas the rise in rail fares was more modest.
- Storms caused heavy infrastructure damage and significant transport restrictions.
- Train services on the Rhine Valley route were temporarily suspended.
- There was one day fewer of service due to the 2016 leap year.

Marked increases in bus and rail travel in Europe

European passenger transport market (% based on volume sold)	Growth rate	
	2017	2016
Rail passenger transport	+4.0	+1.5
DB Group	+4.6	+3.4

Figures for 2016 and 2017 are based on information and estimates available as of February 2018. Growth rates for each mode of transport have been rounded up or down to the nearest half percentage point.

Developments in the environment for EUROPEAN PASSENGER TRANSPORT 98 FF. in 2017 were positive, though they lost momentum.

- European rail passenger transport posted growth of about a substantial +4.0%.
- European long-distance bus transport grew despite a strong consolidation of providers.

Employment and real disposable incomes rose moderately in many European states, but so did annual average fuel prices. Compared to the 2016 leap year, a missing day of service dampened demand.

European bus and rail services were stimulated by movements towards market liberalization and greater international involvement on the part of established providers.

- Finland announced that the rail passenger transport market will open up from 2020, with the associated division of VR, the Finnish state-owned railway, into four companies.
- Spain published criteria for the award of contracts to operate passenger services from and to Spain. National Express operated its first services in competition with the Spanish state-owned railway RENFE through its Spanish subsidiary Alsa Ferrocarril.
- For the first time, Swiss Federal Railways (SBB) found itself in competition for the award of long-distance concessions in Switzerland, with regional rail operator BLS.
- In Great Britain, French state railway SNCF joined forces with Virgin and Stagecoach to compete for new high-speed services under the West Coast franchise.
- Italian state-owned railway FS took over its Greek opposite number Trainose, the Dutch bus and railway operator Qbuzz, and the British railway company c2c. It also formed a joint venture with First Group to compete for franchises in Great Britain.
- East Japan Railway entered the British passenger transport market, winning the West Midlands franchise with Abellio.

Freight transport and logistics

With DB Cargo and DB Schenker, we are positioned in the freight transport and logistics market as one of the world's leading logistics services providers. The demand for international freight transport services is rising owing to the ongoing shift towards cross-border production structures and flows of goods and the continuing trend for the outsourcing of logistics services. We aim to make use of this opportunity to maintain and/or expand our excellent market positions. DB Cargo is Europe's leading rail freight service operator, with a presence in all major markets. We use our own European production network for this. In this network, national and cross-border transport is conducted efficiently and in a customer-oriented and environmentally friendly manner. DB Cargo is focused on the automotive, building materials, industrial and consumer goods, chemicals, iron, coal and steel and combined transport industries. DB Schenker offers European land transport, global air and ocean freight, comprehensive logistics solutions and global supply chain management (SCM) in contract logistics. With a broad customer base, we have a future-oriented position in the high-growth logistics markets. We have especially strong market positions in the automotive, high-tech and industrial and consumer goods sectors. Noting that customer requirements are changing, we extend our range of services by entering into cooperations – for example with courier, express and parcel service provider GLS.

German road freight transport: still posting above-average growth

German freight transport market (% based on volume sold)	**Growth rate**		**Market share**	
	2017	2016	**2017**	2016
Rail freight transport	~ -0.0	-0.4	~17.4	17.7
DB Group	~ -1.6	-3.4	10.1	10.5
Non-Group railways	~ +2.5	+4.3	~7.3	7.2
Road freight transport	~ +2.6	~ +1.4	~71.7	71.1
Inland waterways	~ +0.5	-1.8	~ 8.2	8.3
Long-distance pipelines	~ -3.0	+5.9	~2.7	2.9
Total market	**~ +1.8**	**~ +1.0**	**100**	**100**

Figures for 2016 and 2017 are based on information and estimates available as of February 2018. The market share for each mode of transport has been rounded.

The performance increase of the GERMAN FREIGHT TRANSPORT MARKET 119 continued to rise in 2017 compared to the previous year, under the impact of stronger economic stimuli. Domestic demand remained robust, combining with dynamic foreign trade to generate a good order backlog and increasing transport requirements – which, however, was reflected first and foremost in continuing above-average development in road freight transport. Though rail freight and inland waterway transport benefited from stronger stimuli from the steel industry, their development was hampered by declines in the bulk segment – coal, for example – and by special factors such as disruption on the Rhine Valley route, storms and further incidences of low water.

Growth in international markets

International freight transport and logistics markets (%)	**Growth rate**	
	2017	2016
European rail freight transport (based on tkm)	+3.0	-2.0
European land transport (based on revenues)	+3.8	+2.4
Air freight (based on t)	+10.0	+1.6
Ocean freight (based on TEUs)	+4.8	+1.3
Contract logistics (based on revenues)	+3.0	+3.0

Figures for 2016 and 2017 are based on information and estimates available as of February 2018.

The INTERNATIONAL FREIGHT TRANSPORT AND LOGISTICS MARKETS 119 F. relevant to our business posted very positive development in 2017.

Infrastructure

In Germany, we have assumed dual responsibility for rail transport as a result of our integrated Group structure: we are both the operator and primary user of the track

infrastructure. The resulting greater focus on customers and efficiency in our infrastructure benefits all train operating companies (TOC) without discrimination. In addition to the Group's internal code of conduct, competitive neutrality of our track infrastructure is ensured by means of regulation that is considered strict by international standards. Our target is to continue to develop the rail mode of transport, thus strengthening the transport infrastructure that is vital for Germany as a business location. At the same time, we are laying the foundations for coping with increasing traffic flows in Europe. We also take care of both the rail network and passenger stations, as well as the power supply for TOC in Germany.

Increasing demand for track infrastructure

DB track infrastructure in Germany: selected key figures	2017	2016	Change absolute	Change %
Infrastructure customers	431	421	+10	+2.4
DB Group	17	17	–	–
Non-Group	414	404	+10	+2.5
Train-path demand (million train-path km)	1,073	1,067	+6	+0.6
DB Group	741.7	745.6	–3.9	–0.5
Non-Group railways	331.3	321.9	+9.4	+2.9
Share of non-Group railways (%)	30.9	30.2	–	–
Station stops (million)	153.2	152.5	+0.7	+0.5
DB Group	117.1	117.1	–	–
Non-Group railways	36.1	35.4	+0.7	+2.0

Market positions in passenger transport (2016)

No. 2 in European long-distance rail passenger transport (based on revenues)	**No. 1 in European regional rail passenger transport** (based on revenues)	**No. 3 in European public road passenger transport** (based on revenues)
1. Société Nationale des Chemins de fer Français (SNCF)	**1. DB Group**	1. Régie autonome des transports Parisiens (RATP)
2. DB Group	2. SNCF	2. Transdev
3. Ferrovie dello Stato (FS)	3. Nederlandse Spoorwegen (NS)	**3. DB Group**
4. Swiss Federal Railways (SBB)	4. Go Ahead	4. SNCF
5. Red Nacional de los Ferrocarriles Españoles (RENFE)	5. FS	5. London Underground

Data for competitors based on annual reports, analysts' research and our own calculations.

Market positions in freight transport and logistics (2016)

No. 1 in European rail freight transport (based on tkm)	**No. 1 in European land transport** (based on revenues)	**No. 3 in worldwide air freight** (based on t)
1. DB Cargo	**1. DB Schenker**	1. DHL
2. Fret SNCF	2. DHL	2. Kuehne + Nagel
3. Rail Cargo Group	3. Dachser	**3. DB Schenker**
4. PKP Cargo	4. DSV	4. Panalpina
5. Mercitalia Rail		

No. 3 in worldwide ocean freight (based on TEUs)	**No. 5 in worldwide contract logistics** (based on revenues)
1. Kuehne + Nagel	1. DHL
2. DHL	2. XPO Logistics
3. DB Schenker	3. Kuehne + Nagel
4. Panalpina	4. CEVA Logistics
	5. DB Schenker

Data for competitors based on annual reports, analysts' research and our own calculations.

Legal and political topics

Legal topics

Proceedings 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 our project partners seeking additional financing contributions on the basis of what is known as the negotiation clause. Following several extensions, the time limit for our project partners to file a statement of defense is January 31, 2018. A hearing cannot be expected to take place before the second half of 2018. COST AND SCHEDULE DEVELOPMENTS FOR STUTTGART 21 AND THE WENDLINGEN – ULM NEW CONSTRUCTION LINE 158

Civil proceedings on infrastructure usage fees

According to a ruling by the Federal Court of Justice (Bundesgerichtshof; BGH) in 2011, fees for the use of rail infrastructure could be reviewed by the civil courts for fairness under legislation prevailing before the entry into force of the Railway Regulation Act (Eisenbahnregulierungsgesetz, ERegG), according to the standard set out in Section 315 of the German Civil Code (Bürgerliches Gesetzbuch; BGB), even if the BNetzA did not object to the fees and they were effective according to regulatory law. In 2016, the ERegG created legal certainty by introducing approval of train-path and station-use charges by BNetzA and legally excluding a parallel review of approved charges by the civil courts on the basis of proceedings under Section 315 BGB.

However, a number of legal disputes between DB Netz AG, DB Station&Service AG and TOC or public transport authorities or Federal states are currently pending based on the previous legal situation.

In September 2015, Berlin Regional Court suspended civil proceedings based on the previous legal situation and asked the European Court of Justice (ECJ) for a preliminary ruling on the applicability of fairness reviews under civil law. On November 9, 2017 the ECJ ruled that fairness reviews of infrastructure charges by civil courts in accordance with Section 315 BGB are incompatible with European railway law. In December 2017, the BGH withdrew a parallel request of the BGH for a preliminary ruling in proceedings relating to station fees. Following the ECJ ruling a retrospective fairness review of rail infrastructure charges is excluded, even based on the previous legal situation. The civil proceedings still pending in this matter must now be considered by the civil courts in accordance with the rulings of the ECJ. In the light of the ECJ ruling, DB Netz AG – and consequently also DB Station&Service AG, it is thought – now have much improved prospects of success in these proceedings.

Lawsuit by the Federal state of Saxony-Anhalt

The Federal state of Saxony-Anhalt filed a lawsuit against DB Netz AG, DB Regio AG and DB AG claiming compensation for damages under antitrust law due to allegedly illegal train-path pricing by DB Netz AG through the levying of regional factors between 2005 and 2011. The lawsuit was extended to include the assertion of corresponding claims against DB Regio AG for 2003 and 2004. DB Group opposed this lawsuit in every respect. For its part, DB Regio AG is suing the Federal state of Saxony-Anhalt for reimbursement of outstanding transport contract-related receivables relating to increased infrastructure utilization costs between 2008 and 2014. The Federal state has offset its alleged claims for compensation under antitrust law for 2003 and 2004 against the receivables owing to DB Regio AG. The ruling of the ECJ on the non-applicability of Section 315 BGB has improved our prospects of success in both cases. We expect rulings in the course of 2018.

Political environment

We regularly report on the development of competition on the rails and on the development of the regulatory framework in the railway sector in our COMPETITION REPORT.

Regulatory and transport policy topics

Master plan for rail freight transport presented

In the year under review, the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur, BMVI) presented its "master plan for rail freight transport," prepared as part of a cross-industry initiative. The master plan proposes concrete measures for sustainably strengthening rail freight transport by 2030. The plan is made up of ten measures that include both entrepreneurial and political tasks to improve the competitiveness of rail freight transport.

One core element is the marked reduction in train-path prices for rail freight transport for an initial period of five years, to be financed by the Federal Government. The Federal Government and DB Netz AG hope to conclude negotiations on the implementation of this measure in the first half of 2018.

In addition, the master plan includes the construction of a test field in Munich for the automation of train formation, as well as a capital expenditure program for the modernization of rail freight transport.

Decision on the EU Commission's contract violation proceedings

On June 28, 2017 the ECJ issued its judgment on the European Commission's contract violation proceedings against Germany to establish potential breaches of European railway law. The ECJ largely rejected the Commission's arguments. At the time of the lawsuit, it found – solely in respect of external publicity about accounting – that the Federal Government had not taken all the measures necessary to ensure that the accounts system would ensure compliance with the ban on the transfer of public funds for the operation of rail infrastructure to transport services. On December 14, 2017,

BNetzA filed requests with DB Netz AG seeking information about the planned implementation measures. For the implementation of the judgment we must bear in mind that the current legal framework has changed significantly, inter alia as a result of the ERegG. REVIEW PROCEDURE ACCORDING TO NEW INCENTIVE REGULATION 136.

Further development of the transport and regulatory framework

Federal Transport Infrastructure Plan 2030 and Innovation Forum on speeding up planning #CONSTRUCTION

The German Federal Cabinet approved the Federal Transport Infrastructure Plan (Bundesverkehrswegeplan; BVWP) 2030 on August 3, 2016. The relevant additional legislation was successfully passed on December 16, 2016. Key measures filed by DB Group for the new BVWP were adopted.

BVWP 2030 contains important projects for the further development of the rail network. Top priority, for example, is given to the expansion of the five major hubs (Frankfurt am Main, Hamburg, Cologne, Mannheim and Munich) and to the East corridor, which is important for freight transport. In September 2017 the BMVI completed its evaluation of a continuous network for trains 740 meters long, which would make a material contribution to improving the performance of the rail network and to reducing production costs in rail freight transport. The final report of the Innovation Forum on speeding up planning, initiated by the BMVI, was presented as early as May 2017. The report makes recommendations for implementing the speeding up of planning by means of a radical reform of planning law. This could allow the new rail projects in BVWP 2030 to be implemented faster.

Rules on driverless vehicles #DIGITALIZATION

In June 2017, the Bundestag adopted regulations on the operation of motor vehicles using highly and fully automated driving systems. The law stipulates that the operation of motor vehicles using highly and fully automated driving systems is permitted "in accordance with their intended purpose." If the automated driving system is only designed for use on motorways, for example, the vehicle may not be used on other roads. If the highly and fully automated driving system has taken control of the vehicle, the driver may cease to pay attention to traffic and the guidance of the vehicle but must be sufficiently ready to take back control if the system calls on him or her to do so. The law also regulates liability issues. While the vehicle is in automated operation, responsibility for accidents lies with the manufacturer.

New road traffic regulations

On May 31, 2017 the Commission presented its recommendations on the "Europe on the Move" strategy, the purpose of which is to further regulate market access and social conditions in road freight traffic. The application of minimum wage laws to truck drivers, stricter regulations on driving and rest periods and simplified cabotage regulations are intended to improve road safety, combat illegal employment and ensure that conditions for workers are appropriate. A further focus is on proposals for fairer, more environmentally friendly and standardized toll collection in the EU. Further proposals presented by the Commission on November 8, 2017 include new regulations on topics such as combined transport, market access for long-distance buses, and emissions standards for private and utility vehicles.

Revision of passenger rights in Europe

On September 27, 2017 the Commission presented a proposal for the revision of the rules on rail passenger rights, under which passengers would no longer be entitled to fare refunds in the event of delays due to natural disasters or extreme weather conditions. The proposal provides that travelers should be given additional information, conversely, and reinforces the rights of people with restricted mobility.

Postponement of the funding period for increased energy efficiency in rail transport

The Federal Government's final version of the draft funding guidelines for strengthening electric rail transport postpones the funding period by a year. The current draft accordingly states that funding will be available for the period from 2018 to 2022. No notification has yet taken place at EU level.

Only TOC are eligible to apply for funding. Payments are to be made from the Energy and Climate Fund (Energie- und Klimafonds, EKF) if the TOC can prove that it has increased the energy efficiency of electrically-powered transport services. Payments will be made retroactively: in the spring of each year the transport companies must document the performance of their electrically powered transport services in Germany, and the energy efficiency achieved, in the previous year. Funding of up to € 100 million a year is expected to be available.

Targets and strategy

Further development of trend efforts —— 56
Implementation of strategy DB2020+ —— 57
Group programs for readiness for the future and growth —— 60
Driving innovative solutions —— 61

Further development of trend efforts

DB Group's business environment is in a state of constant change. Only by understanding change can we actively shape it. In order to take advantage of opportunities and counter risks at an early stage, we continuously monitor our environment as a basis for Group-wide strategy work. In the year under review, we linked our activities within DB Group regarding market, trend and technology developments more closely and created a standardized view of the future. The analysis focuses on the question of how developments in society, politics, technology and the global economy impact our markets. The individual topics are strongly interconnected and will have a decisive influence on the future of DB Group. We keep a close eye on this interaction so that we can determine what the consequences will be and what specific action we will take. In the year under review, we used this approach to create specific drivers for our strategy work and to further develop our strategic program portfolio with our GROUP PROGRAMS 60 F.

High-profile trends in 2017

Our trend monitoring in the year under review focused on four topics. In all these areas, it is particularly important to use the right approaches now in order to ensure that our business is fit for the future.

Intelligent automation #DIGITALIZATION

Intelligent automation is bringing changes to all areas of life. Artificial intelligence and the rapid development of speech and gesture recognition, for example, mean that people who are less familiar with technology can interact with machines more easily, individually and intuitively. At work or in private life, machines can increasingly facilitate or entirely take over clearly defined tasks and routine work. Another example is predictive maintenance. In the future, freight locomotives, switches, elevators and escalators will automatically report any malfunctions so that they can be repaired and maintained in a timely manner. In the area of logistics, goods will transport themselves from automated warehouses and will use real-time tracking to provide constantly available information on location, temperature and expected delivery time. For the railways, intelligent automation thus represents an opportunity to assert themselves in the increasingly competitive mobility and logistics market. The digitalization of rail operations can increase performance and reduce costs. DIGITAL RAIL FOR GERMANY 60 F.

On-demand offers #DIGITALIZATION

More and more customers expect an offer that is available in real time and can be consumed immediately if required. The increased appetite for such on-demand offers is reducing the importance of traditional offerings presented at designated times, such as TV programs. Providers are being called upon to develop customized solutions that will satisfy customer needs in a faster, more personalized and more cost-efficient way. Market opportunities are further increased if these offers are also easy to use and promise a positive experience. Large amounts of data are usually a prerequisite for producing these offers: the better companies can assess future individual demands, the more reliably and cost-effectively they can provide the right on-demand offers. By analyzing large amounts of data, it is possible to determine the extent and timing of future demand. In order to successfully offer on-demand services for mobility, we use ioki to develop tailor-made solutions for our customers. IOKI 6 F. (DEPARTURE FUTURE)

CO_2-free transport #CLIMATE PROTECTION

Emissions-free mobility and logistics solutions are establishing themselves on the market and are gaining market share. Alternative drive technologies and new mobility concepts can reduce pollution and thus greatly improve quality of life, especially in cities with significant traffic congestion. Politics plays a driving role here: the German government is under pressure from EU regulations and the diesel exhaust scandal. At present, inner-city driving bans for older diesel and gas vehicles are being discussed and some of them are already being implemented (in Stuttgart, for example). New business models are being developed around climate-neutral

transport, especially as a result of increasing regulatory intervention. The spectrum ranges from emissions-free delivery vehicles and electric cars to electric scooters and retrofit kits for internal combustion engines. We have also set ambitious goals for ourselves: we plan to be completely climate-neutral by 2050. CO_2 TARGET

Cities as innovation hubs/smart cities

#DIGITALIZATION

Cities are increasingly developing into experimental locations for innovative transport solutions. The strong appreciation for urban life, professional opportunities in cities and the better services available compared to rural areas are increasing the influx into urban areas. Denser populations and rapidly growing e-commerce are saddling cities with steadily more traffic. In addition to driving bans, more and more cities are moving into the driving role themselves by using mobility and logistics with intelligent solutions to reduce this pressure. They are working closely with partners from industry, who are increasingly cooperating with cities to implement their own products in urban areas. Internationally, cities have already developed much more strongly into innovation hubs. With our Group program SMART CITIES 4 F. (DEPARTURE FUTURE) we are shaping the cities of tomorrow: we develop services and offers for the intelligent networking of transport infrastructure – with mobility and logistics from a single source.

Implementation of strategy DB2020+

The orientation associated with our strategy DB2020+ sets the right priorities to make DB Group fit for the future. This is also reflected in the economic results. We are working on the right issues that will help us to both optimize our core business and take advantage of international growth opportunities.

In the first phase, in 2016, we were able to eliminate major annoyances in the integrated rail system for our customers and significantly improve the quality of our services within the RAILWAY OF THE FUTURE Zukunft Bahn program. This applies, among other things, to punctuality, passenger information and to the cleanliness of stations. In the second phase, since the year under review, the focus has been on stabilization through the creation of suitable general structural framework and technological innovations. This is how we intend to convince our customers of our services in the long term. Following the weak development in the year under review, a special focus in 2018 will be on improving PUNCTUALITY 68. #PUNCTUALITY

We have also made significant progress in digitalization. The appointment of the CHIEF DIGITAL OFFICER (CDO) 33 F. and the further development of the COMPETENCE CENTER DIGITALIZATION 33 F. created the structural framework for the digital transformation of DB Group. In our digitalization strategy, we have used technology trends to develop areas of action (for example Smart Mobility, Smart Logistics and Smart Assets) for our digital activities and roadmaps for their implementation.

In order to create a DIGITAL ECOSYSTEM 4 F. (DEPARTURE ECONOMIC), we are focusing on cooperation with start-ups and industrial partners as well as the entrepreneurial spirit in DB Group. We are well positioned here with the MINDBOX 64, BEYOND1435 64 and DB DIGITAL VENTURES 64.

!

New thinking

At the NOAH 2017 Conference in Berlin, DB Group Management Board Chairman Dr. Richard Lutz described how a 180-year-old company is setting forth on its journey into the future. With the courage to change and the willingness to enter into new cooperative arrangements. The NOAH conference is dedicated to the digital transformation of the economy.

With new and further developed GROUP PROGRAMS 60 F., we are working on topics that will take the company another step into the future.

The focus now is on the vigorous implementation of these topics. In the integrated rail system, we need to work more forcefully, especially in our three strategic areas of action: quality, digital expertise and performance capability.

- We want to offer products and services that convince our customers: reliable, high quality and safe – always and everywhere. The basis for this is operational excellence in all our processes.
- We want to generate enthusiasm through digital services, the highest level of performance in automated rail operations and a tailor-made portfolio for our customers – based on mobility and logistics platforms.
- In order to reach our targets, we need a high-performance foundation. To this end, we are working on a culture and leadership that motivates our employees to achieve the highest levels of performance, while at the same time building up competencies in the organization, especially in the direction of digitalization and process excellence.

Vision and targets

We drive progress and shape the future
Sustainable business success and social acceptance

Dimension	***Economic dimension*** ***Profitable quality leader*** As a profitable quality leader we offer our customers first-class mobility and logistics solutions, that means excellent quality at affordable costs.	***Social dimension*** ***Top employer*** As a top employer we attract and retain qualified employees who are enthusiastic about working for us and our customers.	***Environmental dimension*** ***Eco-pioneer*** As an eco-pioneer, we set benchmarks with our products for the efficient use of available resources.
DB2020+ top targets	***Reasonable rate of return*** ROCE ≥ 8.0 % ***Financial stability*** Redemption coverage ≥ 25 % ***Customer satisfaction*** Passengers SI ~ 79 Freight transport and logistics SI ≥ 73 ***Product quality*** Punctuality > 95 %	***Employee satisfaction*** SI = 4.0 ***Employer attractiveness*** Rank in Germany ≤ 10	***Climate protection*** — New – climate-neutral by 2050 — New – cut specific greenhouse gas emissions by half by 2030 in comparison with 2006 — New – increase share of renewable energies in the DB traction current mix to 70 % by 2030 ***Noise reduction*** — Entire active fleet of DB Cargo Germany quiet (~ 64,000) — Total noise remediated line = 2,000 km
What we have achieved	— Expansion of digital solutions and offers for our customers to improve information provided to customers and passengers ✓ — Implementation of numerous structural measures to improve punctuality ✓ — Improvement in departure times at the most important long-distance hub stations ✓ — Start of digital transformation and development of a digital ecosystem ✓	— 150,000 employees involved in the follow-up to the 2016 employee survey ✓ — Choice between more money, more vacation time or fewer working hours ✓ — "Germany's largest job interview" conducted ✓ — Employer branding campaign "Welcome, you are one of us." launched ✓ — Introduced the social intranet DB Planet ✓	— New climate protection targets established ✓ — Share of renewable energies in the DB traction current mix in Germany remains at a high level ✓ — More quiet freight cars in operation ✓ — Noise remediation continues ✓ — Increase the share of renewable energies for DB Long-Distance to 100 % ✓
What we are working on	— Consolidation of improvement in punctuality in passenger and freight transport — Improvement in punctuality in passenger and freight transport — Further expansion of operating excellence — Further increase of customer satisfaction — Improved profitability, especially in rail freight transport	— New central change management for DB Group in order to implement the strategic transformation of DB (HR and contribution to change) — Personnel and management development — Recruiting and retaining about 19,000 new employees (including young professionals) — Work 4.0: changing job profiles and activities by digitalizing and developing appropriate skills and training concepts — HR digitalization and organization	— Be climate-neutral by 2050 — Further development of climate targets through 2030 — Reducing rail noise by half in Germany — Exclusive use of quiet freight cars at DB Cargo Germany

Our aspiration

We drive progress and shape the future.

Our strategy

DB2020+
Implementation
status for 2017:

Our targets

2017 **Progress.** Are we progressing as planned? (Differential control at 100 % shows delays / leads as a proportion of the actual distance)

2020 **Achievement of objectives.** To what extent has the DB2020+ target already been achieved? (100 % means actual value 2017 = target value 2020)

Profitable quality leader	Starting value DB2020	2016	2017	Target DB2020+	Progress
Customer satisfaction – passengers (SI)	–	76.0	75.8	~79	☹
Customer satisfaction – freight transport and logistics (SI)	–	–	70.5	≥73	☺
Product quality – punctuality DB Group (rail) in Germany (%)	94.4	94.3	93.9	>95	☹
Reasonable rate of return – ROCE (%)	8.3	5.9	6.1	≥8.0	☺
Financial stability – redemption coverage (%)	22.2	18.1	18.7	≥25	☺

Top employer	Starting value DB2020	2016	2017	Target DB2020+	Progress
Employee satisfaction (SI)	3.6	3.7	–	4.0	☹
Employee satisfaction – Follow-up workshop implementation rate (%)	–	–	97.1	–	☺
Employer attractiveness – (rank in Germany)	26	16	13	≤10	☺

Eco-pioneer	Starting value DB2020	2016	2017	Target DB2020+	Progress
Climate protection-specific CO_2e emissions (carriers) compared to 2006 (%)	–11.8	–27.5	–29.6	–30	☺
Climate protection – share of renewable energies in the DB traction current mix (%)	24.0	42.0	44.0	45	☺
Noise reduction – quiet freight cars in Germany as of Dec 31	7,349	32,396	39,604	64,000	☺
Noise reduction – track kilometers noise remediated in total (rounded) as of Dec 31 (km)	1,200	1,600	1,700	2,000	☺

Our areas of action

Culture of quality
Operational excellence and customer focus

Digital expertise
Innovative solutions in our core and new businesses

Performance capability
Shared responsibility and strong performance

We will also improve the control logic of DB Group in order to work more forcefully. This includes, in particular, increasing the responsibility of the COMPETENCE CENTERS (CC) OPERATIONAL EXCELLENCE (OPEX) AND DIGITALIZATION as well as the EXECUTIVE CENTER (EC) TRANSFORMATION 35 F., which have been set up at functional level.

In addition to the further development of the integrated rail system, we are focusing on taking advantage of growth opportunities in our international business:

- At DB Schenker, we plan to scale globally – with the help of digital platforms – and profit even more from international growth opportunities.
- At DB Arriva, we intend to further expand our European presence and further develop the bus business in the UK.

Adjustments to the target system

As part of the regular review of our target system, we made two changes in the year under review:

- Economic dimension: adjusted ROCE TARGET 89 F.
- Environmental dimension: new CLIMATE TARGET FOR 2030 76

Group programs for readiness for the future and growth

Smart cities #DIGITALIZATION

The ongoing trend toward urbanization presents major challenges to today's cities. The growth in mobility and logistics are often the source of the problem. With the Group program smart cities, we will develop new, intelligent mobility, logistics and station concepts to increase quality of life in urban areas. To this end, we have already signed a letter of intent with the Free and Hanseatic City of Hamburg on the SMART CITY PARTNERSHIP 4 F. (DEPARTURE FUTURE) and discussed our concept with other cities and partners. In addition, we are developing new products using mobility and logistics to meet urban challenges. With on-demand shuttles and bicycles, we are developing new solutions for the first and last mile from and to the station to make using a car unnecessary. We are working on cargo bikes and intelligent lockers to organize urban logistics even more efficiently and with lower emissions. We also intend to attract more people to stations and establish a coworking network. In the future we plan to shape the urban future by working together with cities and industrial partners.

drive passenger transport #DIGITALIZATION

In October 2017 we launched IOKI 6 F. (DEPARTURE FUTURE), a new line of business for modern, flexible and digital mobility solutions. ioki is developing an open environment for on-demand mobility that is tightly integrated with local public transport and enables seamless mobility. ioki offers all system components from a single source to enable third parties, such as cities or municipal authorities, to operate on-demand mobility services in public transport under their own name.

Particularly in rural areas with a low population density, there is great potential to make public transport more sustainable and efficient with on-demand solutions and to enable individual mobility without having to own a car. In the future, on-demand transport will be operated with autonomous vehicles. After initial test operations in Berlin and Leipzig, the first autonomous public scheduled bus service was launched in Bad Birnbach. The bus operates exclusively on electric power, thereby emitting no pollution locally. As part of the smart city partnership with the Free and Hanseatic City of Hamburg, ioki 2018 will implement a driver-based on-demand shuttle service with connections to local public transport and a test field for autonomous bus traffic in Hamburg.

drive freight transport #DIGITALIZATION

Autonomous and networked driving will involve fundamental changes for road freight transport. The Group program drive freight transport evaluates the implications of (partially) automated driving for logistics and its value-added chain and evaluates the resulting new business models. Its open-minded approach and expertise in implementation have made DB Schenker a pioneer in this field. The development of expertise in digitalization associated with automated driving is just as central to this as the acquisition of operating experience in the application areas of autonomous driving at an early stage; on rural roads, on highways, in the city and on terminal grounds. In 2018, DB Schenker, in cooperation with MAN and Fresenius University, is carrying out a PLATOONING PROJECT 8 F. (DEPARTURE FUTURE) funded by the BMVI. In addition, in 2018 there will be preparatory activities for the piloting of autonomous truck runs on terminal premises.

Digital Rail for Germany #DIGITALIZATION

We intend to significantly increase the reliability, quality, flexibility as well as the transport capacity and cost efficiency of rail with the Digital Rail for Germany program. To accomplish this, we are taking full advantage of new digital

technologies. The target image is DIGITALIZED RAIL TRANSPORT 2 F. (DEPARTURE FUTURE) with an integrated system of capacity management and operational implementation. An important basis for this is an intelligent infrastructure for the coordination of train operations, real-time detection of train positions, high-performance data exchange between train and infrastructure as well as sensor-based obstacle detection. The technologies required for the implementation of the target image were identified in the year under review and their degree of maturity was assessed. Development of the technical specifications began. In order to ensure that Europe-wide standards are created, we work closely with other railways. Feasibility studies for pilots (particularly for the Hamburg S-Bahn (metro)) and the organization for implementation were also initiated. The project requires deepened technology partnerships within and outside the railway industry. In addition to further developing the organization, the focus in 2018 will be on developing and implementing a suitable partnering concept.

On the move #DIGITALIZATION

The mobility market is in a disruptive phase. New business models and mobility platforms with customer-centric, digital offerings are increasingly making their way compared to existing providers. The analog customer interfaces that have been in use up to now will become less important than digital ones in the future. In response to these changes, we are pursuing the goal of aligning and further developing digitalization activities at the customer interface in passenger transport in order to make them fit for the future. As part of the on the move Group program, an industry-wide offering of software solutions is being developed to meet the changing needs of end customers and mobility partners and to drive digital innovation in the mobility market.

Non-European Operations

Outside Europe, international suppliers are being specifically sought to serve the growing market for rail operations and maintenance. The tenders include a large number of asset-light opportunities with an attractive opportunity/risk profile and test areas for new technologies. In order to take advantage of these market opportunities, the Group program NEO (Non-European Operations) was launched in mid-2016. As part of this program, DEUTSCHE BAHN INTERNATIONAL OPERATIONS GMBH 12 (DEPARTURE ECONOMIC) was founded in the year under review. In this way, we want to take advantage of business opportunities in rail operations outside Europe and make full use of our network and our expertise in the rail business.

Driving innovative solutions

#DIGITALIZATION

We intend to play a decisive role in shaping tomorrow's mobility and logistics. We plan to exploit the potential of digitalization for quality improvements and the integration of new offers for our customers. Digital technologies not only make it possible to further develop the integrated rail system, but also pave the way for new business models. Examples of progress made during the year under review in developing and testing new products, features, processes and services are presented below. DB DIGITAL

!

Pioneer in digital ticket sales

With a share of about 40 %, online and mobile sales is the most important sales channel for our passenger transport in Germany. In March 2017 alone, passengers booked just under 3.5 million online tickets. In 2016, tickets and reservations as well as other tourist services such as travel sold via bahn.de totaled almost € 2.5 billion. The DB Navigator app is an indispensable part of the sales channel mix. In 2017, nearly 15 million tickets were booked on mobile devices, an increase of 47 % in comparison with the previous year. In 2017, one in every 20 tickets was booked using DB Navigator.

New product and service concepts

Convenient check-in replaces ticket controls

In the year under review, we tested our comfort check-in on selected trains. This digital offer eliminates the need for ticket controls since the customer checks herself/himself in. The function is integrated exclusively in the DB Navigator app and can be used for this test for passengers with selected cell phone or online tickets with a seat reservation. Once the passengers have taken their seats, they simply check in by clicking on the app. This information is then displayed to the train crew on their ticket control devices. This replaces ticket control. Following last year's successful test, comfort check-in will be introduced nationwide in 2018.

New digital services in local transport

DB Regional, together with the ordering organizations in local transport, plans to provide customers with a digital travel experience. Part of this plan includes the installation of reliable WiFi in trains. In addition, an information portal has been developed that offers news, current trip information and tourist information.

After numerous pilot projects, the state of Saxony-Anhalt has now commissioned the first complete local transport network, the Elbe-Saale railway, to be fully equipped with WiFi. In October 2017, the conversion of the Stuttgart

S-Bahn (metro) began. The complete conversion of the fleet with a total of 158 vehicles is to be completed within 24 months. Four S-Bahn (metro) stations in Hamburg are already equipped with WiFi, and all other stations will follow by the end of 2018. DB Regional is in talks with other public transport authorities.

Cooperation in the development of self-driving trucks

DB Schenker and MAN are working together to develop interlinked truck platoons and are testing them in real operation. The plan is to test DB Schenker truck platoons in real road traffic for several months. In the practical test phase beginning in the spring of 2018, DB Schenker and MAN platoons will be brought into use on the "digital highway test field" on the A9 between the DB Schenker branch offices in Munich and Nuremberg. DB Schenker, MAN and Fresenius University are receiving Federal Government funding of around € 2 million for their joint development of networked truck platoons. The scientifically supported platooning project is to be funded for 20 months, from the start of the project in June 2017 up to and including January 2019. The project is being monitored nationally and internationally, as it is the first platooning test in operation worldwide.

In a new Swedish research project, DB Schenker will test the platooning of trucks from different manufacturers together with Scania and Volvo. This is intended to reduce CO_2 emissions and improve the efficiency of freight transport. As part of the Sweden4Platooning project, DB Schenker is working with Scania, Volvo, various research institutes and the Swedish transport authority.

!

The future of local transport

New dining benches with tables make working easier. Integrated space for tablets and luggage racks under the benches leave enough free space. There is also a large screen area for sports or news broadcasts. For families with children there is a module with a climbing gym and a slide. In special workspaces, passengers can write e-mails or make phone calls in individual cabins.

Idea train presented by DB Regional

DB Regional has developed a new and unique travel experience in regional transport with the idea train, which combines new product and service concepts for regional transport with visionary technological applications. In order to become the industry's innovation leader, DB Regional wants to help shape the development of vehicle interiors itself. The 22 modules of this 1:1 model of a double-deck car was developed by the DB Innovation Laboratory d.lab, Südostbayernbahn, the CC Product Innovation and external design and industrial partners.

Railmate for quick customer feedback

Railmate is a direct customer feedback system that we have already successfully implemented at DB Long-Distance. The pilot for DB Regional has been successfully started on the networks of the Schwarzwaldbahn and the Munich-Nuremberg-Express. Passengers can use QR codes during their journey to give their opinions and describe their experiences on their trip. The feedback is collected anonymously.

Since October 2017, cell phone ticket users have also been able to use a new feedback function in DB Navigator – during and after the journey.

New IT system for regional transport

In a pilot project with the Berlin-Brandenburg transport association and DB Regional, passengers can experience the new IT system Colibri in two trains. Colibri makes it possible to record the number of passengers and bicycles in the double-deck cars in real time. Passengers can use the Digital in Regional (Digital im Regio) app or check monitors in the vehicles to get information on available seats. Colibri was developed by DB Vehicle Maintenance. The IT system is intended to provide information on defects and damage while the train is underway, so that the trains can return to the rails faster from workshops.

!

Digital in Regional

"This train can do more." This is the motto of the recently initiated pilot project for testing innovations "Digital in Regional," a joint effort of DB Regional Northeast, DB Vehicle Maintenance, the Berlin-Brandenburg transport association and the German Federal states of Berlin and Brandenburg. In two trains on the regional express lines RE3 (Stralsund – Berlin – Elsterwerda) and RE5 (Rostock/Stralsund – Berlin – Wünsdorf/Waldstadt) passengers can experience and evaluate components of the IT system Colibri. Colibri makes it possible to record the number of passengers and bicycles in the double-deck cars in real time. This means that the Digital in Regional app or monitors in the vehicles can be checked for information on available seats and spaces for bikes.

Digitalization in rail operations

Expansion of digital command and control technology

As part of a total of four pre-series production projects, we are continuing to press ahead with the digitalization of command and control technology (Leit- und Sicherungstechnik; LST), thereby laying the technical foundation for nationwide coverage with the European Train Control System (ETCS) Level 2 and implementation of the operational control strategy. The technical platform for this will be a modular signal tower with standardized interfaces (digital signal tower; DSTW) specified by DB Netze Track and an integrated operating station. Communications will be carried over an IP network specially developed to satisfy specific railway requirements, taking into account rail infrastructure safety requirements. In the year under review, corresponding contracts were concluded for the implementation of the new technology.

For us, the standardized LST platform represents the basis for a later site rollout, which, over the long term, should replace the fragmented production system comprised of the most divergent generations of technology. DIGITAL RAIL FOR GERMANY 60 F.

Use of wayside monitoring systems

Wayside monitoring takes advantage of digitalization by enabling predictive maintenance. The goal is to improve rail system quality while lowering maintenance costs by recognizing potential irregularities at an early stage so that malfunctions can be avoided. To that end, wayside monitoring checks the condition of rolling stock in day-to-day operations. For acoustic diagnostics, microphones on the tracks record train noises. If the results deviate from the norm, vehicle maintenance is activated before any defect in the train can arise. In the year under review, a video-based system was introduced for the online analysis of cars for maintenance purposes. In the first half of 2018, a laser-based measuring system for the measurement of wheel sets is to be tested operationally.

Automated shunting locomotive at DB Cargo

Automatic and digital processes in rail freight transport are of great importance for competitiveness. For this reason, DB Cargo is investing in, among other things, the digitalization of its production centers – the marshaling yards. A first important milestone is the shunting locomotive, which has been converted into a fully automatic version that uses modern sensors and control technology to detect obstacles and people and automatically approaches the freight cars for shunting. Its processes are embedded into the entire control process of a marshaling yard. A pilot project is currently underway at the Munich North shunting station.

New Asset & Maintenance Digital Lab

One of the future topics in rail freight transport is the increasing digitalization of vehicles and maintenance. Intelligent freight cars and locomotives and the digitalization of workshop processes are just a few of the topics being worked on at the Asset&Maintenance Digital Lab amspire, at the House of Logistics and Mobility in Frankfurt.

3-D printing for predictive maintenance

3-D printing in DB Group began at the end of 2015 with the printing of a simple coat hook. Since then, more than 3,000 spare parts of all kinds have been printed, and the trend is growing. The spectrum ranges from the ventilation grilles to headrests and transverse damper consoles. Whereas the first spare parts were exclusively made of plastic, metal components are now also produced in a powder printing process and used in high-speed transport. One example is the terminal box, which protects sensitive cables on a motor in the ICE. To maintain vehicles we need spare parts to be available immediately. Printing is faster and more flexible than conventional manufacturing processes and the vehicles are back in operation in no time at all.

Digitalization in station management

Digital displays at the stations

Digital displays are being tested at the stations in Augsburg, Münster and Wolfsburg. The displays bundle all information from the journey including station information and even the weather forecast in one location. The customer is informed of the relevant information via touch screen. Until now, customers have been able to find this information, some of which is still printed, distributed in the station. During the test phase, passengers can give their feedback directly via the display or QR code.

Holoplot – innovative loudspeaker system

The founders of the Berlin start-up company Holoplot have addressed the often poor acoustics in public places, for example in station concourses. The result is an innovative loudspeaker system that makes voice messages clear everywhere. The modular loudspeakers allow audio waves to be projected like a beam of light toward any point in the room. This allows precise determination of where something can be heard or not. The system is being tested at a number of different stations.

Cooperation with start-ups continues

In the year under review, DB Netze Stations' start-up competition entered the fourth round with a record number of participants: 151 applicants submitted their ideas for new shopping experiences, innovative food concepts or helpful services at the station. A jury of experts from the start-up scene and DB Group selected two winners on May 18, 2017: "Getasty" sells lunch packs that can be ordered online, paid for cashlessly and picked up directly at the station without waiting. "TryLikes" is a young Dutch company that allows customers to give their feedback at the touch of a button. An online analysis tool makes it possible to track the satisfaction ratings in real time and to further sharpen focus on the customer's needs. Both winners took part in the DB StartupXpress, our start-up funding program, and were able to test their concepts at Berlin Central Station.

Equity investments and partnerships for more digitalization and innovation

DB Digital Ventures

!

Bahntower is the first corporate building in Germany with a what3words address

The three-word combination "lebendig.webseiten.auflösen" refers to the corresponding 3 x 3 m square within a worldwide address system developed by the British start-up what3words. The advantage: by entering the three words on the website or in the what3words app, visitors can find their way to the building more easily and quickly.

DEUTSCHE BAHN DIGITAL VENTURES (DB DV), a company we founded, invests in internal and external data-driven business models in order to take advantage of the opportunities offered by digitalization. Its purpose is to intensify cooperative arrangements relating to start-ups and to simplify equity investments in other companies. In addition, employees of DB Group are able to turn their own business ideas into reality through DB DV, as founders of their own start-ups and under ideal conditions. By 2019, about € 100 million will be available for targeted start-up funding and new investments. In the year under review, DB DV expanded its portfolio to five investments. Three additional start-ups were added to the existing equity investments in QIXXIT and CLEVERSHUTTLE:

- the global address system WHAT3WORDS,
- the US start-up CONNECTED SIGNALS, which networks light controls, and
- the booking platform for taxi and limousine service providers TALIXO.

BEYOND1435

In August 2017, we launched the open innovation platform BEYOND1435 to promote mobility innovations. Together with industrial partners Alba Group, Siemens AG, the SBB, Bombardier and TUI as well as international partner Plug and Play, start-ups are to be developed and scaled up in the long term. The BEYOND1435 program also provides employees with the necessary degree of freedom and support to set up a start-up company under the umbrella of DB DV.

DB mindbox

The MINDBOX is a coworking space and central place where DB employees can exchange ideas and cooperate with start-ups. The central funding program, DB StartupXpress, identifies promising start-ups and tests their ideas together with DB Group's business units. The start-ups should be able to implement their digital solutions quickly in cooperation with our business units.

Well over 800 start-ups from about 30 countries have applied for eight rounds of start-up funding since 2015. With more than 20 start-ups, we are now working on concrete improvements to the integrated rail system throughout DB Group. Examples include the customer experience at the station, predictive maintenance in infrastructure and virtual reality for employee qualification. The new stimuli and digitalization ideas from outside are intended to make our products and services more efficient, flexible and reliable.

Quality

Further implementation of Railway of the Future —— 66
Restrictions in rail operations —— 66
Mixed customer satisfaction —— 67
Mixed assessment of price-performance ratio —— 67
Punctuality declined —— 68
Image value back on the upswing —— 68

Our aspiration

As a PROFITABLE QUALITY LEADER, we offer our customers first-class mobility and logistics solutions, that means excellent quality at affordable costs.

Our targets

Where do we stand in 2017 on the path to achieving our targets for 2020? (%)

2017 **Progress.** Are we progressing as planned? (Differential control at 100 % shows delays/leads as a proportion of the actual distance)
2020 **Target achievement.** To what extent has the DB2020+ target already been achieved? (100 % means actual value 2017 = target value 2020)

Customer satisfaction – passengers (SI)

Base year 2012	2016	2017	Target DB2020+
–	76.0	75.8	~79

Customer satisfaction – freight transport and logistics (SI)

Base year 2012	2016	2017	Target DB2020+
–	–	70.5	≥73

Punctuality DB Group (rail) in Germany (%)

Base year 2012	2016	2017	Target DB2020+
94.4	94.3	93.9	> 95

Our areas of action

Punctuality
Improvements in both passenger and freight transport

Infrastructure availability
Preventive maintenance and eliminating bottlenecks through targeted expansion

Modernization of the vehicle fleet
Improvement in vehicle availability and increase in passenger comfort

Reliability
Securing travel chains and ensuring transport quality

Passenger information
Timely and comprehensive communication

Customer orientation
Customer-oriented products and services

Further implementation of Railway of the Future #QUALITY

Our quality program RAILWAY OF THE FUTURE Zukunft Bahn 2 (DEPARTURE ECONOMIC) is set up in three stages: in the first stage in 2016, we eliminated the major annoyances for passengers, including defective escalators, elevators, destination signs and much more. We are now in phase two, with a focus on "Quality that persuades" through structural process improvements.

Much has been achieved in the year under review, for example WiFi availability and passenger information, but particularly in the case of punctuality we have not met our targets. In this respect, the progress made by RAILWAY OF THE FUTURE Zukunft Bahn also did not meet our expectations. #PUNCTUALITY

For this reason, further changes are necessary in 2018 to reach our long-term goals in relation to quality, punctuality and reliability. As a result, we are developing operational control and focusing on organizational capability. One of the actions taken for this purpose is the establishment of an EC TRANSFORMATION 35 F.

OPEX program started

The OPEX program was started in the year under review with the following fields of action: maintenance, joint coordinated building (Bauen im Verbund) and capability development. OPEX supports the objective of RAILWAY OF THE FUTURE Zukunft Bahn to change the performance culture of DB Group on a sustainable basis. Through OPEX, we are advancing the transformation that has already begun – for greater quality that persuades, and performance that delights our customers.

In the OPEX maintenance sub-program, the transformation at about 30 locations has begun in two phases. This involves initiating and implementing process improvements on a sustainable basis, using a standardized procedure. Employees are trained in their OPEX/lean skills and the performance levels achieved are discussed regularly on the basis of defined parameters and continuously improved.

The capability development sub-program has drawn up the first training portfolio of the OPEX institute. The qualifications on offer enable employees and executives to carry out the transformation professionally, acquire or develop skills and consequently to work differently.

In 2018, another 30 or so maintenance sites will take part in phases three and four of the OPEX transformation. The locations in the first and second phases will be checked at regular intervals in relation to their progress and support will be provided for follow-up work.

The OPEX punctuality sub-program will be newly established in 2018. New measures to improve punctuality and those that are already ongoing are consolidated here in a program across all business units. These measures include that the PlanStart teams at the top ten railway stations will not only improve the ability of long-distance transport departing on schedule, but also that of local transport, and ensure that stop times are as scheduled. #PUNCTUALITY

The OPEX institute will also extend its portfolio with regard to the requirements resulting from OPEX punctuality, as well as offering individualized qualifications that are specific to previous experience.

Restrictions in rail operations

#PUNCTUALITY

The year under review was marked by an exceptional degree of operating difficulties, which also negatively affected punctuality.

Storm Paul in June as well as Xavier and Herwart in October were three periods of severe weather resulting in widespread operational shutdowns and extensive route closures, often lasting several days. For example, storm Xavier caused several hundred trains to be non-operational at DB Cargo. Due to the serious disruption to routes and the costly clean-up, it took a week to return to normal operations.

The aftermath of storm Paul was intensified by the attacks on the railway infrastructure in the run-up to the G20 summit, which all occurred in the same period. In Berlin, Hamburg, Cologne, Dortmund, Leipzig and Bad Bevensen, bomb and fire attacks were carried out on cable ducts and electronic signal boxes. The disruption to the LST had an impact throughout Germany.

The ICE derailment at Dortmund main station in May also adversely affected punctuality, especially in long-distance transport. The costly repairs to points and tracks lasted three weeks and required extensive diversions.

Due to track settlement as a result of water inrush during tunnel work, the busy section between Rastatt and Baden-Baden also had to be closed for seven weeks from August 12. This had considerable implications for passenger and freight transport. Up to 30,000 passengers per day were transported with buses during the closure. Furthermore, diversions had to be put in place for the 200 freight trains that travel every day on the Rhine valley route. DB Cargo usually schedules about 80 trains on the Rhine valley railway every day. In order that as many trains as possible could use the diversion route, DB Cargo deployed additional diesel and electric locomotives and 70 train drivers through-

out the period. All additional drivers had to be trained in knowledge of the line or the particular type of locomotive, as well as language skills for transport in France. As a result, between 50% and 60% of the trains were able to run and there were no bottlenecks in essential supplies of goods.

The timetable change in December was also accompanied by operating difficulties due to the onset of winter in many parts of Germany. This was compounded by the start-up problems during the commissioning of the high-speed line Berlin–Munich.

Disruption management project started in case of major disruptions

In response to the increase in disruptive incidents, we set up the project disruption management in October 2017, with the aim of developing incident management across all business units.

In addition to strategic prevention (including improved vegetation control) and the development of fallback plans, the focus is on developing measures to improve the quality of customer care and information before, during and after incidents. An important focus in this respect lies in the management of passenger flows.

Vegetation action plan approved

Our vegetation action plan takes into account the changed general conditions and effects of extreme weather on rail operations. The objective is to make the rail infrastructure more stormproof, in order that passengers can reach their destination reliably even in critical weather conditions. Additionally cutting back and thinning vegetation, together with the hiring of more employees, will gradually reduce the storm-related impact on passengers.

In addition to the approximately € 100 million per year that has been invested in vegetation maintenance and control since 2007, we are investing an additional € 125 million over the next five years for the thinning initiative. The proven focus on dealing with areas susceptible to disruption (hotspots), which has been running as part of RAILWAY OF THE FUTURE Zukunft Bahn since the previous year, will be continued in 2018 with a further € 1.8 million. In addition, up to 150 new employees will be recruited for the enhanced inspections. Using a comprehensive and strategic approach, the vegetation action plan is committed to more stable forest land along the tracks. Storm-prone tree species and forms will be removed, while stable trees and shrubs appropriate to the location will be supported. NATURE CONSERVATION 247 F.

Mixed customer satisfaction #QUALITY

Customer satisfaction (SI)	**2017**	2016	2015
Passengers	75.8	76.0	76.4
DB Long-Distance	77	77	75
DB Regional (rail)	68	69	71
DB Regional (bus)	74	75	74
DB Arriva (bus and rail, Great Britain)	80	81	83
DB Netze Stations (passengers/visitors)	69	69	69
DB Sales	82	81	81
DB Connect (car-sharing)	78	76	78
DB Connect (Call a Bike)	79	77	77
Freight transport and logistics [1]	70.5	-	67.5
DB Cargo [1]	67	-	64
DB Schenker [1]	74	-	71

[1] Survey every two years (annually from 2017).

Regular measurement of customer satisfaction is very important to us. The data is gathered in each case by independent market research institutes.

In the year under review, customer satisfaction in relation to freight transport and logistics (DB CARGO 124, DB SCHENKER 131) improved noticeably. Overall customer satisfaction of passengers has remained more or less stable. DB Sales improved slightly in this respect, while DB REGIONAL 109 is slightly below the previous year's level.

Mixed assessment of price-performance ratio

To optimize perception of the price-performance ratio of our offers, specific measures aimed at increasing quality and broadening the scope of services were implemented, together with certain pricing measures and measures aimed at altering customer perception.

Customers' views of the price-performance ratio are collected through customer satisfaction surveys in many business units. Views are rated on a scale from 1 (very satisfied) to 6 (very dissatisfied), except for DB Cargo, which uses a scale from 1 to 5. The data is used to compile a satisfaction index (SI), which is used uniformly throughout DB Group. Scores are converted to a scale from 0 to 100.

Assessment of price-performance ratio (SI)	**2017**	2016	2015
DB Long-Distance	66	67	65
DB Regional Bus	64	65	63
DB Cargo [1]	59	-	56
DB Netze Energy (traction current) (B2B) [2]	-	67	64
DB Vehicle Maintenance (external customers)	53	61	60
DB Connect (car-sharing)	72	70	74
DB Connect (Call a Bike)	82	84	78

[1] Survey every two years (annually from 2017).

[2] Survey not conducted in 2017.

Satisfaction with the price-performance ratio has deteriorated for the most part. An improvement was only seen at DB Cargo and the car-sharing offered by DB Connect.

Punctuality declined #PUNCTUALITY

Punctuality (%)	**2017**	2016	2015
DB Group (rail) in Germany	93.9	94.3	93.6
DB rail passenger transport in Germany	94.1	94.4	93.7
DB Long-Distance	78.5	78.9	74.4
DB Regional	94.4	94.8	94.2
DB Cargo (Germany)	73.4	76.2	72.9
DB Arriva (rail: Great Britain, Denmark, Sweden, the Netherlands and Poland) [1]	92.3	91.0	90.6
DB Regional (bus)	90.5	90.6	90.5
DB Cargo (Europe)	72.7	75.6	73.9

[1] Change in method starting from 2016, figures for 2015 retroactively adjusted.

To measure punctuality, we compare the target time to the actual time for every train trip. We summarize the arrival of punctual trains and trains with a delay of up to a specified time period in the degree of punctuality.

In the year under review, the average figure for punctuality at DB Group (rail) in Germany is slightly below the previous year's level, as figures for both passenger and freight transport fell below the previous year's figures. Punctuality performance suffered from a number of RESTRICTIONS IN RAIL OPERATIONS 66. As a result, the measures developed and implemented in the course of RAILWAY OF THE FUTURE Zukunft Bahn were not able to achieve their full effect.

Punctuality performance is therefore below our FORECAST FROM THE 2016 INTEGRATED REPORT 193.

Measures at DB Long-Distance

Of all delayed long-distance departures, 60% originate from the ten most heavily frequented stations and impact the entire network. For this reason, since the previous year 72 coordinators from various business units have been ensuring that the trains run on time at these transport hubs. Even in that previous year, success was achieved in improving the percentage of departures on schedule at the ten most heavily frequented stations. The figure for the whole of Germany averaged 82% in the year under review. In order to increase the reliability of train operations, additional stations were added to the area of responsibility covered by the hub coordinators. They also analyze pass-through trains. They additionally take into account other measuring points, such as when leaving the hub. The aim is for 90% of long-distance trains to depart on schedule in the relevant stations in 2018.

Measures at DB Regional

In order to make regional transport more reliable, DB Regional set up a CC Punctuality at the beginning of 2017. The seven employees, together with 14 new punctuality managers in the regions, used extensive data analyses to define hotspot lines. So far, they have derived more than 500 individual measures for improved punctuality. Many of them are at the implementation stage, from the passenger controller at the S-Bahn (metro) station to on-the-spot repairs through the station stop timer for the driver. For the S-Bahn (metro) in Stuttgart and Hamburg, one of the measures adopted was to adjust the timetables for lines susceptible to delays such that there are more time buffers. In Frankfurt am Main and Stuttgart, guides at the metro stations ensure that boarding goes smoothly. Station stop times are complied with more closely as a result.

Image value back on the upswing

Image value of DB Group	**2017**	2016	2015
Corporate Reputation Index (CRI) [1]	51	49	52

[1] Change in method from 2016 onward.

In addition to customer satisfaction and punctuality, image is a further key indicator. The image of DB Group is measured using the Corporate Reputation Index (CRI) and is ascertained by an independent market research institute. The CRI value recovered compared to the previous year. The positive effect is produced along all aspects of image.

Social

Strategic workforce planning expanded —— 70
Talent acquisition that works —— 70
Personnel development continued —— 71
Corporate culture undergoing change —— 72
Employment conditions improved —— 72
Health management comprehensively positioned —— 73
Optimization and internationalization of HR management —— 74
Increase in the number of employees —— 74

Our aspiration

As a TOP EMPLOYER we attract and retain qualified employees who are enthusiastic about working for us and our customers.

Our targets

Where do we stand in 2017 on the path to achieving our targets for 2020? (%)

2017 **Progress.** Are we progressing as planned? (Differential control at 100 % shows delays/leads as a proportion of the actual distance)
2020 **Target achievement.** To what extent has the DB2020+ target already been achieved? (100 % means actual value 2017 = target value 2020)

Employee satisfaction (SI)

Base year 2012	2016	2017	Target DB2020+
3.6	3.7	-	4.0

Employer attractiveness (rank in Germany)

Base year 2012	2016	2017	Target DB2020+
26	16	13	≤10

Follow-up workshop implementation rate (%)

Base year 2012	2016	2017	Target DB2020+
-	-	97.1	-

Our areas of action

Strategic workforce planning
We are looking to the future and acting with foresight.

Optimization and internationalization of HR management
We value professionalism and are focusing more and more on digitalization.

Talent acquisition
We are strengthening our employer brand and filling jobs well and professionally.

Employment conditions
We are bringing work and private life together and promoting good health.

Personnel development
We are forging new paths, discovering talent and redefining leadership.

Corporate culture
We drive change and improve our performance capability.

We continued to develop our Human Resources strategy (HR strategy) HR2020 in the year under review. Six cross-cutting topics supplement our HR strategy: the aspiration to be a TOP EMPLOYER, derived from the DB2020+ strategy, our strategic targets and the HR2020 programs (our areas of action). The content of the six cross-cutting topics represents the focus that will help us to effectively face the major challenges DB Group is facing in the Human Resources area. As a result, the content of the HR strategy was further specified, and the work on the HR2020 programs is even more focused on achieving our targets. The cross-cutting topics are:

- targeted improvement of in-demand employer characteristics
- increase employee productivity
- building up a more forward-looking HR management
- development of sustainable job profiles and competences
- differentiated design of the work of the future
- realization of the DB target culture to sustainably increase our performance

Strategic workforce planning expanded

For several years, demographic trends, combined with a mixed order situation, has presented us with a number of internal and external HR policy challenges. We proactively work with these issues to ensure that staffing needs are covered. #RECRUITING

As part of our strategic HR2020 program on strategic workforce planning, we set the goal of using future-oriented planning tools and reports to identify short-term, medium-term and long-term actions that need to be taken in all business units and areas of activity. Countermeasures are being developed in cooperation with centralized and decentralized HR units. An important central function is the Group job market, which enables us to ensure efficient internal deployment of personnel and to manage employment incentives.

With our strategic workforce planning (SWP) program, we have created a firmly established strategic tool for dealing with the HR policy challenges, which gives us a standardized, systematic way of looking ten years into the future to foresee staffing shortfalls and surpluses. At the same time, we can analyze the effects of medium-term and long-term trends, such as demographic trends and the resulting risks, and examine various options for addressing them. This allows us to clearly see the impact of strategic decisions and to evaluate the effectiveness of long-term measures. To keep this tool future-proof in view of ongoing digitalization and changing occupational profiles, we set out to continue developing the overall concept and underlying IT structure in the year under review. The improved human resources navigator tool is able to create a quick quantitative simulation merging staffing needs and employee numbers with a qualitative view of skills.

We also continually verify that our other tools, including HR reporting, are always up-to-date and have the potential for further improvement, and we implement the results accordingly. Currently, we are working on a further increase of our analysis capacity, for example, by adopting a tool for visual analytics.

ADDITIONAL INFORMATION 242

Talent acquisition that works

#RECRUITING

DB Group wants to improve its profile as an attractive employer and win new employees.

Employer attractiveness (rank in Germany)	**2017**	2016	Change absolute	Change %	2015
DB Group	13	16	+3	-	20
High school students	15	26	+11	-	29
Students/graduates	20	24	+4	-	22
Skilled workers	13	12	-1	-	16
Academically experienced professionals	10	9	-1	-	17

In the year under review, we were able to improve our employer ranking once again and exceeded our target for 2017 of rank 16.

Since April 2017, we have been active on the market with our NEW EMPLOYER BRANDING CAMPAIGN 5 (DEPARTURE SOCIAL). With our new campaign slogan "Welcome, you are one of us." we issue an invitation to all potential applicants, who, similar to us, work on themselves and their goals and want to improve DB Group. The new slogan replaces the previous "A job like no other." In the new campaign, we continue using our candidate-focused, digital and innovative approach. We use authentic and modern storytelling to give the DB employer brand a human face. While the new campaign continues on the path of our 360-degree approach and keeps achieving maximum branding effects, the new employer branding has an even stronger digital focus.

The new employer image is strongly linked with the transformational goals of RAILWAY OF THE FUTURE Zukunft Bahn and stands for a new, modern and open DB Group.

During this year our focus was particularly on our "bottleneck professions" in the structurally strong regions. After launching the new employer campaign, we were active with ten recruiting campaigns for our various target groups, particularly in these regions. Furthermore, we intensively focused on the target groups of engineers and IT professionals. In the fall, we carried out additional marketing and recruiting measures, once more searching for qualified, skilled employees and those transitioning from other fields. As part of these measures, we conducted "GERMANY'S BIGGEST JOB INTERVIEW" 4 (DEPARTURE SOCIAL). Here we held simultaneously intensive interviews at seven locations on seven days. In addition, we were present at select train stations with booths where interested potential employees could attend spontaneous informative talks regarding a professional career at DB Group.

In May 2017, we received the Employer Branding Award from the European research institute trendence in the category "Best Employer Branding for High School Students." Furthermore, we received the German HR Award (Deutscher Personalwirtschaftspreis) from the HR journal "Personalwirtschaft" for our new employer branding campaign.

In the previous year, Avature had been selected as the new recruiting software in an EU-wide tendering process. The software was rolled out in Australia as the pilot country in July 2017. In October 2017 there followed the rollout in North America for DB Schenker. As a further pilot, a rollout was prepared for DB Cargo in Spain. By selecting these pilot countries, we took different DB companies as well as locations on three different continents into account. Preparations for a general rollout of Avature in Germany started at the end of 2017.

The recruitment focus is on creating a unique and modern applicant experience. For this, we intend to use a candidate-focused process and innovative tools such as VIRTUAL REALITY AND CHATBOTS 4 (DEPARTURE SOCIAL).

Demographic preparedness as of Dec 31	**2017**	2016	2015
Percentage of staffing needs covered in Germany (%)	97.1	97.3	97.3

Germany (companies accounting for about 84% of domestic employees).

The percentage of staffing needs covered remained almost the same in the year under review.

Personnel development continued

A career system was introduced for the top management level during the year under review. It promotes a broad range of experience for executives and greater movement within the management team. After a successful pilot project, the DB leadership role model will form the basis for staffing and diagnostic procedures.

Further development and consolidation of the competence model for employees and executives with collective bargaining agreements were initiated at the employee level. The skills roadmap developed in cross-business-unit workshops has already been validated by the Group's Personnel Development Committee.

At the start of training in September 2017, we equipped about 1,200 vocational trainees of the first academic year in the pathways Railway employee in operational services (Eisenbahner im Betriebsdienst) and Businessmen/-women for traffic services (Kaufmann für Verkehrsservice) with a tablet. At the Nuremberg location, we also piloted the use of tablets in the commercial and technical vocational training. The tablets are primarily intended as a learning tool; they should help establish a better link between the vocational training and real experience of trainees and their use of digital media. On top of that, tablets will in future years form the technical basis for the development and use of additional innovative learning formats.

ADDITIONAL INFORMATION 242 F.

GRI 404-2

Securing new talent

With more than 11,300 young professionals (vocational trainees, dual degree college students and "Chance plus" participants), DB Group is one of the largest vocational trainers in Germany. Along with teaching specialized technical knowledge and practical skills, central components of vocational training at DB Group are the acquisition of service-based, social and methodological competences. Over 94% of trainees receive a job offer at the conclusion of their vocational training.

GRI 404-2

Young professionals as of Dec 31 (NP)	**2017**	2016	2015
Vocational trainees [1]	9,540	9,530	9,918
Dual degree students [1]	900	941	1,012
Graduate trainees [2]	109	114	103
Interns [2]	537	503	508
"Chance plus" participants	250	250	290
DB Group	**11,336**	**11,338**	**11,831**

[1] Germany; includes all class years of vocational training (usually three class years for both vocational trainees and dual degree students).

[2] Germany (companies with about 98% of domestic employees).

ADDITIONAL INFORMATION 243

GRI 401-1

In the year under review, about 3,400 young people started vocational training and about 300 began a dual degree program. We offer about 250 spots at 11 locations throughout Germany in our vocational preparation program "Chance plus," including 75 spots reserved specifically for refugees. The approach is the same: with the help of in-house trainers and social education workers, we provide technical and academic preparation for vocational training for young people within DB Group. For refugees, we have expanded the program by adding at least 300 course units of German language lessons. Sixty-one refugees participated and twenty-six of them were able to start their vocational training at DB Group on September 1, 2017.

#RECRUITING

A total of 75% of the participants who were not refugees and who successfully completed the program in 2016/2017 started their vocational training or a job at DB Group or at another company immediately after completion.

During the year under review, a skills assessment called "DB Check-up for Refugees" based on the German social security code was carried out seven times with a total of about 100 participants to prepare refugees for a vocational qualification within DB Group. After completing the program, 50% of the participants either started training or a job at DB Group.

Corporate culture undergoing change

Employee satisfaction	**2017**	2016	2015
Employee satisfaction (SI)	–	3.7	–
Follow-up workshop implementation rate (%)	97.1	–	96.7

The employee satisfaction survey is conducted every two years. If no survey has been conducted, the key figure "Follow-up workshop implementation rate" is used.

GRI 404-2

In the year under review, one focus was to inform and involve DB employees regarding the targets and contents of RAILWAY OF THE FUTURE Zukunft Bahn and the DB target culture. A total of 1,000 multiplicators conducted independent workshops and activities in their areas. In addition, RAILWAY OF THE FUTURE Zukunft Bahn was a component of the follow-up workshops to the 2016 employee survey.

More than 1,000 participants in five regional Railway of the Future action workshops worked on ideas to develop solutions together for the implementation of RAILWAY OF THE FUTURE Zukunft Bahn, focusing in particular on improving cooperation across business units.

Furthermore, we carried out the follow-up process to the employee survey 2016. Group-wide, about 150,000 employees participated in the follow-up workshops and about 24,000 measures were agreed upon. The majority of the measures were derived for the action areas of communication, information and integration.

ADDITIONAL INFORMATION 243

Diversity

One focal point of our diversity management is achieving a gender balance. We are specifically committed to increasing the proportion of women in executive positions, to promoting the careers of women with children and to strengthening the position of fathers.

In February 2017, about 180 female DB Group managers met for the second international DB manager conference "Women. Leading. Transformation" in Potsdam. The conference ensures that female DB managers can network with each other and that women who have the potential to take on executive positions become more visible.

The mentoring program "Careers with Children" started for the third time in June 2017. A total of 18 mentees with children are supported on their further career path, including through intensive discussions with their mentors.

Diversity movie nights were the focus of the fifth German Diversity Day at DB Group, which was held under the slogan "Diversity – Now, Let's Watch Together!" This was organized as a multi-company event together with eight large German industry groups.

GRI 405-1

Share of women as of Dec 31 (%)	**2017**	2016	2015
DB Group	23.7	23.6	23.4
In Germany	23.0	23.0	22.8

In the year under review, the share of women remained at the previous year's level both in Germany and worldwide.

Employment conditions improved

GRI 102-43

The agreement with the Railway and Transport Workers Union (Eisenbahn- und Verkehrsgewerkschaft; EVG) in December 2016 and the German Train Drivers' Union (Gewerkschaft Deutscher Lokomotivführer; GDL) in March 2017 to raise scale wages by 2.5% as of April 1, 2017 was implemented, along with the agreed improvements for young professionals, such as increases in apprenticeship/student pay, introduction of a rental allowance and one-time premium to the company pension two years after the start of

employment. For the period from October 1, 2016 to March 31, 2017, a one-time payment was made in the amount of € 550 for employees and € 250 for vocational trainees and students in the dual-degree program.

In addition, an agreement was reached with the unions regarding the employees' INDIVIDUAL RIGHT TO CHOOSE 6 (DEPARTURE SOCIAL) their working hours. Each employee had until June 30, 2017 to choose among three models: a 2.62% pay increase, a reduction in working hours of one hour per week or six additional days of vacation. The model chosen is applicable as of January 2018. A total of 58% of employees chose additional vacation, 40% chose the pay increase and 2% chose the reduction in working hours. The active response rate was 70%.

A new collective bargaining agreement "Work 4.0 EVG 2016" was concluded, which replaced the existing collective bargaining agreement "Work 4.0." It mainly covers the specification of basic principles governing mobile work, the standardization of the rules governing on-call duty, which includes the introduction of performance-based pay for on-call duty, binding rules on how to handle changes in job descriptions and participation in productivity gains due to digitalization. The implementation of the joint model projects commenced in the year under review.

As part of the continued development of the collective bargaining agreement designed to address demographic change (DemografieTV), the incentive to contribute pay or overtime to the long-term account and the incentive to use the health weeks was agreed upon in the year under review.

DB Group's agreement with GDL will improve personal planning certainty, such as term of notice for days off and shifts, rules intended to standardize the allocation of working hours, and an evaluation of pilot projects on scheduling shifts and time off. In addition, the wage structure for locomotive drivers was addressed in three stages and the wage structure for train attendants and catering staff was further developed, effective as of April 2018.

The collective bargaining agreement concluded with the GDL in 2014 regarding special terms in the event of loss of ability to perform transport services (FDU-TV) was primarily expanded in its scope. As of June 1, 2017, train attendants and catering staff who are no longer able to perform their previous occupation will fall under the scope of the FDU-TV.

The variable compensation was already converted to a pure profit-sharing scheme for executives and employees not subject to collective bargaining agreements as of January 1, 2017. Thus, only the joint success in the integrated rail system and DB Group will count for the profit-sharing. The personal goal component is no longer applied as part of the profit-sharing scheme. The specific target values are defined by the Group Management Board as part of mid-term planning. Instead of the previously used plan/actual comparison to determine target achievement, we will use reference values that remain stable for several years. These stable reference values support the sustainable aspect of our DB2020+ strategy.

For an improved balance between work and individual needs, for employees not subject to collective bargaining agreements the option to choose one's working hours or vacation time was introduced in the Group Works Council Agreement. With effect as of January 1, 2018, employees not subject to collective bargaining agreements also have the option to choose between six additional days of vacation per year or reducing their weekly working hours by one hour. When one of these options was selected, the individual annual base pay was reduced by 2.5%. As of 2018, executives also have the option to choose six additional vacation days and receive a respective reduction of their annual base pay.

ADDITIONAL INFORMATION 243 F.

Health management comprehensively positioned

GRI 403-4

In the year under review, the focus areas were once again management and mental health against the background of increasing digitalization in the working environment. We have comprehensively systematized and further developed our health management in DB Group with the Group-wide establishment of 60 full-time health experts, their systematic specialized qualification, as well as the rollout of the "German Seal for Corporate Health" – a process used to assess the quality and effectiveness of corporate health management. In addition, company-specific regulations to determine suitability and ability to work in the railway system and concerning occupational health provision were adapted to the new legal framework conditions. According to the new legal position, we avoid conducting aptitude tests that are no longer permitted and minimize the risk that certain employees are not examined in time.

GRI 403-2

Health rate in Germany (% based on hours)	2017	2016	2015
DB Long-Distance	93.4	93.4	93.3
DB Regional	92.2	92.4	92.3
DB Cargo	92.7	92.8	92.9
DB Schenker	93.3	94.6	95.4
DB Netze Track	94.5	94.5	94.6
DB Netze Stations	93.4	93.0	93.8
DB Netze Energy	95.6	95.7	95.6
Other	93.6	93.5	93.5
DB Group	**93.4**	**93.5**	**93.6**

Germany (companies accounting for about 98% of domestic employees).

The health rate remained nearly unchanged.

ADDITIONAL INFORMATION 244 F.

Optimization and internationalization of HR management

We work on making HR management more efficient and customer-friendly. The goal is thereby to support employees and executives in the best possible way to ensure that they can perform their tasks efficiently with good results and to also position HR itself as efficiently as possible. Three core elements play a central role in this respect: the executive is the first contact that an employee turns to – including in HR matters – and the executive is supported by an HR partner as a consultant and assistant. The processing of administrative processes is already assumed by an HR Shared Service Center. Digital Self-Services make it easier for employees and executives to independently take care of an increasing number of matters at any time, while also providing maximum transparency regarding the processing of a task. The first digital services were rolled out in the year under review:

- The digital documentation of the annual employee and executives dialog.
- An HR dashboard that gives executives a quick and easy overview of relevant HR management information.
- Three new online services where employees can independently maintain their personal data, report a secondary job and apply for a change in their individual working hours.

For 2018, many additional services are underway, for example a comprehensive digital product catalog of all Group-wide HR services and offerings, an easy-to-use reference generator, and Avature, a recruiting platform that offers executives, applicants, recruiters and Works Council members better management options and more transparency regarding ongoing application processes. Avature has already been rolled out internationally in Australia, the USA and Canada.

Increase in the number of employees #RECRUITING

GRI 401-1

Employees as of Dec 31 (FTE)	2017	2016	Change absolute	Change %	2015
DB Long-Distance	15,993	16,326	– 333	– 2.0	16,339
DB Regional	35,651	36,008	– 357	– 1.0	36,494
DB Arriva	54,650	54,150	+ 500	+ 0.9	46,484
DB Cargo	28,257	29,671	– 1,414	– 4.8	30,303
DB Schenker	71,888	68,388	+ 3,500	+ 5.1	66,327
DB Netze Track	45,375	43,974	+ 1,401	+ 3.2	43,161
DB Netze Stations	5,463	5,093	+ 370	+ 7.3	4,982
DB Netze Energy	1,721	1,736	– 15	– 0.9	1,726
Other	51,937	51,022	+ 915	+ 1.8	51,386
DB Group	**310,935**	**306,368**	**+ 4,567**	**+ 1.5**	**297,202**
± Effects from changes in the scope of consolidation	– 849	– 537	– 312	+ 58.1	–
DB Group – comparable	**310,086**	**305,831**	**+ 4,255**	**+ 1.4**	**–**

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

On a comparable basis, as of December 31, 2017, the number of employees has increased slightly, which was primarily attributable to the increase in employees at DB Schenker and at DB Netze Track.

GRI 102-8

Employees by regions as of Dec 31 (FTE)	2017	2016	Change absolute	Change %	2015
Germany	189,423	187,395	+ 2,028	+ 1.1	187,420
Europe (excluding Germany)	93,655	92,694	+ 961	+ 1.0	84,496
Asia/Pacific	15,971	15,016	+ 955	+ 6.4	14,232
North America	8,921	8,556	+ 365	+ 4.3	8,515
Rest of world	2,965	2,707	+ 258	+ 9.5	2,539
DB Group	**310,935**	**306,368**	**+ 4,567**	**+ 1.5**	**297,202**

Employee loyalty (years)	2017	2016	2015
Average length of service	19	20	20
Average age	46	46	46

Germany (companies with about 98% of domestic employees).

ADDITIONAL INFORMATION 245

Environmental

Progress in climate protection —— 76
Noise reduction measures —— 78
Recycling rate at a high level —— 80

Our aspiration

We want to be a pioneer in ENVIRONMENTAL PROTECTION.

Our targets

Where do we stand in 2017 on the path to achieving our targets for 2020? (%)

2017 **Progress.** Are we progressing as planned? (Differential control at 100 % shows delays/leads as a proportion of the actual distance)
2020 **Achievement of objectives.** To what extent has the DB2020+ target already been achieved? (100 % means actual value 2017 = target value 2020)

Climate protection

Specific CO_2e emissions (carriers) compared to 2006 (%)

Base year 2012	2016	2017	DB2020+ target
-11.8	-27.5	-29.6	-30

2020 2017
20 40 60 80 **100** 120 140 160 180

Noise reduction

Quiet freight cars in Germany as of Dec 31

Base year 2012	2016	2017	DB2020+ target
7,349	32,396	39,604	64,000

2020 2017
20 40 60 80 **100** 120 140 160 180

Share of renewable energies in the DB traction current mix (%)

Base year 2012	2016	2017	DB2020+ target
24.0	42.0	44.0	45

2020 2017
20 40 60 80 **100** 120 140 160 180

Track kilometer noise remediated total (rounded) as of Dec 31 (km)

Base year 2012	2016	2017	DB2020+ target
1,200	1,600	1,700	2,000

2020 2017
20 40 60 80 **100** 120 140 160 180

Our areas of action

Use of renewable energies
We continuously increase the share of eco-power in the traction current mix for climate-friendly rail transport.

Expansion of green offers
We offer our customers climate-friendly freight transport with 100 % eco-power.

Noise remediation
We protect local residents from noise by building fixed sound barriers on existing lines.

CO_2e reduction
To protect the climate, we are reducing our specific greenhouse gas emissions.

Refitting with whisper brakes
We are halving the rolling noise made by freight cars by using V brake shoes.

Recycling
We keep the recycling rate at a high level to preserve resources.

As an international provider of mobility and logistics services, DB Group has a special responsibility toward future generations. Our central approach is therefore to "think together" about environmental and economic effects, whether it is about eco-power in trains, hybrid buses in urban transport, eco-warehouses in logistics, climate-neutral train stations, whisper brakes for quieter rail freight transport, recycling of concrete ties or the provision of DB areas as habitats for plants and animals. We view environmental protection as a 360-degree undertaking.

This is green.

DB Group's unified environmental communication "This is green." consolidates the presentation of the Group's range of green projects. The projects are numbered consecutively and each receives its own message.

This is green. deutschebahn.com/green

Climate protection.
Nature conservation.
Deutsche Bahn.

Our reporting focuses on three main areas: climate protection, noise reduction and resource efficiency. In addition, there is information on the topics of AIR QUALITY CONTROL 246 F. and NATURE CONSERVATION 247 F. as well as OTHER ENVIRONMENTAL TARGETS 246 FF.

GRI 102-43

Progress in climate protection

#CLIMATE PROTECTION

The Paris climate agreement is an important milestone in the reduction of global greenhouse gases. In order to achieve the climate targets set in the Paris Agreement and the associated environmental targets of the German Federal Government for the transport sector, it is essential to strengthen low-emissions rail transport. We are making our contribution to this with the continuous increase in energy efficiency in our TOCs and the increasing use of electricity from renewable energies.

The shift of passenger car, truck and air traffic to the green rail system will result in less climate-damaging greenhouse gases. We support the shift of traffic with new attractive offers, such as the BERLIN–MUNICH 3 high-speed line or the exclusive use of eco-power at DB Long-Distance. From January 1, 2018, all passengers will be traveling on our electrically powered long-distance trains using 100 % renewable energies across Germany.

In a first step, we want to keep greenhouse gas emissions from our worldwide transport outside Germany constant until 2030, despite increasing transport volumes. To this end, our carriers are increasing the efficiency of transport services and are working on more sustainable transport solutions.

New climate target: cut greenhouse gas emissions by half by 2030

In this report we are making our last reference to the previous specific greenhouse gas reduction target of 30 % by 2020. We are replacing our previous climate target with a new, more ambitious climate target.

By the year 2030, we intend to cut the specific – that is, based on volume sold – output of greenhouse gases by more than half worldwide compared to 2006. By shifting traffic to the green rail system, up to nine million tons of CO_2 could be saved by 2030 in the entire transport sector in Germany.

At the same time, DB Schenker intends to be the first international logistics provider to record climate-neutral growth. Specific greenhouse gas emissions are expected to be cut by at least 40 % compared with 2006.

Taking into account all greenhouse gases

In calculating the results for our climate target, we take into account not only CO_2 but also all other relevant climate-impacting gases to determine our environmental footprint and specific emissions. These include, for example, methane and nitrous oxide as per the Greenhouse Gas (GHG) Protocol. These gases are given in CO_2 equivalents (CO_2e), which means they are converted into CO_2 in terms of their climate impact. Depending on the type of energy source (for example diesel, electricity), up to 10 % more emissions are produced compared to CO_2 emissions, so that the overall values for CO_2e are slightly higher than for pure CO_2 emissions. We measure achievement of our climate protection targets on the basis of energy consumption, the corresponding emissions factors and performance data.

We plan to be climate-neutral overall by 2050. To achieve this, we will gradually increase the share of renewable energies in the DB traction current mix to 70 % by 2030. The share in the year under review was 44 %.

GRI 102-12

In March 2017, DB Group became the first mobility company in Germany to join the international SCIENCE-BASED TARGETS initiative. Established by the rating agency CDP, the UN Global Compact, the World Resources Institute and the World Wildlife Fund, this initiative brings together companies from around the world that have set their climate targets on a scientific basis to support the international two-degree target.

GRI 305-4 305-5

Further reduction of specific greenhouse gas emissions

In the year under review, we further reduced the specific greenhouse gas emissions of our worldwide transport services compared to 2006, thereby complying with our aspiration in relation to climate protection.

With reference to 1990, the basis of our first climate protection program, we have achieved a reduction of 63 % for our rail transport in Germany.

Reduction of specific greenhouse gas emissions (carriers) in comparison with 2006 (%)

In the year under review, specific greenhouse gas emissions fell in almost all modes of transport used for our journeys and transport services. The decline was particularly pronounced in air and ocean freight and in regional rail passenger transport. The main reasons for this are improvements in the efficiency of ocean and air transport and the use of modern vehicles.

Specific CO_2 e emissions by journeys and transports of DB Group by mode of transport	2017	2016	Change absolute	Change %	2015
Regional rail passenger transport (g/pkm)	57.3	59.6	-2.3	-3.9	62.6
thereof in Germany	56.8	58.4	-1.6	-2.7	62.5
Long distance rail passenger transport (g/pkm)	13.0	13.2	-0.2	-1.5	13.5
Bus service (g/pkm)	79.6	80.7	-1.1	-1.4	81.1
thereof in Germany	89.2	91.4	-2.2	-2.4	93.2
Rail freight transport (g/tkm)	20.6	20.8	-0.2	-1.0	21.9
Road freight transport (g/tkm)	92.3	97.4	-5.1	-5.2	92.3
Air freight (g/tkm)	725	757	-32	-4.2	773
Ocean freight (g/tkm)	6.8	6.9	-0.1	-1.4	8.6

Well-to-wheel (WTW); scope 1–3; without pre- and onward carriage; rail transport companies are calculated with their own energy mix and/or European country mixes.

ADDITIONAL INFORMATION 246

GRI 302-3

Energy efficiency increased

Lower energy consumption helps the climate through a reduction in the emissions of greenhouse gases and it cuts the cost of buying energy. By reporting primary energy as a reference level, we are also taking into account the processes required for providing the energy, such as extraction, processing and the transport of fuels or the generation of electricity.

Specific primary energy consumption by DB Group journeys and transports	2017	2016	Change absolute	Change %	2015
Regional rail passenger transport (MJ/pkm)	0.90	0.97	-0.07	-7.2	0.98
thereof in Germany	0.91	0.98	-0.07	-7.1	0.99
Long-distance rail passenger transport (MJ/pkm)	0.36	0.39	-0.03	-7.7	0.38
Bus service (MJ/pkm)	1.18	1.19	-0.01	-0.8	1.22
thereof in Germany	1.26	1.30	-0.04	-3.1	1.32
Rail freight transport (MJ/tkm)	0.34	0.35	-0.01	-2.9	0.35
Road freight transport (MJ/tkm)	1.31	1.38	-0.07	-5.1	1.31
Air freight (MJ/tkm)	9.82	10.25	-0.43	-4.2	10.46
Ocean freight (MJ/tkm)	0.09	0.09	-	-	0.11

Well-to-wheel (WTW); scope 1–3; without pre- and onward carriage.

In the year under review, the specific primary energy consumption in regional rail passenger transport, bus, air and ocean transport fell further.

Share of renewable energies at a high level

The launch of DB Long-Distance paves the way for the successful implementation of our new climate protection target. From January 1, 2018, all passengers will be traveling on our long-distance trains with 100 % eco-power across Germany. Since 2010, the Hamburg S-Bahn (metro) has been running completely free of CO_2 emissions, contributing to the high share of eco-power in the traction current mix. In rail freight transport, DBeco plus gives our customers the opportunity for transport free of CO_2 emissions with 100 % ECO-POWER green NO. 01.

!

Our contribution to the Climate Protection Plan 2050

With the Climate Protection Plan 2050, the Federal Government is aiming to reduce greenhouse gas emissions in the transport sector by up to 42 % by 2030 compared to 1990, as a first step. We have aligned our new climate target to this aspiration: by 2030, we will have reduced absolute greenhouse gas emissions by more than 70 % between 1990 and 2030. This means that the climate protection contribution of shifting traffic to the green railways will increase. In contrast to passenger cars and aircraft, a DB long-distance train with 100 % eco-power emits virtually no greenhouse gases. In freight transport, DB rail freight transport produces only one-quarter of the greenhouse gas emissions of trucks.

Data for 2017 relate exclusively to DB Group companies and are based on findings and estimates available as of February 2018. Previous years including traction current purchased by non-Group train operating companies.

[1)] Including additionally purchased energy in the amount of 1,800 GWh for all green DB products with 100% green electricity (for example S-Bahn (metro) Hamburg, BahnCard, bahn.business as well as Environment Plus and DBeco plus). If a train operating company did not order additional green electricity, the share of renewable energy in its traction current mix is 27%.

GRI 302-4 302-5

Brake energy recovery increases energy efficiency

Modern rolling stock can convert a part of its kinetic energy into electrical energy during braking, allowing it to be FED BACK INTO THE TRACTION CURRENT GRID green. NO. 19. In the year under review, the recovery rate was unchanged at 14%.

Brake energy recovery [1)] (GWh)	**2017**	2016	2015
Regional rail passenger transport	794	800	781
Share of total electricity procurement (%)	20	19	18
Long-distance rail passenger transport	303	304	278
Share of total electricity procurement (%)	11	11	11
Rail freight transport	148	153	160
Share of total electricity procurement (%)	8	7	7
Total	**1,245**	**1,257**	**1,219**

[1)] Germany, tank-to-wheel (TTW).

In the year under review, we commissioned further new vehicles that "recycle" electricity. In local transport, this included 16 vehicles from the 442 series, and in long-distance transport eight vehicles of the ICE 4.

GRI 302-4 302-5

Reducing energy needs in stations, facilities and buildings

The more than 5,000 stations and over 2,000 sites worldwide operated by DB Schenker account for about 8% of DB Group's total energy demand. In order to identify savings potential and measure energy consumption over the long term, energy audits were carried out in previous years in order to implement the EU Energy Efficiency Directive in all of DB Group's approximately 700 subsidiaries. DB Energie GmbH, DB Regio AG, S-Bahn Berlin GmbH and S-Bahn Hamburg GmbH, DB Fernverkehr AG and DB Station&Service AG each introduced an ENERGY MANAGEMENT SYSTEM (ENMS) green. NO. 78 in the previous year. This contributed to the 7% drop in stationary power consumption compared to the previous year. In DB Netze Stations, we managed to lower absolute primary energy consumption by 17% in comparison to 2010 by the end of 2017. To this end, more than 2,000 display cases and directional guidance systems were refitted, changing them from conventional fluorescent lamp systems to LED TECHNOLOGY green. NO. 50. LED lighting systems are also used exclusively in railway station lighting for new facilities, and existing systems are being successively refitted. Examples include the conversion of the platform lighting systems in Rostock, Rosenheim, Berlin-Spandau and Potsdam.

Noise reduction measures

We plan to halve rail transport noise by 2020 compared with the year 2000. We will achieve this by building fixed sound barriers along the line and by using whisper brakes on freight cars.

Noise remediation and prevention continues

Noise remediation and prevention in Germany as of Dec 31	**2017**	2016	2015
NOISE REMEDIATION (EXISTING NETWORK)			
Sound barriers erected (km) [1)]	50	38	52
Homes with passive measures	1,634	1,495	1,853
Track kilometers noise remediated in total [2)] (rounded) (km)	1,700	1,600	1,500
NOISE PREVENTION (NEW CONSTRUCTION AND EXPANSION LINES)			
Sound barriers erected (km)	23	44	17
Homes with passive measures [3)] (rounded)	1,400	-	-

[1)] Determined on the basis of the funds spent.

[2)] Accumulated length of track of noise remediation areas (according to Annex 1 of the overall concept "noise remediation program") from noise remediation projects with completed active noise protection measures (sound barriers) and initiated passive noise protection measures (noise protection at homes), including sections to be remediated in new construction and expansion projects.

[3)] The previous years' figures are under review.

The "Voluntary noise remediation program for existing rail lines of the Federal Government" launched by the Federal Government in 1999 has made life quieter for residents living near railway lines. NOISE REMEDIATION MEASURES green NO. 25 are to be implemented by the end of 2020 on 2,000 kilometers of the approximately 3,700 kilometers of track currently classified as having especially high noise levels. A list of priorities defines where the highest impacts are and sets out the sequence in which noise remediation will be performed in these places. The Federal Government provided a total of € 150 million for noise remediation measures in the year under review. This finances not only the measures of the voluntary noise remediation program, but also the funding program for the conversion of freight cars and other noise protection projects. Of this amount, about € 110 million was spent on active and passive noise protection measures under the noise remediation program. The progress made in noise remediation of lines corresponds largely with our FORECAST FROM THE 2016 INTEGRATED REPORT 196.

The abolition of the "railway bonus" and a further reduction of the threshold values of the voluntary noise remediation program of the Federal Government to 57 dB at night in residential areas have laid the groundwork to provide residents with even better protection against rail noise. As a result, the Federal Government's VOLUNTARY NOISE REMEDIATION PROGRAM green NO. 101 has to be fundamentally revised. It can be assumed that the volume of lines covered by the revised noise remediation program will increase. The sections of track that have already been remediated will also be included in the study. The revision of the noise remediation program is expected to be completed by spring 2018. The BMVI will then publish the revised version.

For the period 2016 to 2018, the Federal Government is providing funding totaling about € 1 billion through the CAPITAL EXPENDITURE PROGRAM FOR THE FUTURE 133 (Zukunftsinvestitionsprogramm; ZIP) for infrastructure projects. An amount in the high double-digit millions will also be used to finance additional noise protection measures, including in regions particularly affected by railway noise, such as the Inn Valley and the Middle Rhine Valley.

Following the signing of financing agreements between the Federal Government, the states of Rhineland-Palatinate and Hesse, and DB Group in March 2017, the way is now clear to improve noise abatement in the Middle Rhine Valley. Overall, just under € 73 million will go into additional noise reduction projects on both sides of the Rhine through 2021 and beyond. Among other things, this will involve the use of rail dampers and noise protection walls. About 50 noise abatement measures will further reduce rail transport noise. The noise situation will also improve noticeably for 10,000 residents living in the Inn Valley on the Munich–Rosenheim–Kiefersfelden rail line. BMVI, the Free State of Bavaria and DB Group agreed in September 2017 that further noise remediation measures would be implemented on the approximately 100-km-long line, which is heavily frequented by freight trains entering the Brenner Pass.

In contrast to the voluntary noise remediation program for existing rail lines, the residents' right to noise protection when expanding lines or building new lines is enshrined in the Federal Immission Control Act. There are numerous noise remediation options to prevent noise, the extent of which always depends on the number and progress of the individual projects.

More quiet freight cars on the rails

The number of new and existing freight cars with the noise-reducing composite technology has increased further. In the year under review, about 7,200 existing freight cars were converted to WHISPER BRAKES green NO. 05. At the end of 2017, about two-thirds of DB Cargo's actively used cars were running on quiet brake shoes. The development is therefore consistent with our FORECAST FROM THE 2016 INTEGRATED REPORT 196.

Freight cars in operation equipped with V brake shoes of DB Cargo in Germany as of Dec 31	**2017**	2016	2015
New freight cars	8,323	8,302	8,178
Freight cars refitted with whisper brakes	31,281	24,094	12,282
Quiet freight cars	**39,604**	**32,396**	**20,460**

New Rail Noise Act

In order to make all cars quieter, the Federal Government passed the Railway Noise Protection Act in the year under review, which prohibits the operation of noisy freight cars from the 2020/2021 timetable change. In addition to the freight cars of DB Group, more than 100,000 other freight cars of foreign and domestic TOCs are in service in Germany. DB Netz AG's NOISE-BASED TRAIN-PATH PRICING SYSTEM 139 (Lärmabhängiges Trassenpreissystem; LaTPS) is used to encourage owners to convert their freight cars. Despite BMVI and EU funding, the conversion involves considerable additional costs for the TOCs and all freight car owners.

Test lines for noise protection technologies

In order to expand our portfolio of noise remediation measures, we have launched the new and application-oriented noise control trials initiative (Inititative Lärmschutzerprobung neu und anwendungsorientiert; I-LENA) together with the BMVI as part of the capital expenditure program for the future. As part of the program, about 30 innovative products for NOISE PROTECTION green. NO. 43 will be tested on the infrastructure under practical conditions in the next few years. These include new types of sound barriers and innovative technologies to reduce rolling noise at the source through improved rail grinding and rail damping. I-LENA also focuses on sound insulation technologies for special "hotspots" where there is loud squeaking in curves, construction noise or annoying rumbling when crossing railway bridges.

In the BMVI innovative freight cars research project, we are also testing technologies for a smarter, more energy-efficient and quieter freight car.

Recycling rate at a high level

Particularly in construction and in the maintenance of the rail infrastructure, a large quantity of different resources are used. We intend to transform our waste management process from an optimized disposal management system into a modern resource management system. Our goal is to maintain our recycling rate at a high level of at least 95%. While we are already achieving a high rate in construction waste, we want to further increase this rate, especially in the area of municipal waste. In addition, we plan to increase the use of recycled materials, and extend the service life of our production equipment, including vehicles. In doing so, we are contributing to the increased use of secondary raw materials in society as a whole. We are also protecting natural resources, since the production of recycled materials is better for the environment than sourcing primary raw materials.

GRI 306-2

Volume of waste according to type of disposal	**2017**	2016	2015
Total waste (thousand t)	12,642	12,921	11,814
Recycling rate (%)	98.0	97.3	97.2
Share of thermal recovery (%)	0.9	1.4	1.6
Share of disposal (%)	1.1	1.4	1.2
Share of hazardous waste in total volume [1] (%)	3.3	5.1	6.3

[1] Pursuant to the List of Waste Ordinance, for example waste oil.

In the year under review, about 0.3 million t less waste was produced. The volume of construction waste fell slightly, while the decline in municipal waste was significant at about 14%.

The slight improvement in the recycling rate in the year under review resulted in particular from a lower proportion of hazardous waste and the even better utilization of the recycling potential for construction waste.

Through specific measures such as selective dismantling and contractual commitment of sorting and recycling facilities, we would like to maintain the share of recyclable waste at a high level and further reduce the proportion of waste that is destined for disposal or incineration. For example, we are currently working on a strategy for disposing of mixed municipal waste with the aim of recycling the materials contained in it to the greatest degree possible. This will significantly reduce the environmental impact.

Volume of waste according to type (thousand t)	**2017**	2016	2015
Total waste	12,642	12,921	11,814
thereof construction waste	12,121	12,400	11,220
thereof scrap metal	378	375	458
thereof electronic scrap	6.1	4.3	2.2
thereof municipal waste	60.2	70.1	68.9
thereof paper	23.1	25.3	23.1
thereof waste oil	4.0	6.6	5.9
thereof other [1]	49.6	40.1	35.7

[1] Includes paint, varnish, sludge and other maintenance-related waste.

The introduction of a uniform waste management system served to harmonize data collection. The European business of DB Schenker has seen an increase in volumes of municipal waste and other waste.

Two divisions had a significant influence on the development of volumes of construction waste. In the case of both the Stuttgart–Ulm project (–0.3 million t) and at DB Netz AG (+0.7 million t), construction waste was slightly changed compared to the previous year, with the recycling rate increasing.

ADDITIONAL INFORMATION 246

Economic report

Positive environment for global and European transport markets —— 82
Substantial improvement in the income situation —— 83
Stable financial position —— 87
Improvement in most of the value management figures —— 89
Cash and cash equivalents down significantly —— 92
Asset situation stable —— 93

Our mission

As a PROFITABLE QUALITY LEADER, we offer our customers first-class mobility and logistics solutions, that means excellent quality at affordable costs.

Our targets

Where did we stand in 2017 with regard to the achievement of our targets for 2020? (%)

2017 **Progress.** Are we progressing as planned? (Differential control at 100 % shows delays/leads as a proportion of the actual distance)
2020 **Target achievement.** To what extent has the DB2020+ target already been achieved? (100 % means actual value 2017 = target value 2020)

Our fields of activity

Service and quality
For example, improvements in the integrated rail system as a result of the Railway of the Future

International growth
Among other successes, DB Schenker remains on track for growth with its ambition of being the sector number one

Efficiency improvements
For example, improvements resulting from the OPEX program in terms of availability and maintenance expenses

Cost management
Strict cost management in all business units and in corporate management

Capacity adjustments
For example, the sustainable orientation of maintenance facilities toward the new facility strategy 2030

Restructuring
At DB Cargo in Great Britain and France, and elsewhere

Positive environment for global and European transport markets

Strong global demand promotes world trade

Development of important macroeconomic indicators compared to the previous year (%)	**2017**	2016	2015
GLOBAL TRADE (IN REAL TERMS)			
Trade in goods	+5.9	+2.2	+1.7
GDP			
Global	+3.0	+2.4	+2.8
USA	+2.3	+1.5	+2.9
China	+6.9	+6.7	+6.9
Japan	+1.8	+0.9	+1.4
Europe	+2.7	+2.0	+2.4
Eurozone	+2.5	+1.8	+2.0
Germany	+2.5	+1.9	+1.5

The data for 2015 to 2017, adjusted for price and calendar effects, is based on information and estimates available as of February 2018.

Source: Oxford Economics

Global economic growth picked up perceptibly in 2017. Virtually all the major economies contributed to this, with the exception of Great Britain. One of the main reasons was the improvement in world trade, taking the form of higher net exports – in China especially, but also in Germany. The Eurozone benefited from the strongest economic upturn in the last ten years. In many countries, though, partly because of the rise in energy prices, inflation was higher than in previous years – curbing growth in real incomes. Even so, widespread positive developments on the labor market kept growth in private consumption at a stable level. Pro-European election results in Europe decreased uncertainty, contributing to growth in investments in the second half of the year.

Energy markets were supported by sound economic performance

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

Tug-of-war over OPEC production cuts affects the price of oil

			Change	
Brent crude (USD/bbl)	**2017**	2016	absolute	%
Average price	54.7	45.1	+9.6	+21.3
Highest price	67.1	57.9	–	–
Lowest price	44.4	27.1	–	–
Year-end price	66.9	56.8	+10.1	+17.8

Source: Thomson Reuters

- The oil market in 2017 was especially affected by declines in supply due to production cuts by members of the Organization of Petroleum Exporting Countries (OPEC).
- Uncertainties due to geopolitical developments were another contributory factor – balanced, however, by higher oil production in the USA, due partly to measures taken by the new US government to facilitate production.
- Libya, Nigeria and Brazil reported significant production increases.
- Market performance was strengthened by transactions by speculative financial investors. Most of the momentum on the demand side stemmed from Asia, particularly India and China.

Electricity and coal markets closely correlated

			Change	
Base load power (following year) (€/MWh)	**2017**	2016	absolute	%
Average price	32.4	26.6	+5.8	+21.8
Highest price	38.4	35.8	–	–
Lowest price	28.0	20.7	–	–
Year-end price	37.2	31.4	+5.8	+18.5

Source: Thomson Reuters

- Price swings in the German electricity spot market, which were sometimes extreme, were due to the volatile supply of renewable energies and to supply shortages in connection with security concerns at French nuclear power stations.
- Higher coal prices and uncertainties about Germany's future energy policy raised prices on the futures market.
- Issue trading prices rose on the whole, affected by discussions about the possible design of the reform of the fourth trading period (2021–2030) and the possible consequences of Brexit.

GRI 201-1

Substantial improvement in the income situation

- Significant increase in revenues due to improved performance.
- DB Long-Distance drives growth in EBIT.
- Development in line with our forecast.

No major restrictions in comparability to the previous year

Trends in expenses and income in the year under review were not significantly influenced by CHANGES IN THE SCOPE OF CONSOLIDATION 173 FF.

Significant increase in revenues

Revenue performance was notably positive, with contributions from virtually all business units. It was largely driven by increased performance, with DB Schenker performing especially well.

- The REVENUE DEVELOPMENT OF BUSINESS UNITS 98 FF. was positive, with the exception of DB Cargo.
- RESTRICTIONS IN RAIL OPERATIONS 66 F. had negative effects on revenue development totaling over € 100 million.
- The special items in the year under review and the previous year were the result of revenue discounts for previous years.
- Changes in the scope of consolidation affected DB Arriva (€ +41 million), DB Schenker (€ +27 million), DB Cargo (€ +9 million) and the Other division (€ +1 million).
- The effects of exchange-rate changes were attributable to DB Arriva (€ –227 million), DB Schenker (€ –171 million) and DB Cargo (€ –17 million).
- Revenues increased even more strongly on a comparable basis (adjusted for special items, exchange rate changes and changes in the scope of consolidation).

Revenues adjusted (€ million)	**2017**	2016	Change absolute	Change %
DB Group	42,693	40,557	+2,136	+5.3
± Special items	11	19	-8	-42.1
DB Group adjusted	**42,704**	**40,576**	**+2,128**	**+5.2**
± Changes in the scope of consolidation	-78	-24	-54	-
± Exchange-rate changes	415	-	+415	-
DB Group - comparable	**43,041**	**40,552**	**+2,489**	**+6.1**

Revenues adjusted (€ billion)

External revenues by business units (€ million)	**2017**	2016	Change absolute	Change %
DB Long-Distance	4,193	4,012	+181	+4.5
DB Regional	8,629	8,529	+100	+1.2
DB Arriva	5,338	5,085	+253	+5.0
DB Cargo	4,209	4,230	-21	-0.5
DB Schenker	16,345	15,059	+1,286	+8.5
DB Netze Track	1,522	1,408	+114	+8.1
DB Netze Stations	540	519	+21	+4.0
DB Netze Energy	1,301	1,194	+107	+9.0
Other	627	540	+87	+16.1
DB Group adjusted	**42,704**	**40,576**	**+2,128**	**+5.2**

Revenue structure virtually unchanged

External revenue structure by divisions (%) 2017 (2016)

External revenue structure (%)	**2017**	2016
DB Long-Distance	9.8	9.9
DB Regional	20.2	21.0
DB Arriva	12.5	12.5
DB Cargo	9.9	10.4
DB Schenker	38.3	37.1
DB Netze Track	3.6	3.5
DB Netze Stations	1.3	1.3
DB Netze Energy	3.0	2.9
Other	1.4	1.4
DB Group	**100**	**100**

There were no significant changes to the revenue structure at business unit level.

External revenues by regions (€ million)	**2017**	2016	Change absolute	Change %
Germany	24,093	23,200	+893	+3.8
Europe (excluding Germany)	13,318	12,723	+595	+4.7
Asia/Pacific	2,935	2,587	+348	+13.5
North America	1,801	1,577	+224	+14.2
Rest of world	557	489	+68	+13.9
DB Group adjusted	**42,704**	**40,576**	**+2,128**	**+5.2**

Revenue development in the individual regions was driven primarily by positive business and volume development.

- Revenues in Germany rose, especially owing to growth in the Infrastructure, DB Long-Distance and DB Regional business units. The main negative effects were RESTRICTIONS IN RAIL OPERATIONS 66 F. and a performance-related decline in revenues at DB Cargo.
- Revenue development in Europe (excluding Germany) was positive, driven by new services at DB Arriva and business development at DB Schenker. Negative exchange rate effects from the development of the British pound had a dampening effect.
- Revenues increased in the Asia/Pacific and North America regions as a result of business development at DB Schenker. This was offset by negative exchange rate effects.

External revenues by regions (%) 2017 (2016)

Income development remains positive

Transition to the adjusted statement of income

- Special issues are eliminated in the adjusted statement of income. The transition to the adjusted statement is a two-step process. Firstly, standard reclassifications are carried out, then the figures are adjusted for individual special items.
- The reclassifications essentially relate to two issues.
  - The first issue is the reclassification of net interest income components not related to net financial debt and pension provisions: predominantly the compounding and discounting effects of non-current provisions (excluding pension obligations) and non-current liabilities (excluding financial debt). The non-operational character of these components can also be seen in the fact that their influence on net interest income very much depends on the interest rates as of the balance sheet date.
  - The second significant reclassification relates to the amortization of intangible assets capitalized in the course of purchase price allocation (PPA) of acquisitions conducted during the assessment of long-term customer contracts. Existing transport contracts are an essential component of the purchase price valuation, in passenger transport in particular. In order to safeguard the operating assessment and to prevent these contracts from being treated differently from other contracts, these amortization components are eliminated from the operating result. The sum reclassified in the year under review relates almost entirely to the acquisition of Arriva.
- Adjustments for special items involve issues which are extraordinary based on the reasons for them and/or the amounts involved, and which would have a significant negative effect on operating performance over time. Book profits and losses from transactions with subsidiaries/financial assets are adjusted regardless of their amounts. Individual items are adjusted if they are extraordinary in character, can be accounted for and assessed precisely and are significant in volume.

Operating profit figures exhibit very positive development

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

Exchange rate effects in the year under review reduced both income and expenses on the whole. Effects resulting from changes to the scope of consolidation were not significant.

Positive income development significantly improved adjusted EBIT. It should also be borne in mind that the negative effects of RESTRICTIONS IN RAIL OPERATIONS 66 F. totaling about € 140 million put a damper on development in the year under review.

- REVENUE DEVELOPMENT 83 F. was clearly positive.
- Other operating income rose for a number of reasons, among them the reimbursement of the NUCLEAR FUEL TAX 145 F., higher income from compensation payments and the reversal of provisions at DB Schenker, and the start of operation of new services by DB Arriva in the previous year.
- The cost of materials increased significantly in operating terms. This was essentially a result of a higher volume of purchased transport services at DB Schenker in the wake of increased demand and higher freight rates. The cost of energy increased owing to higher prices and larger volumes.

Transition to the adjusted statement of income (€ million)	2017	Reclassifications: IFRS compounding/ discounting	Reclassifications: Net investment income	Reclassifications: PPA amortization	Adjustment for special items: Restructuring	Adjustment for special items: Superstructure impairments	Adjustment for special items: Revaluation of legacy remediation/ real estate	Adjustment for special items: Other	2017 adjusted
Revenues	42,693	-	-	-	-	-	-	11	42,704
Inventory changes and other internally produced and capitalized assets	2,900	-	-	-	-	-	-	-	2,900
Other operating income	2,954	-	-	-	-127	-	-	-25	2,802
Cost of materials	-21,457	-	-	-	0	-	-	16	-21,441
Personnel expenses	-16,665	-	-	-	306	-	-	-4	-16,363
Other operating expenses	-5,890	-	-	-	26	-	180	12	-5,672
EBITDA/EBITDA adjusted	4,535	-	-	-	205	-	180	10	4,930
Depreciation	-2,847	-	-	73	19	125	-120	-28	-2,778
Operating profit (EBIT) | EBIT adjusted	**1,688**	**-**	**-**	**73**	**224**	**125**	**60**	**-18**	**2,152**
Net interest income | Net operating interest	-704	19	-	-	-	-	-	3	-682
Operating income after interest	**984**	**19**	**-**	**73**	**224**	**125**	**60**	**-15**	**1,470**
Result from investments accounted for using the equity method | Net investment income	14	-	-0	-	-	-	-	-	14
Other financial result	-30	-19	0	-	-	-	-	-	-49
PPA amortization customer contracts	-	-	-	-73	-	-	-	-	-73
Extraordinary result	-	-	-	-	-224	-125	-60	15	-394
Profit before taxes on income	**968**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**968**

Excerpt from adjusted statement of income (€ million)	2017 adjusted	2016 adjusted	Change: absolute	Change: thereof due to changes in the scope of consolidation	Change: thereof due to exchange rate effects	Change: %
Revenues	42,704	40,576	+2,128	+54	-415	+5.2
Inventory changes and other internally produced and capitalized assets	2,900	2,741	+159	-1	-2	+5.8
Other operating income	2,802	2,650	+152	+2	-14	+5.7
Cost of materials	-21,441	-19,858	-1,583	-36	+191	+8.0
Personnel expenses	-16,363	-15,669	-694	-9	+135	+4.4
Other operating expenses	-5,672	-5,643	-29	-9	+72	+0.5
EBITDA adjusted	4,930	4,797	+133	+1	-33	+2.8
Depreciation	-2,778	-2,851	+73	-4	+11	-2.6
EBIT adjusted	**2,152**	**1,946**	**+206**	**-3**	**-22**	**+10.6**
Net operating interest	-682	-721	+39	+1	+4	-5.4
Operating income after interest	**1,470**	**1,225**	**+245**	**-2**	**-18**	**+20.0**
Net investment income	14	34	-20	-	+0	-58.8
Other financial result	-49	-65	+16	-0	+2	-24.6
PPA amortization customer contracts	-73	-91	+18	-	+2	-19.8
Extraordinary result	-394	-397	+3	-	-1	-0.8
Profit before taxes on income	**968**	**706**	**+262**	**-2**	**-15**	**+37.1**

- Personnel expenses also increased significantly. Aside from collective wage increases, the higher number of employees also had an impact – particularly at DB Schenker and DB Netze Track, and as a result of the start of operations and acquisitions at DB Arriva.
- There was a slight increase in other operating expense. This trend was driven by higher rental expenses, at DB Schenker first and foremost.

Overall income climbed more significantly than expenses. There was a significant increase in adjusted EBITDA.

- Depreciation declined slightly owing to lower net capital expenditures and lower extraordinary depreciation at DB Netze Track. Lower depreciation on vehicles also had an impact, at DB Long-Distance first and foremost.

The development of the adjusted PROFIT FIGURES OF THE BUSINESS UNITS 98 FF. was varied. Performance at the DB Long-Distance, DB Netze Track and DB Schenker business units was very positive in particular. Owing to additional charges in the maintenance and personnel divisions and to allocations to the provision for pending losses, the

development at DB Regional had the opposite effect. Income development was also weaker at DB Cargo, DB Netze Energy and in the Other division.

EBIT adjusted by business units (€ million)	2017	2016	Change absolute	Change %
DB Long-Distance	381	173	+208	+120
DB Regional	508	636	-128	-20.1
DB Arriva	301	280	+21	+7.5
DB Cargo	-90	-81	-9	+11.1
DB Schenker	477	410	+67	+16.3
DB Netze Track	687	561	+126	+22.5
DB Netze Stations	233	221	+12	+5.4
DB Netze Energy	72	126	-54	-42.9
Other/consolidation	-417	-380	-37	+9.7
DB Group	**2,152**	**1,946**	**+206**	**+10.6**

The development of the operating result after interest was significantly positive. In addition to the positive development in EBIT, net operating interest also improved in connection with the reimbursement of the nuclear fuel tax and lower interest rates on refinancing operations.

The decline in net investment income was essentially driven by London Overground (the business has been transferred to Arriva Rail London, which is fully consolidated) and Barraqueiro at DB Arriva.

The development of the other financial result was primarily attributable to the compounding of provisions. This was offset by the effects of hedging transactions.

Extraordinary charges remained at the previous year's level, not substantially affecting the development of the result before income taxes, which also significantly improved.

Extraordinary charges at the previous year's level

Extraordinary result (€ million)	2017	thereof affecting EBIT	2016	thereof affecting EBIT
DB Long-Distance	-	-	-	-
DB Regional	21	21	2	2
DB Arriva	5	5	-7	-7
DB Cargo	-5	-5	-48	-48
DB Schenker	-105	-105	-4	-4
DB Netze Track	-10	-7	-4	-1
DB Netze Stations	-10	-10	-1	-1
DB Netze Energy	-15	-15	-244	-244
Other/consolidation	-275	-275	-91	-91
DB Group	**-394**	**-391**	**-397**	**-394**

There was no substantial change in the extraordinary result, which was composed inter alia of the following special items:

- Expenses relating to restructuring measures at DB Regional, DB Cargo, DB Schenker and Other.
- Effects of impairments relating to the superstructure (decommissioning overhead line systems on disused routes) at DB Netze Track.
- Expenses relating to the increase in the provision for legacy remediation (Other division) and income from the recovery in value and reductions in provisions for real estate owing to an altered portfolio strategy (DB Netze Track).

The extraordinary result in the previous year was composed inter alia of the following special items:

- Expenses in connection with the accrual of provisions relating to our stake in Neckar-Westheim joint venture power plant, prompted by the findings of the commission reviewing the financing of Germany's nuclear phase-out at DB Netze Energy.
- Expenses relating to restructuring measures at DB Regional, DB Cargo, DB Schenker and the Other division.

Improved net profit for the year

Excerpt from statement of income (€ million)	2017	2016	Change absolute	Change %
Profit before taxes on income	968	706	+262	+37.1
Taxes on income	-203	10	-213	-
Actual taxes on income	-180	-157	-23	+14.6
Deferred tax expenses	-23	167	-190	-
Net profit for the year	**765**	**716**	**+49**	**+6.8**
DB AG shareholders	745	695	+50	+7.2
Other shareholders (non-controlling interests)	20	21	-1	-4.8
Earnings per share (€)				
Undiluted	1.73	1.62	+0.11	+6.8
Diluted	1.73	1.62	+0.11	+6.8

The marked improvement in the profit before taxes was weakened by the development of the income tax position. The dominant factor here was the marked decline in the development of the deferred tax position at DB AG due to weaker fiscal profit expectations of DB Group. The increase in net profit for the year (profit after taxes) was thus less significant.

Earnings per share developed accordingly.

Minor deviations from the projected income situation

Outlook for 2017 financial year	2016	2017 (March 2017 forecast)	2017 (July 2017 forecast)	2017
Revenues (€ billion)	40.6	>41.5	>42.5	42.7
EBIT adjusted (€ billion)	1.9	≥2.1	≥2.2	2.2
ROCE (%)	5.9	≥6.0	>6.0	6.1
Redemption coverage (%)	18.1	≥18.5	>18.5	18.7

On the whole the development of the income situation in the year under review was in line with our expectations.

Revenues (€ million)	2016	**2017 (March 2017 forecast)**	**2017 (July 2017 forecast)**	**2017**
DB Long-Distance	4,159	↗	↗	4,347
DB Regional	8,653	→	→	8,734
DB Arriva	5,093	↗	↗	5,345
DB Cargo	4,560	→	→	4,528
DB Schenker	15,128	↗	↗	16,430
DB Netze Track	5,228	↗	↗	5,364
DB Netze Stations	1,233	↗	↗	1,265
DB Netze Energy	2,779	↘	↘	2,794

↗ Above previous year's figure
→ At previous year's level
↘ Below previous year's figure

At the business unit level, revenue development in the year under review was largely in line with our forecast of July 2017.

DB Regional performed better than forecast because aperiodic revenues were higher than expected. DB Netze Energy also exceeded revenue expectations for performance-related reasons. Business development with non-Group customers was more positive than planned.

At DB Cargo performance was rather weaker than expected, as the negative effects of operating restrictions made themselves felt.

EBIT adjusted (€ million)	2016	**2017 (March 2017 forecast)**	**2017 (July 2017 forecast)**	**2017**
DB Long-Distance	173	↗	↗	381
DB Regional	636	↗	↘	508
DB Arriva	280	↗	↗	301
DB Cargo	- 81	↗	↗	- 90
DB Schenker	410	↗	↗	477
DB Netze Track	561	↗	↗	687
DB Netze Stations	221	↗	→	233
DB Netze Energy	126	↘	↘	72

↗ Above previous year's figure
→ At previous year's level
↘ Below previous year's figure

The actual EBIT development for the individual business units during the year under review was largely in line with our forecasts of July 2017.

DB Cargo performed somewhat more weakly than expected owing inter alia to the negative effects of operating restrictions.

DB Netze Stations exceeded profit expectations, owing inter alia to expenses that were lower than expected.

Stable financial position

- A total of nine bonds (€ 2.0 billion) issued.
- Issue program for AUD bonds established.
- Ratings stable.

Slight rise in the interest level

German bunds (ten-year) (%)	**2017**	2016	Change (percentage points)
Average yield	0.38	0.13	+ 0.25
Highest yield	0.64	0.58	+ 0.06
Lowest yield	0.15	- 0.20	+ 0.35
Year-end yield	0.24	0.20	+ 0.04

Source: Thomson Reuters

Yields on ten-year German Federal bonds (bunds) were on an upward trend in 2017. While the US Federal Reserve (Fed) raised its key interest rate to 1.25–1.50% in three interest rate hikes in 2017, the European Central Bank (ECB) maintained its extremely loose monetary policy. With inflation in the Eurozone picking up slightly, the ECB announced a reduction in the volume of its bond purchase program in 2018 and an extension of its term to at least the end of September 2018. Yields consequently rose as high as 0.64%. It was not only the central banks that had a significant impact on bonds: so did the equity market. The positive development on the stock exchanges was also reflected in investors' continuing willingness to accept risk.

Financial management unchanged

As of Dec 31 (€ billion)	**Volume 2017**	**thereof utilized**	Volume 2016	thereof utilized
European debt issuance program	25.0	19.3	25.0	19.6
Australian debt issuance program (AUD 5 billion)	3.4	0.5	-	-
Multi-currency multi-issuer commercial paper program	2.0	-	2.0	-
Guaranteed unutilized credit facilities	2.0	-	2.0	-

In addition to aiming for a sustained rise in enterprise value, DB Group's financial management focuses on maintaining a capital structure that will ensure excellent credit ratings. The key indicators used for this purpose – redemption coverage, gearing and net financial debt/EBITDA – are explained in the section VALUE MANAGEMENT 89 F.

- DB Group has a European debt issuance program (EDIP) available to it for long-term debt financing. Six BONDS 88 were issued under the EDIP in the year under review (total volume: € 1.5 billion). Conversely, bonds with a total volume of € 1.8 billion were repaid. The degree of utilization of the EDIP as of December 31, 2017 was 77% (as of December 31, 2016: 78%).
- We set up an Australian debt issuance program (kangaroo program) in the amount of AUD 5 billion in order to be able to react more flexibly to investor demand in the Asia/Pacific region. We issued three bonds under the new program in the year under review (total volume: AUD 0.75 billion). The degree of utilization of the kangaroo program as of December 31, 2017 was 15%.
- A multi-currency, multi-issuer commercial paper program remains available to us in the field of short-term debt financing. It was utilized only occasionally during the year under review.
- As of December 31, 2017 we also had guaranteed unutilized credit facilities with a remaining term of between 1.0 and 2.0 years, and another guaranteed unutilized credit facility of € 0.1 billion (as of December 31, 2016: € 0.1 billion).
- In addition, we were able to rely on credit lines of € 2.2 billion for the operating business (as of December 31, 2016: € 2.2 billion). These credit lines, which are made available to our subsidiaries around the world, include provisions for financing working capital as well as sureties for payment.

No major finance lease transactions were concluded in the year under review. Repayments reduced the finance lease volume to € 501 million (as of December 31, 2016: € 533 million).

We concluded two sale-and-leaseback contracts to finance regional rail passenger transport vehicles.

- The lease contract for 27 new Alstom trains for the Nuremberg S-Bahn (metro) network (batch 2) begins on December 13, 2020. The contract has an imputed term of 24 years, with DB Regional as the lessee for the first transport contract period of ten years. The nominal lease volume for this period is € 82 million. The Free State of Bavaria has issued a capital service guarantee to secure the financing.
- For the Saar E-Netz tender (batch 1), 25 new Alstom trains are being financed for an imputed lease term of 30 years from December 15, 2019. DB Regional is the lessee for the first transport contract period of 15 years with a nominal leasing volume of € 97 million. The transaction is secured by financial vehicle support from the public transport authorities.

Nine bonds issued

ISIN	Issuer	Currency	Volume (million)	Volume (€ million)	Coupon (%)	Maturity	Term (years)
XS1566135098 [1]	DB Finance	NOK	700	79	2.490	Feb 2032	15.0
XS1626600040	DB Finance	EUR	500	500	1.500	Dec 2032	15.5
XS1640854144	DB Finance	GBP	300	341	1.375	Jul 2025	8.0
XS1648304621 [1]	DB Finance	SEK	530	55	2.200	Jul 2032	15.0
AU3CB0247401	DB Finance	AUD	425	285	3.500	Sep 2024	7.0
AU3CB0247419	DB Finance	AUD	175	117	3.800	Sep 2027	10.0
CH0385997108	DB Finance	CHF	300	261	0.450	Nov 2030	13.0
AU3CB0248250	DB Finance	AUD	150	100	4.050	Oct 2032	15.0
XS1730863260	DB Finance	EUR	300	300	FRN	Dec 2024	7.0

[1] Private placement.

In the year under review, we issued nine bonds with a countervalue of € 2.0 billion through the Group's financing company DB FINANCE 87 F. The funds were raised to refinance due liabilities. The proceeds of bonds not issued in euros were converted into euros.

Most of the demand for the four public issues under the European debt issuance program came from institutional investors in Europe. The two private placements went to institutional investors in Scandinavia and South Korea.

In September we issued our first bonds under the newly established Australian debt issuance program with a dual-tranche issue. Most of the demand for the three issues came from institutional investors in the Asia/Pacific region (especially Japan and Australia).

Ratings stable

Ratings DB AG	First issued	Last confirmed	Current ratings: Short-term	Current ratings: Long-term	Current ratings: Outlook
S&P Global Ratings	May 16, 2000	July 15, 2016	A-1+	AA-	Stable
Moody's	May 16, 2000	September 28, 2015	P-1	Aa1	Stable

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 provide an independent, up-to-date assessment of a company's creditworthiness. When determining ratings for DB AG, the ownership structure means that 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 that DB AG could receive from it. This means that the ratings given to the Federal Government are also significant for the ratings given to DB AG.

Both agencies published updates to their assessments of DB AG during the year under review, leaving the ratings and outlook unchanged.

Further information on the subject of RATINGS and the rating agencies' full analyses of DB AG are available on our Investor Relations page.

Improvement in most of the value management figures

- Target ROCE adjusted to ≥ 8.0%.
- Development of operating profit drives ROCE and redemption coverage.
- Rise in net financial debt impacts gearing and net financial debt/EBITDA.

Value management targets (%)	DB Group	Passenger transport	Freight transport and logistics	Infra-structure	Integrated rail system
ROCE	≥ 8.0	≥ 10.0	≥ 12.0	6.0	≥ 7.5
Redemption coverage	≥ 25	≥ 50	≥ 50	≥ 25	≥ 25
Gearing	100	100	100	100	100
Net financial debt/EBITDA (multiple)	≤ 2.5	≤ 1.5	≤ 1.5	≤ 2.5	≤ 2.5

In the context of our value management we intend to maintain, increase and guarantee DB Group's enterprise value over the long term so that we can finance capital expenditures on our core business. The financial management of DB Group and therefore also the monitoring of the success of our targets for profitable growth is performed on the basis of a value management system based on key figures. The results are an important factor for our strategic approach, our capital expenditure decisions, and employee and management remuneration.

Our value management approach is based on profitability and creditworthiness.

- Profitability: profitability as an overriding target in value management ensures that investors receive a reasonable long-term rate of return over several economic cycles. We calculate the weighted average cost of capital (WACC) of debt and equity capital on an annual basis using market values. The actual return, ROCE, is calculated as the ratio of the operating income before interest and taxes (EBIT adjusted) to capital employed. The ROCE target is set higher than the cost of capital. In light of the persistently low interest level, we adjusted ROCE targets for DB Group, the Freight Transport and Logistics area and Infrastructure in the year under review. The long-term objective is to achieve an ROCE whose multi-year average is above the target value, thus ensuring that cost of capital is covered. This ROCE target corresponds to the minimum required rate of return (MRR). The different business characteristics result in different target values for our activities in passenger transport, in logistics and in rail freight transport as well as in infrastructure. The cost of capital and thus the expected returns from the infrastructure business units are lower than in passenger transport, logistics and rail freight transport owing to our projection of continuing low profit volatility. The target value for the integrated rail system was derived for the first time in the year under review from the value-weighted return expectations of all business units in DB Group except DB Arriva and DB Schenker. The operating business is always controlled before taxes, and the reporting of key figures is accordingly based mainly on pre-tax figures.
- Creditworthiness: it is essential for us as a capital-intensive business to have permanent access to the capital market on favorable terms and conditions. An additional material target of our value management is consequently achieving appropriate key debt ratios from the standpoint of our debt investors. The key figures for controlling indebtedness are redemption coverage (the ratio of adjusted operating cash flow after taxes to adjusted net financial debt), gearing (the ratio of net financial debt to equity) and the ratio of net financial debt to adjusted EBITDA. Target values for key debt ratios are derived from key rating figures and annual benchmarking with comparable companies with an excellent credit rating.

ROCE increased

ROCE (€ million)	2017	2016	Change absolute	Change %
EBIT adjusted	2,152	1,946	+206	+10.6
/ Capital employed as of Dec 31[1]	35,093	33,066	+2,027	+6.1
ROCE (%)	**6.1**	**5.9**	**-**	**-**

[1] Previous year's figure adjusted 173 F.

The ROCE improved by 0.2 percentage points owing to a slightly disproportionate increase in adjusted EBIT in comparison with capital employed.

Significant rise in capital employed

Capital employed as of Dec 31 (€ million)	2017	2016	Change absolute	Change %
BASED ON ASSETS				
Property, plant and equipment	39,608	38,884	+724	+1.9
+ Intangible assets/goodwill[1]	3,599	3,691	-92	-2.5
+ Inventories	1,151	1,062	+89	+8.4
+ Trade receivables	4,571	3,974	+597	+15.0
+ Receivables and other assets[1]	1,922	1,752	+170	+9.7
− Receivables from financing	-131	-134	+3	-2.2
+ Income tax receivables	52	54	-2	-3.7
+ Assets held for sale	0	0	-	-
− Trade liabilities	-5,157	-5,100	-57	+1.1
− Miscellaneous and other liabilities	-3,632	-3,763	+131	-3.5
− Income tax liabilities	-150	-150	-	-
− Other provisions	-5,117	-5,334	+217	-4.1
− Deferred items[1]	-1,623	-1,870	+247	-13.2
Capital employed[1]	**35,093**	**33,066**	**+2,027**	**+6.1**

[1] Previous year's figure adjusted 173 F.

Capital employed equates to the assets deemed necessary for business and subject to the cost of capital, as derived from the balance sheet. The reasons for the increase in capital employed included capital expenditures on ICE trains and higher trade receivables for performance- and balance-sheet-date-related reasons, especially at DB Schenker.

Cost of capital down

The cost of capital is updated annually to take account of changes in market parameters. We take the long-term focus of the controlling concept into consideration and balance out short-term fluctuations.

DB Group recorded a decline in the cost of capital in the year under review, both before and after taxes.

Cost of capital before taxes as of Dec 31 (%)	2017	2016
DB Group	7.0	7.3
Passenger transport	7.3	7.4
Freight transport and logistics	8.6	9.2
Infrastructure	6.0	6.7
Integrated rail system	6.6	7.0

Cost of capital after taxes as of Dec 31 (%)	2017	2016
DB Group	4.8	5.1
Passenger transport	5.1	5.1
Freight transport and logistics	6.0	6.4
Infrastructure	4.2	4.6
Integrated rail system	4.6	4.9

We calculate DB Group's cost of capital as a weighted average interest rate of equity, net financial debt and pension obligations. Determined once a year, this reflects current capital market parameters, the prevailing tax framework and the value share of methods used to finance capital employed.

When determining the company-independent capital market parameters, market risk premium and risk-free interest rates, fluctuations in short-term debt and equity market returns are smoothed out in line with the long-term focus of our value management concept. The parameters are determined on the basis of the yields on long-term bunds as well as the long-term average returns of the German DAX 30 equity index. The parameters used are also validated on the basis of up-to-date recommendations of recognized valuation experts. The company-dependent capital market parameters, beta and credit spread, measure the risk of our debt and equity financing in comparison with alternative forms of investment. Beta reflects the risk of equity capital relative to the risks of the equity markets. The determination is based on comparable international companies at business unit level. The credit spread corresponds to DB Group's current issue costs relative to bunds with an imputed term of ten years. The credit spread for transport and logistics is determined in line with market conditions, using the current capital market data of companies with comparable creditworthiness.

DB Group ■ Passenger transport ■ Freight transport and logistics ■ Infrastructure ■ Integrated rail system

1) Impact of capital structure is reflected only in the tax shield; because DB Group is a consolidated tax group the capital structure of DB Group is used.

Information as of December 31, 2017 (%).

Tax factors are calculated using a taxation rate of 30.5%. The tax factor for net financial debt reflects the German trade tax on attributable financing costs. Remaining taxes are fully assigned to the cost of equity. The weighting of forms of financing is based on market values. Net financial debt and pension obligations are valued at their carrying amounts. Equity weighting is based on recognized business valuation methods.

The weighting of forms of financing for passenger transport, rail freight transport, logistics, infrastructure and the integrated rail system corresponds to that of DB Group as the tax shield resulting from the tax-deductible status of debt interest arises, as a rule, from the fact that DB Group is a consolidated tax group.

ROCE still lower than the cost of capital

Yield spread (%)	**2018**	2017	2016	2015	2014
ROCE	-	6.1	5.9	5.3	6.3
Pre-tax WACC 1)	7.0	7.3	7.7	8.4	9.1
Spread (percentage points)	**-**	**-1.2**	**-1.8**	**-3.1**	**-2.8**

1) Each value taken at the beginning of the year.

In the year under review the negative difference between ROCE and the cost of capital slightly decreased. The shortfall is mainly due to the lack of profitability of the RIC and of DB Cargo.

Key debt ratios improved

Slight rise in redemption coverage

Redemption coverage (€ million)	2017	2016	Change absolute	Change %
EBITDA adjusted	4,930	4,797	+133	+2.8
⊕ Net operating interest	-682	-721	+39	-5.4
⊕ Depreciation share of lease rates	1,079	1,005	+74	+7.4
⊕ Original tax expenditure	-180	-157	-23	+14.6
Operating cash flow after taxes	**5,147**	**4,924**	**+223**	**+4.5**
Net financial debt as of Dec 31	18,623	17,624	+999	+5.7
⊕ Present value of operating leases as of Dec 31	4,934	5,002	-68	-1.4
Adjusted net financial debt as of Dec 31	**23,557**	**22,626**	**+931**	**+4.1**
⊕ Pension obligations as of Dec 31[1]	3,940	4,522	-582	-12.9
⊘ **Adjusted net debt as of Dec 31[1]**	**27,497**	**27,148**	**+349**	**+1.3**
Redemption coverage (%)	**18.7**	**18.1**	**-**	**-**

[1] Previous year's figure adjusted 173 F.

The redemption coverage as of December 31, 2017 was above the previous year's value. The increase in the adjusted operating cash flow after taxes was more significant than the rise in adjusted net debt. Declining pension obligations partly made up for higher net financial debt.

Gearing improved

Gearing as of Dec 31 (€ million)	2017	2016	Change absolute	Change %
Financial debt	22,076	22,481	-405	-1.8
⊖ Cash and cash equivalents and receivables from financing	-3,528	-4,584	+1,056	-23.0
⊖ Effects from currency hedges	75	-273	+348	-
Net financial debt	**18,623**	**17,624**	**+999**	**+5.7**
⊘ Equity[1]	14,238	12,657	+1,581	+12.5
Gearing (%)[1]	**131**	**139**	**-**	**-**

[1] Previous year's figure adjusted 173 F.

Gearing has improved slightly, but it remains above the target value of 100%. The main factor underlying this development was EQUITY 96, which rose more strongly than NET FINANCIAL DEBT 93 F.

[1] Figure adjusted 173 F.

Slight deterioration in net financial debt/EBITDA

Net financial debt/EBITDA (€ million)	2017	2016	Change absolute	Change %
Net financial debt as of Dec 31	18,623	17,624	+999	+5.7
⊘ EBITDA adjusted	4,930	4,797	+133	+2.8
Net financial debt/EBITDA (multiple)	**3.8**	**3.7**	**-**	**-**

There was a slight deterioration in the year under review in the key indicator net financial debt/EBITDA. The improvement in adjusted EBITDA could not entirely compensate for the rise in net financial debt.

Cash and cash equivalents down significantly

Summary statement of cash flows (€ million)	2017	2016	Change absolute	Change %
Cash flow from operating activities	2,329	3,648	-1,319	-36.2
Cash flow from investing activities	-3,569	-2,665	-904	+33.9
Cash flow from financing activities	239	-1,029	+1,268	-
Net change in cash and cash equivalents	-1,001	-46	-955	-
Cash and cash equivalents as of Dec 31	3,397	4,450	-1,053	-23.7

— The significant decline in cash flow from operating activities was mainly due to negative working capital effects (principally higher trade receivables for performance- and balance-sheet-date-related reasons). There was also a negative one-off effect in connection with

the DISPOSAL FUND ACT 145 (about € 400 million). The positive development of the result before taxes and depreciation (€ +79 million) compensated for this slightly.

- Cash outflow from investing activities increased markedly. This was essentially the result of higher payments for net capital expenditures (€ +875 million), in connection with the purchase of ICE 4 trains, among other things. Furthermore, the cash outflow for the acquisition of shares in companies reported at cost in the consolidated financial statements rose (€ +28 million), mainly because of the holding in USHIP 129 at DB Schenker.
- Cash flow from financing activities increased markedly. The development was mainly driven by the FEDERAL GOVERNMENT'S CAPITAL MEASURES 43 (cash flow from the capital increase: € +1,000 million, lower dividend payment: € –250 million).

  At the same time cash outflows from the redemption of financial credits and repayments of finance lease liabilities both declined, by € 211 million and € 148 million respectively.

  This was offset by an overall decline in cash flow from the ISSUE AND REDEMPTION OF BONDS 88 (€ +356 million).
- As of December 31, 2017, as scheduled, DB Group held significantly fewer cash and cash equivalents compared with the end of the previous year.

Asset situation stable

- Rise in net financial debt partly due to capital expenditures.
- Increase in capital expenditures driven by infrastructure and vehicles.
- Improved equity ratio due to capital measures and profit.

Net financial debt increased

Net financial debt as of Dec 31 (€ million)	**2017**	2016	Change absolute	Change %
Interest-free loans	1,014	1,172	–158	–13.5
Finance lease liabilities	501	533	–32	–6.0
Other financial debt	20,561	20,776	–215	–1.0
thereof bonds	19,616	19,740	–124	–0.6
Financial debt	**22,076**	**22,481**	**–405**	**–1.8**
⊖ Cash and cash equivalents and receivables from financing	–3,528	–4,584	+1,056	–23.0
⊖ Effects from currency hedges	75	–273	+348	–
Net financial debt	**18,623**	**17,624**	**+999**	**+5.7**

Net financial debt rose as of December 31, 2017, mainly as a result of higher funds needed for capital expenditures, the payment due to the DISPOSAL FUND ACT 145 and working capital.

- Financial debt decreased slightly:
  - Interest-free loans were reduced by redemptions.
  - Finance lease liabilities were down, mainly because of redemptions.
  - The value in euros of outstanding BONDS 88 fell as a result of exchange rate effects (€ –0.3 billion). These effects especially resulted from the development of the Swiss franc.
- Currency hedges, which are based on the exchange rate hedged at the time of issue, increased debt (as of December 31, 2016: reduced it), offsetting the positive effect in the bond portfolio. Since our foreign currency-denominated bonds are, with very few exceptions, hedged against currency fluctuations by corresponding derivatives, exchange rate effects are offset by the corresponding opposite position of the hedge.
- Cash and cash equivalents were reduced significantly.

Net financial debt as of Dec 31 (€ billion)

The maturity structure of the financial debt was unchanged as of December 31, 2017.

Maturity structure of financial debt as of Dec 31 (%) 2017 (2016)

The composition of financial debt was largely unchanged as of December 31, 2017.

Composition of financial debt as of Dec 31 (%) 2017 (2016)

Significant rise in capital expenditures

GRI 203-1

#CONSTRUCTION

Capital expenditures (€ million)	2017	2016	Change absolute	Change %
Gross capital expenditures	10,464	9,510	+954	+10.0
Investment grants	6,724	6,190	+534	+8.6
Net capital expenditures	**3,740**	**3,320**	**+420**	**+12.7**

The increase in gross capital expenditures was mainly due to markedly higher expenditure on track infrastructure and vehicles. Investment grants also increased significantly, accounting for about 64% of gross capital expenditures (previous year: about 65%).

Most of the rise in net capital expenditures was driven by DB Long-Distance, with new ICE trains and the facility infrastructure accounting for the bulk of it.

Gross capital expenditures by divisions (%) 2017 (2016)

Our capital expenditure activities focused especially on measures to improve performance and efficiency in the area of track infrastructure and the rejuvenation of our fleet. The structure of our gross capital expenditures shifted in favor of passenger transport, mainly because of higher capital expenditures on the ICE fleet.

Capital expenditure priorities unchanged in Germany

Gross capital expenditures by regions (€ million)	2017	2016	Change absolute	Change %
Germany	9,906	8,956	+950	+10.6
Europe (excluding Germany)	546	543	+3	+0.6
Asia/Pacific	61	40	+21	+52.5
North America	9	10	-1	-10.0
Rest of world	5	5	-	-
Consolidation	-63	-44	-19	+43.2
DB Group	**10,464**	**9,510**	**+954**	**+10.0**

Net capital expenditures by regions (€ million)	2017	2016	Change absolute	Change %
Germany	3,184	2,768	+416	+15.0
Europe (excluding Germany)	544	541	+3	+0.6
Asia/Pacific	61	40	+21	+52.5
North America	9	10	-1	-10.0
Rest of world	5	5	-	-
Consolidation	-63	-44	-19	+43.2
DB Group	**3,740**	**3,320**	**+420**	**+12.7**

In the regional breakdown of gross capital expenditures, the focus remained on Germany. The rise can particularly be attributed to higher capital expenditures on vehicles at DB Long-Distance and higher infrastructure expenditures at DB Netze Track. In addition, station modernization increased capital expenditures at DB Netze Stations. Elsewhere, capital expenditures fell, especially in the Other division.

In the Europe (excluding Germany) region, capital expenditures remained at the previous year's level. Higher capital expenditures at DB Arriva (vehicles at UK Bus) and DB Schenker were almost entirely compensated by a decline at DB Cargo UK, mostly due to the completion of large vehicle acquisitions in the previous year.

One reason for the significant rise in the Asia/Pacific region was capital expenditures on logistics centers in China and Taiwan.

Gross capital expenditures by regions (%) 2017 (2016)

Investment grants primarily for infrastructure

Of the investment grants received by DB Group in the year under review (€ 6,724 million), almost all of them (€ 6,671 million) related to infrastructure. The most important funding sources for infrastructure capital expenditures are grants, mostly from the Federal Government, the Federal states and local authorities.

Most of these are based on the LUFV 218 F. and the Federal Rail Infrastructure Extension Act (Bundesschienenwegeausbaugesetz; BSWAG). Additional investment grants are allocated under the Municipal Transport Financing Act (Gemeindeverkehrsfinanzierungsgesetz; GVFG), the FEDERAL GOVERNMENT'S NOISE REMEDIATION PROGRAM 79 and the CAPITAL EXPENDITURE PROGRAM FOR THE FUTURE 133.

The European Union allocates grants (Trans-European Network (TEN) and Connecting Europe Facility (CEF)) for infrastructure capital expenditures on TEN.

In addition to investment grants, DB Group also receives (significantly lower) grants recognized as income, mainly in respect of infrastructure.

On the balance sheet, investment grants are directly deducted from the COST OF PURCHASE AND COST OF PRODUCTION 186 of the assets to which they relate. The recognition of all grants is such that the responsible Federal agencies can conduct comprehensive checks to ensure that they are spent in accordance with their purpose and the law.

A transparent description of the various FORMS OF GRANTS is available online.

[1] Includes projects of the requirement plan.

[2] New and expansion projects may also include replacement capital expenditures within the framework of existing network measures.

Significant rise in equity, due among others to the capital increase

Balance sheet as of Dec 31 (€ million)	**2017**	2016	Change absolute	Change %
Balance sheet total [1]	56,436	56,324	+112	+0.2
ASSETS				
Non-current assets [1]	45,625	45,290	+335	+0.7
Current assets	10,811	11,034	-223	-2.0
EQUITY AND LIABILITIES				
Equity [1]	14,238	12,657	+1,581	+12.5
Long-term debt capital [1]	27,510	28,525	-1,015	-3.6
Short-term debt capital [1]	14,688	15,142	-454	-3.0

[1] Previous year's figure adjusted 173 F.

Balance sheet structure as of Dec 31 (%) 2017 (2016)

[1] Previous year's figure adjusted 173 F.

There were no material changes to IFRS regulations for DB Group's consolidation and accounting principles that would result in any changes to the consolidated financial statements. THE EXERCISE OF BALANCE SHEET VOTING RIGHTS 172 F. is explained in the notes to the consolidated financial statements.

The balance sheet total rose slightly.

- Current assets were slightly higher, particularly because of property, plant and equipment (€ +724 million). The main factor was vehicle acquisitions at DB Long-Distance. Items reporting declines, conversely, were derivative financial instruments (€ −179 million), deferred tax assets (€ −95 million) due to lower tax expectations at DB AG and intangible assets (€ −92 million), partly because of depreciation.
- The fall in current assets was essentially driven by the fall in cash and cash equivalents (€ −1,053 million). The increase in trade receivables (€ +597 million) and short-term other receivables and assets (€ +187 million), mostly due to balance-sheet-date-related factors, countered this impact.

In structural terms this did not result in any material change on the asset side.

Equity ratio as of Dec 31 (%)

On the liabilities side there was a considerable increase in equity. The major factors here were the CAPITAL INCREASE 43 (€ +1,000 million), the generated net profit for the year (€ +765 million) and the interest-related increase in the changes recognized in the reserves in connection with the revaluation of pensions (€ +610 million). The major factors countering this were the dividend payment to the Federal Government (€ −600 million) and the changes in connection with currency volatility recognized in the reserves (€ −175 million).

The equity ratio improved owing to the disproportionate rise in equity.

- Non-current debt capital fell, owing principally to:
  - a decline in pension obligations (€ −582 million) due to a slight rise in the interest rate in the revaluation,
  - lower levels of non-current FINANCIAL DEBT 93 F. (€ −326 million) and
  - a decline in deferred income (€ −152 million) due especially to date-related factors in the previous year.
- Current debt capital also fell, owing mainly to:
  - lower current other provisions (€ −229 million), especially as a result of the partial utilization of the provision for decommissioning obligations in connection with the DISPOSAL FUND ACT 145,
  - lower current other liabilities (€ −112 million) for personnel and interest, inter alia,
  - lower deferred income (€ −95 million),
  - lower current financial debt (€ −79 million), mainly due to the redemption of maturing bank debt, and
  - trade liabilities rose (€ +57 million), conversely, because of balance-sheet-date-related and other factors at DB Schenker.

Within the structure of the equity and liabilities side, the ratio of non-current and current liabilities to the balance sheet total declined accordingly.

Off-balance-sheet financial instruments and unrecognized assets

In addition to the assets shown in the consolidated balance sheet, DB Group also uses off-balance-sheet financial instruments and assets that cannot be recognized in the balance sheet.

Most of the off-balance-sheet financial instruments are leased or rented items (operating leases) for which a present value is determined (as of December 31, 2017: € 4,934 million; as of December 31, 2016: € 5,002 million). DB Arriva enters into operating lease contracts, in some cases because of regulatory requirements, especially in conjunction with the provision of vehicles. Transactions in connection with new transport contracts were compensated in the year under review by the decline in existing contracts.

In addition, we used factoring to sell smaller volumes of receivables (as of December 31, 2017: € 500 million; as of December 31, 2016: € 446 million).

With regard to the company pension scheme for employees, the obligations under each retirement scheme are, to some extent, covered and netted by plan assets which are capable of being netted. As of December 31, 2017, total obligations amounted to € 10,538 million (as of December 31, 2016: € 10,957 million) and the fair value of plan assets was € 5,298 million (as of December 31, 2016: € 5,023 million). The balancing process leads to a reduction in the balance sheet total. The net obligation recognized on the balance sheet was € 3,940 million (as of December 31, 2016: € 4,522 million). No substantial endowments were made in the year under review that would have had a significant impact on the financial position.

ADDITIONAL INFORMATION 172 FF.

GRI 102-9

Slight decline in purchasing volume

The purchasing volume corresponds to the contractual obligations to suppliers that DB Group has entered into. On subsequent realization these become capital expenditures or expenses (mainly cost of materials and other operating expenses). The purchasing volume was € 30.3 billion (previous year: € 33.0 billion). The previous year's figure contains the total volume for the procurement of ICE 4 as a one-off effect.

- Freight and freight-forwarding services rose to € 10.4 billion (previous year: € 9.3 billion).
- Industrial products declined significantly to € 6.7 billion because of the elimination of the ICE 4 effect (previous year: € 10.5 billion). This was partly offset by the procurement of additional IC 2 trains.
- Construction and engineering services rose slightly to € 5.6 billion (previous year: € 5.4 billion).
- Third-party services declined slightly to € 4.8 billion (previous year: € 5.1 billion).
- Cable- and pipe-bound power and fuel rose slightly to € 2.8 billion (previous year: € 2.7 billion).

Purchasing volume structure (%) 2017 (2016)

The proportion of local purchases in Germany was slightly down, but remained at a very high level.

(€ million)	2017	2016	2015
Purchasing volume [1]	15,920	17,820	10,668
Local purchasing volume (%)	90	93	91

[1] Not including DB Schenker, DB Arriva and foreign companies of DB Cargo.

Slight deviations from the projected financial position and asset situation

Outlook for 2017 financial year (€ billion)	2016	2017 (March 2017 forecast)	2017 (July 2017 forecast)	2017
Gross capital expenditures	9.5	≥10.5	>10.5	10.5
Net capital expenditures	3.3	≥3.5	~4.0	3.7
Maturities	2.3	2.1	2.1	2.1
Bond issues	2.1	<2.0	<2.0	2.0
Cash and cash equivalents as of Dec 31	4.5	~3.5	~3.5	3.4
Net financial debt as of Dec 31	17.6	<19.0	<19.0	18.6

We narrowly failed to meet our forecast for capital expenditures in the 2017 financial year. In particular, capital expenditures with regard to vehicles for DB Regional and DB Arriva were not as high as expected, resulting in lower net capital expenditures than forecast.

With respect to DB Group's financial position, actual developments in the year under review corresponded with our forecast for maturities. The bond issues required to meet our financial needs coincided almost exactly with our expectations.

Our holdings of cash and cash equivalents and net financial debt at the end of 2017 were in line with our expectations.

Development of business units

Passenger transport —— 98
Freight transport and logistics —— 119
Infrastructure —— 133
Subsidiaries/other —— 148

Passenger transport

Growing market with slowing momentum

- Based on our own estimates, volume sold in motorized private transport has increased moderately:
  - This was driven by the higher, but still low, fuel prices and increased real disposable income:
  - The market share remained stable at 84.3%.
- The volume sold in rail passenger transport grew noticeably:
  - Regional and long-distance transport benefited equally from the solid income and employment situation, rising fuel prices and the consolidation of the long-distance bus market.
  - DB's volume sold rose sharply. DB Long-Distance made gains due to supply and quality improvements. DB Regional recorded growth due to strong demand for S-Bahn (metro) transport and tendering profits in Schleswig-Holstein.
  - Non-Group railways recorded increases in volume sold, particularly in regional transport. In long-distance transport, Locomore made gains with a new Stuttgart–Berlin service. Following insolvency during the year, Leo Express took over the company and cooperated with FlixBus subsidiary FlixTrain for sales.
  - The market share of rail passenger transport rose to 8.5%.
- The volume sold in public road transport stagnated.
  - Long-distance bus transport shrank for the first time since market liberalization, mainly as a result of supplier consolidation. Market leader FlixBus increased its offerings during the year and achieved a market share of over 90%.
  - Local bus services, in particular in conurbations, benefited from extended supply, a rising population and employment figures, and stable trainee numbers.
  - DB's volume sold declined due to a fall in demand for rural bus services and lost tender procedures.
  - The market share of public road transport fell to 6.3%.
- Volume sold in air transport increased slightly:
  - Demand in German domestic air transport was driven by an increase in real disposable incomes, intense competition due to the increasing presence of low-cost airlines at major airports and the expansion of the Lufthansa subsidiary Eurowings.
  - Restrictions resulted in particular from the insolvency of Air Berlin since fall 2017 and personnel and planning problems at Ryanair, with the temporary suspension of the Cologne–Berlin route. Lufthansa acquired large parts of Air Berlin and thus secured a dominant position in domestic air transport.
  - The air transport market share remained stable at 0.9%.

Rail passenger transport and long-distance buses with significant growth in Europe

- European rail passenger transport grew significantly in the first three quarters of 2017 by about 4.0%. The major European railway countries in particular increased their volume sold.
  - In Poland, supply was increased as a result of improved infrastructure and the heavily used, high-speed services offered by PKP Intercity (+11.0%).
  - In the Czech Republic, this was due to continued supply and service improvements by CD and private providers RegioJet and Leo Express (+7.2%).
  - In France, this was due to recovering demand for the French state-owned railway SNCF (regained confidence in the security situation following the severe impact of the previous year's terrorist attacks) and the launch of two new high-speed lines (+5.4%).
  - In Italy, this was due to increased punctuality and customer satisfaction in regional and long-distance transport services provided by the Italian state-owned railway FS (+3.7%).
  - In Spain, this was due to a high amount of discount tickets in high-speed transport and quality improvements of the state-owned railway RENFE (+3.3%).

Overview of business units

Revenues adjusted (€ million)	Total revenues 2017	Total revenues 2016	Change absolute	Change %	External revenues 2017	External revenues 2016	Change absolute	Change %
DB Long-Distance	4,347	4,159	+188	+4.5	4,193	4,012	+181	+4.5
DB Regional	8,734	8,653	+81	+0.9	8,629	8,529	+100	+1.2
DB Arriva	5,345	5,093	+252	+4.9	5,338	5,085	+253	+5.0
DB Cargo	4,528	4,560	-32	-0.7	4,209	4,230	-21	-0.5
DB Schenker	16,430	15,128	+1,302	+8.6	16,345	15,059	+1,286	+8.5
DB Netze Track	5,364	5,228	+136	+2.6	1,522	1,408	+114	+8.1
DB Netze Stations	1,265	1,233	+32	+2.6	540	519	+21	+4.0
DB Netze Energy	2,794	2,779	+15	+0.5	1,301	1,194	+107	+9.0
Other	4,854	4,588	+266	+5.8	627	540	+87	+16.1
Consolidation	-10,957	-10,845	-112	+1.0	-	-	-	-
DB Group	**42,704**	**40,576**	**+2,128**	**+5.2**	**42,704**	**40,576**	**+2,128**	**+5.2**

Operating profit figures (€ million)	EBIT adjusted 2017	EBIT adjusted 2016	Change absolute	Change %	EBITDA adjusted 2017	EBITDA adjusted 2016	Change absolute	Change %
DB Long-Distance	381	173	+208	+120	611	419	+192	+45.8
DB Regional	508	636	-128	-20.1	1,156	1,272	-116	-9.1
DB Arriva	301	280	+21	+7.5	569	525	+44	+8.4
DB Cargo	-90	-81	-9	+11.1	130	108	+22	+20.4
DB Schenker	477	410	+67	+16.3	676	599	+77	+12.9
DB Netze Track	687	561	+126	+22.5	1,484	1,484	-	-
DB Netze Stations	233	221	+12	+5.4	372	359	+13	+3.6
DB Netze Energy	72	126	-54	-42.9	141	197	-56	-28.4
Other/consolidation	-417	-380	-37	+9.7	-209	-166	-43	+25.9
DB Group	**2,152**	**1,946**	**+206**	**+10.6**	**4,930**	**4,797**	**+133**	**+2.8**
Margin (%)	5.0	4.8	-	-	11.5	11.8	-	-

Capital expenditures (€ million)	Gross capital expenditures 2017	Gross capital expenditures 2016	Change absolute	Change %	Net capital expenditures 2017	Net capital expenditures 2016	Change absolute	Change %
DB Long-Distance	1,060	416	+644	+155	1,060	416	+644	+155
DB Regional	674	693	-19	-2.7	628	632	-4	-0.6
DB Arriva	374	359	+15	+4.2	372	358	+14	+3.9
DB Cargo	328	304	+24	+7.9	324	303	+21	+6.9
DB Schenker	246	209	+37	+17.7	246	209	+37	+17.7
DB Netze Track	6,601	6,226	+375	+6.0	660	688	-28	-4.1
DB Netze Stations	709	584	+125	+21.4	103	117	-14	-12.0
DB Netze Energy	177	174	+3	+1.7	53	52	+1	+1.9
Other/consolidation	295	545	-250	-45.9	294	545	-251	-46.1
DB Group	**10,464**	**9,510**	**+954**	**+10.0**	**3,740**	**3,320**	**+420**	**+12.7**
thereof investment grants	6,724	6,190	+534	+8.6	-	-	-	-

- European long-distance bus transport grew in 2017 despite a strong consolidation of providers:
  - The main driver of this development was the market leader FlixBus. FlixBus launched a Danish domestic network in April 2017 and a Czech domestic network in August 2017. In July 2017, FlixBus took over Hellö, the long-distance bus brand of the Austrian Federal Railway.
  - In June 2017, Busitalia Fast was launched as the new long-distance bus brand of the Italian state-owned railway FS and cooperation partner Simet with destinations in Italy, Austria and Germany.

Order book in passenger transport declined

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.

Order book in passenger transport (€ billion)	**Dec 31, 2017**	Dec 31, 2016	Change absolute	Change %
DB Regional	68.3	68.2	+0.1	+0.1
secured	50.1	49.1	+1.0	+2.0
unsecured	18.2	19.1	-0.9	-4.7
DB Arriva	22.7	23.9	-1.2	-5.0
secured	10.2	10.5	-0.3	-2.9
unsecured	12.5	13.4	-0.9	-6.7
Total	**91.0**	**92.1**	**-1.1**	**-1.2**
secured	60.3	59.5	+0.8	+1.3
unsecured	30.8	32.6	-1.8	-5.5

The order book decreased in the year under review. It should be taken into account that a transport contract awarded to S-Bahn (metro) Berlin at the end of 2017 was not taken into consideration, as the objection period for the awarded tender only ended in January 2018. If the contract had been taken into account, there would have been a significant increase. Additions of about € 11.7 billion from the transport contracts awarded were offset by disposals – mainly due to services performed – of about € 12.1 billion and changes in assumptions of about € 0.7 billion (primarily due to exchange rate effects).

While the volume of new transport contracts remains slightly below the scope of services rendered at DB ARRIVA 114, DB REGIONAL 107 recorded a slight increase in its order book.

Revenues from transport contracts
as of Dec 31 (€ billion)

Increase in number of BahnCard holders

Number of BahnCards as of Dec 31 (thousand)	**2017**	2016	Change absolute	Change %	2015
Total	5,368	4,974	+394	+7.9	4,915

The positive sales performance of BahnCard continued during the year under review, as the number of cards increased by almost 400,000. The driver was significant growth in the BahnCard 25 segment. This was mainly due to the successful promotional campaign for the 25th anniversary of BahnCard. The number of BahnCard 50 and BahnCard 100 have increased slightly.

Additional mobility services

Number in Germany as of Dec 31	**2017**	2016	Change absolute	Change %	2015
VEHICLES					
Flinkster [1]	3,670	4,017	-347	-8.6	3,926
thereof electric vehicles	395	587	-192	-32.7	686
Call a Bike	15,611	13,047	+2,564	+19.7	9,928
thereof pedelecs	98	116	-18	-15.5	130
CUSTOMERS					
Flinkster	375,982	314,100	+61,882	+19.7	287,510
Call a Bike	1,030,497	957,200	+73,297	+7.7	859,717

[1] Station-bound vehicles in the Flinkster network that can be booked by end customers in Germany, Austria, the Netherlands and Italy.

The number of Call a Bike and Flinkster users has grown to a total of about 1.4 million customers. With the launch of LIDL-BIKE in Berlin in March and FordPass Bike in Cologne and Düsseldorf in October, the number of bicycles in the Call a Bike family has increased significantly. The Flinkster network has also expanded and is available at 2,500 stations in about 400 towns and cities. In Marburg, Wiesbaden and Rüsselsheim, Call a Bike and the service

known as Konrad in Kassel have been terminated. Previously, the respective student representative bodies (AStA) did not extend the cooperation agreements with DB Connect.

Citroën Multicity has withdrawn from car sharing in Germany. As a partner of the Flinkster network in Berlin, Multicity provided 330 vehicles, including 230 with an electric drive. The number of e-vehicles in the network has dropped as a result.

DB Long-Distance business unit

Business model

DB Long-Distance offers customers comfortable and environmentally friendly travel within Germany and into neighboring countries. Regular scheduled daily services with the ICE/IC/EC fleet form the backbone of long-distance transport. Offerings are being supplemented by island services to Sylt and Wangerooge. Long-distance bus services (IC Bus) provide an extension to the rail transport offering for domestic and international travel.

The important key performance figures are volume sold, volume produced and the load factor. The cost side largely correlates with the volume produced, which is derived from the schedule. Personnel and facility resource management is determined on the basis of the annual train schedule to optimize the unit cost per train kilometer traveled. The key drivers are personnel, maintenance and infrastructure costs, the latter being very fixed-cost intensive. Only a small portion of costs varies with train capacity utilization.

The most important sources of income for commercially operated long-distance transport are revenues from the sale of tickets and BahnCards. Our employees, a modern vehicle fleet and a high-quality infrastructure are key resources. This is why the Group-internal infrastructure companies, service providers and the vehicle industry are important partners. Furthermore, the cooperation with railways in countries bordering Germany is very important for cross-border connections.

Markets and strategy

In the year under review, we consistently pursued activities within the framework of RAILWAY OF THE FUTURE Zukunft Bahn. We further sharpened our focus by deriving a top project portfolio based on quality, sales and competitive costs. Our goal is to drive our vision for more green mobility in Germany and to make our business more resilient to competition. "More railway services for urban and regional areas" is our customer and service campaign that forms the basis of our activities. Once the network has been expanded in line with the targets, nearly all cities with a population of over 100,000 will be linked to long-distance transport. This will expand our service offering by about 25% by 2030. As a result, we expect to gain 50 million more passengers per year.

The customer and service campaign incorporates the measures defined in our strategy Long-Distance 2020. We want to be the "first choice for customers and employees." Together, our long-distance transport employees bear responsibility for a financially strong company that focuses on ensuring customers enjoy their travel experience.

- ECONOMIC dimension: DB Long-Distance is pursuing the target of offering its customers high-quality products and thereby achieving profitable growth. By 2020, we want to offer the most recognized and trusted product – both in terms of travel times and service. This is why we are implementing RAILWAY OF THE FUTURE Zukunft Bahn. Our aim is to significantly and sustainably enhance quality. For example, quality dialogues were systematically introduced at our facilities, logistics processes were optimized and capacity was increased by using the tracks more efficiently. These and other measures will contribute to the improved maintenance of our vehicles and consequently operational quality and comfort for our customers. If disruptions still occur, our employees will take care of our passengers. Using our digital platforms, they provide a fast flow of information and offer alternative solutions to get passengers to their destination. New vehicles make an important contribution to improving reliability. At the same time, the modernization of our fleet creates the conditions for a high degree of traveling comfort. The capital expenditures on new ICE 4 trains are by far the greatest in recent years. The free WiFi on ICE, together with the extended ICE portal, also enhances the positive travel experience and helps to offer customers the most relaxed form of long-distance travel. Digital innovations make it even easier to use our services. We also set up an extensive top project, PULS, which aims to significantly improve our customers' onboard experience. For example, we want to set new standards for our customers with "Host of the Future" as our goal.
- SOCIAL dimension: In order to keep our promises to our customers, we expect our employees to have a strong focus on customers and quality. One prerequisite for this is a solid cooperative spirit that can bring employees together and allow them to participate. This is why we are constantly working on improving our employee satisfaction, for example by including our employees in the planning of specific working conditions, which also increases our employer attractiveness. A particular aim is to increase the operational planning stability of our employees. To this end, measures have been developed and implemented in a dedicated top project together with employees and stakeholders.
- ENVIRONMENTAL dimension: DB Long-Distance has set a target of being considered by its customers as the most environmentally friendly provider by 2020. A central element in this regard are green services with 100% ECO-POWER green. NO. 01. About 75% of the journeys in the year under review were made using renewable energies. From 2018 this will be raised to 100%. Although long-distance electric rail transport services will then be practically CO_2-free, we will still continue to work on the energy efficiency of our services. New vehicles will support our efforts to achieve this target. ICE 4 consumes about 22% less energy per seat than a comparable ICE 1.

Events in 2017

Vehicle availability improved overall #QUALITY

Vehicle availability was very stretched during the second half of the year under review. Individual events, such as running over objects on the track, the massive disruption of vehicle rotation and the reduction of maintenance capacity in Basel due to the Rastatt route closure led to high levels of damage and a lack of passenger cars in trains, in particular for IC stock. Positive effects resulted from:

- the reduction of drive and brake faults for higher operating quality,
- the focus on reducing the level of passenger car damage and
- the approval of all 17 407-series ICE 3 for transport services in France.

The program to refit the ICE 3 fleet with new drive wheel sets will probably continue until 2018. Refitting the ICE T fleet will probably continue until the end of 2019 and is a prerequisite for the resumption of the tilting body system (tilting technology) of the ICE T fleet. Tilting body operations to and from Vienna were launched on schedule.

The operation of the IC 2 fleet is now largely stable. Two rolling stock remedies are being carried out for extra optimization, the first of which was completed to remedy "teething problems" and carry out constructive improvements at the end of June. By the end of the year, hardware and software updates were developed in a second rolling stock remedy, as well as warranty work.

Vehicle projects continued #QUALITY

The REDESIGN green NO. 87 of ICE 3 was continued. After 15 years of operation, the 63 trains will be made fit for the future by 2021. Fifty 403-series trains will also be equipped with ETCS and can then be used on high-speed lines. Ten vehicles were overhauled and delivered in the year under review. After modernization, the vehicles can be used for at least another 15 years.

The refitting of ICE 1 with the ETCS train protection system was realized on schedule, but the start of operation in December 2017 was hampered by numerous individual train protection errors and led to delays in operation during the first few days of operation.

ICE 4 starts regular operations #QUALITY

After completion of the about 12-month trial, eight ICE 4 trains went into regular operation when the timetable changed in December 2017. This was the first time we trialed a train with customers and employees before launching a new product. In the trial, a high-frequency vibration was detected as the mileage of the two test trains increased, but this was not considered to be a safety issue. The supplier developed both a short-term and a long-term solution.

Other events

- The first CO_2-FREE ICE FACILITY green NO. 48 has been developed in Cologne and will be put into operation at the beginning of 2018. CO_2-FREE ICE FACILITY 4 (DEPARTURE ENVIRONMENTAL)
- Twenty years after the first DB LOUNGE 16 (DEPARTURE ECONOMIC) was opened, we presented the first lounge with a new concept and a new design in Nuremberg.
- Since January, we have offered FREE WIFI 7 (DEPARTURE ECONOMIC) in both ICE classes. In the spring, we also launched an entertainment service in the ICE portal called MAXDOME ONBOARD 7 (DEPARTURE ECONOMIC).
- The ICE train car sequence at departure, transfer and destination stations can also be seen in the information about connections on bahn.de. Selected service and facility features of the ICE trains are now also displayed online.

DB Long-Distance	2017	2016	Change absolute	Change %	2015
Punctuality (rail) (%)	78.5	78.9	-	-	74.4
Rate of people making connections (long distance transport/long-distance transport) (%)	85.8	85.9	-	-	86.1
Customer satisfaction (SI)	77	77	-	-	75
Passengers (rail) (million)	142.2	139.0	+3.2	+2.3	131.9
Passengers (long-distance bus) (million)	0.7	0.8	- 0.1	-12.5	0.8
Volume sold (rail) (million pkm)	40,548	39,516	+1,032	+2.6	36,975
Volume sold (long-distance bus) (million pkm)	176.6	224.1	- 47.5	-21.2	218.0
Volume produced (million train-path km)	140.5	144.1	-3.6	-2.5	138.4
Load factor (%)	55.5	52.9	-	-	51.8
Total revenues (€ million)	4,347	4,159	+188	+4.5	4,053
External revenues (€ million)	4,193	4,012	+181	+4.5	3,903
EBITDA adjusted (€ million)	611	419	+192	+45.8	438
EBIT adjusted (€ million)	381	173	+208	+120	165
Gross capital expenditures (€ million)	1,060	416	+644	+155	673
Employees as of Dec 31 (FTE)	15,993	16,326	-333	-2.0	16,339
Employee satisfaction (SI)	-	3.5	-	-	-
Employee satisfaction - follow-up workshop implementation rate (%)	99.5	-	-	-	95.9
Share of women in Germany as of Dec 31 (%)	27.1	27.1	-	-	26.6
Specific final energy consumption compared to 2006 (based on pkm) (%)	-26.7	-22.9	-	-	-24.3

Development in the year under review

- Positive market and competitive environment.
- Positive effects from the introduction of free WiFi, including in second class.
- Quality improvements – especially as a result of the use of new vehicles.
- Elimination of night travel.
- Impaired by rail operation restrictions.

Punctuality fell slightly compared to the previous year's level. At the beginning of the year under review, punctuality was well above 81% for several months. The reason for the slight decline in punctuality for the full-year was the development in the second half of 2017. Due to RESTRICTIONS IN RAIL OPERATIONS 66 F. and several technical issues and difficulties when the timetable changed in December, punctuality from October to December was well below the annual average.

As a result of the decrease in punctuality, the rate of people successfully making long-distance transport connections also declined slightly. #PUNCTUALITY

Customer satisfaction in the year under review was at the same level as in the previous year. To assess customer satisfaction, 15,300 customers are asked each year in six waves about their satisfaction with their latest journey. The positive developments resulting from the implementation of measures in six bundles (WiFi and cell phone reception, cleanliness of seats and restrooms, temperature, onboard railway staff, price perception and IC 1) were largely offset by the punctuality developments.

Performance development in rail transport was mainly positive.

- The number of passengers and volume sold increased. Measures to promote services and the introduction of free WiFi, including in second class, were particularly strong development drivers. Market-driven stimuli were also positive. On the other hand, the restrictions in rail operations and the discontinuation of night and car train services in the previous year had a negative impact.
- The decline in volume produced resulted from the elimination of services (Thalys, car and night trains). An increase in construction activity in the network also had a negative effect.
- As the number of passengers increased, the load factor rose.

In bus transport, supply adjustments as well as loss of performance on individual lines led to a decline in the number of passengers and volume sold.

Economic development was pleasing; adjusted EBIT and EBITDA improved in particular due to a significant increase in income with a simultaneous decrease in expenses.

- Revenues were better due to price and performance effects. Supportive effects also resulted from a less intense competitive environment.
- The increase in other operating income (+7.4%) can essentially be attributed to the sale of vehicles and the reimbursement of nuclear fuel tax. Compensation and settlement payments for delayed deliveries of IC 2 and ICE 3 vehicles received in the previous year had an opposite effect.
- The decrease in cost of materials (–2.2%) was mainly driven by lower expenses for energy, commissions, maintenance and the discontinuation of overnight transport services.
- The higher personnel expenses (+ 2.0%) resulted mainly from collective bargaining agreement wage increases.
- Other operating expenses (+9.3%) mainly increased due to higher expenses for advertising, IT and travel support.
- Depreciation (–6.5%) decreased, partly because some ICE 1 and ICE 3 trains reached the end of their useful lives for accounting purposes. Procurements of ICE 3 and IC 2 trains countered this impact.

Capital expenditure activity was at a significantly higher level and was characterized by vehicle procurements (ICE 3 and ICE 4) as well as capital expenditures on the new ICE FACILITY IN COLOGNE 4 (DEPARTURE ENVIRONMENTAL).

The number of employees as of December 31, 2017 declined slightly as a result of the adjustment to the night services.

Employee satisfaction is measured every two years. In the year under review, the focus was on follow-up processes to the 2016 survey. The completion rate of the follow-up workshops as part of the 2016 employee survey was once again at a very high level.

The share of women remained stable in the year under review.

The specific final energy consumption in traction continued to decline compared to 2016. The main driver of this improvement was the increased load factor. At the same time, we were able to further improve the energy efficiency of journeys. The constant improvement in the ENERGY-EFFICIENT DRIVING STYLE OF OUR LOCOMOTIVE DRIVERS green NO. 08 was a decisive factor. A new feature was the "Triathlon" competition, which was held nationwide and rewarded energy efficiency and punctuality. Increasingly fuel-efficient new vehicles such as the IC 2 also had a positive effect.

DB Regional business unit

Business model

DB Regional's core service is to bring millions of passengers in regional transport each day to their desired destination in a punctual, safe, comfortable and ENVIRONMENTALLY FRIENDLY NO. 03 way. In doing so, we can reliably meet the requirements of our transport contracts.

Our offerings cover both local rail passenger transport with regional express, regional railway and S-Bahn (metro) lines as well as regional and urban bus transport services. We therefore offer comprehensive mobility services in major cities and metropolitan areas, but also and especially in rural areas. Our regional organizational structure guarantees local transport services oriented towards the requirements of our local customers.

As a rule, DB Regional provides its regional rail passenger transport services within the framework of the Regionalization Act as a public service task and on behalf of the competent public transport authorities. The public transport authorities are either the Federal states or a state-owned company, or municipal special-purpose associations. The public transport authorities conclude long-term transport contracts and line permits with transport companies, mainly within the framework of competitively awarded tenders. These contracts determine the volume produced and contain detailed specifications on quality and fare pricing. With integrated transport concepts, high-quality mobility services and targeted capital expenditures on the vehicle fleet and digitalization, we aim to defend our leading market position and strengthen our role as a quality and innovation leader in the field of regional rail passenger transport.

Volume sold and volume produced are important key performance figures. Transport contracts typically refer to the volume produced. Concession fees, in addition to revenues from ticket sales, are the most important source of income. However, contracts where fare proceeds remain directly with the contracting organization, while the transport company is fully compensated by the public transport authority for the entire range of services (gross contracts) are also of increasing importance.

Predefined terms in transport contracts and route concessions, combined with the extensive production system, result in a cost structure with high fixed costs. The major drivers are personnel, maintenance, energy and infrastructure costs. Only a small portion of costs varies with train capacity utilization.

In the rail sector, integrated bids covering vehicle procurement, financing, fleet management, operation and maintenance were generally required by the public transport authorities in the past. Nowadays, fragmented tender models are also becoming more common. In such models, partial services or even only the basic operation of vehicles are put out to tender. Other partial services remain the responsibility of the public transport authorities in these models (financing, for example) or the responsibility of the vehicle suppliers (maintenance, for example). On the basis of our performance capability at all stages of the value-added chain, DB Regional is in a position to tailor partial services as required and to operate successfully on the market as a subcontractor for competitors.

Markets and strategy

The German regional rail passenger transport market will continue to grow slightly over the next few years and thus remains one of the most interesting in Europe. Increasing regionalization funds will create stability for the next 15 years or so. DB Regional intends to benefit from this positive market environment as the largest provider.

In recent years, numerous competitors have established themselves on the market, which has led to a continuous decline in DB Regional's market share. In the national bus market, competition in the regional bus market continues to increase, both as a result of tenders and of licensing auctions with purely commercial bids. In urban transport, bus services are often awarded to local municipal companies in in-house awards.

Innovative forms of mobility are increasingly being developed in the local transport market and result in changes to the market. In the future, car sharing, ride sharing and ON-DEMAND CONCEPTS 60 will become more established in the German transport market. DB Regional will flexibly respond to the changing mobility requirements of its customers and increasingly act as a provider of holistic mobility concepts in local transport.

- ECONOMIC dimension: We want to continuously improve quality, thus increasing customer satisfaction, and to defend our market position without sacrificing profitability and increase our innovative strength. To this end, we have launched Regional Railway of the Future. For us, quality leadership means arriving on time and without any issues. With this in mind, we continuously optimize our processes and quality awareness. We are redesigning our customer interface using digital products such as the DB ROUTE AGENT (DB STRECKENAGENT) 14 (DEPARTURE ECONOMIC) and seat reservations. Working together with the public transport authorities, we are introducing WIFI IN LOCAL TRANSPORT 61 F. At the same time, competitive costs will continue to be an important criterion for success in future in a market that depends heavily on offer prices. We are systematically increasing our economies of scale along the entire value-added chain and optimizing our cross-divisional functions. We are generating growth in the maintenance market segment. In this area, we use our size and experience to offer comprehensive maintenance services to third parties. We also want to attack competition networks in order to recover lost traffic. For this purpose, we have further professionalized our tender management, bundled relevant competencies in a CC organization and worked intensively on our cost structures. Bus services still have to prove themselves in an environment that is becoming increasingly competitive. Cross-departmental improvement management ensures optimized processes and systems. By centralizing fleet management and IT functions, we realize cost advantages while at the same time improving performance. We are also continuing to work on the streamlining and standardization of our cross-divisional functions. We are reorganizing our regional organizational structure in the bus sector and expanding our branches to generate competitive and cost advantages. In the future, the control center and maintenance will be established as separate areas under the regional production managers.
- SOCIAL dimension: Satisfied and motivated employees are essential for success in the market. One important key to this is to actively involve employees in the continuous improvement of DB Regional and to support them in the ongoing change processes. These efforts include conducting employee surveys and organizing follow-up workshops to derive actions together. Our "Train crew

initiative" addressed the findings from the past employee survey and developed appropriate solutions. Measures have been developed in "onboarding initiatives" to help new employees get started.

- ENVIRONMENTAL dimension: We intend to further develop our strengths as a structurally environmentally friendly mode of transport, especially compared to car traffic. With this in mind, driver assistance systems for energy-saving driving are currently being rolled out. Diesel buses with the highest emissions standard Euro VI are used within the scope of our continuous fleet renewal. The continuous renewal of our vehicle fleet is contributing to improved energy efficiency, as the new vehicles use less energy than their predecessors. We also want to try other drive concepts as alternatives to conventional diesel together with interested public transport authorities. Hybrid, battery or hydrogen drives will play a role here. The aim is to reduce noise and emissions and conserve fossil energy, even for non-electrified branch lines.

Transport contracts in Germany

Transport contracts awarded (rail) 2017	Term	Volume (million train km) p. a.[1]	Volume (million train km) total[1]
Nuremberg S-Bahn (metro)	12/2018–12/2030	7.3	88.0
Network 6b – Rhine-Neckar S-Bahn (metro)	12/2020–12/2034	6.0	82.5
Network 4 Rhine Valley	06/2020–12/2032	4.1	51.2
E-network Saar RB lot 1	12/2019–12/2034	3.2	47.3
Network 11 Hohenlohe-Franken-Untermain	12/2019–12/2031	3.4	40.8
Munich S-Bahn (metro) – transitional agreement	01/2018–12/2019	20.6	39.1
Usedom sub-network	12/2017–12/2030	1.4	18.5
RB 27 (NRW)[2]	12/2019–12/2026	2.4	16.8
S6, S11, S68 (NRW)	12/2019–12/2023	3.8	15.0
Nuremberg-Coburg-State border	12/2017–12/2023	0.7	4.4
Network 19 Singen-Schaffhausen	12/2017–12/2023	0.5	3.3
Reactivation of Einbeck-Salzderhelden-Einbeck City	12/2017–12/2029	0.2	2.3
RB66, RB91, RB93 (Brandenburg)	08/2017–12/2022	0.4	2.1
D network Nuremberg – transitional contract	12/2018–06/2019	1.5	1.5
Total[1]		**55.5**	**412.7**

[1] Differences due to rounding are possible.

[2] Option for extension.

In the year under review, 24 tender procedures were concluded by contracting organizations for regional rail passenger transport in Germany. A total of about 75 million train kilometers per year were awarded. Of the train kilometers awarded, about 76% had previously been operated by companies within DB Group. DB Regional won 14 tenders, or 74% of the train kilometers awarded.

Transport contracts awarded (bus) 2017	Term	Volume (million bus km)[1] p. a.	Volume (million bus km)[1] total[1]
VRM Rhine-Ahr	07/2018–06/2028	2.1	20.7
VVS Esslingen line bundle 1	12/2018–06/2028	1.6	15.3
HVV Ratzeburg line bundle 9	12/2017–12/2027	1.5	15.1
VVS Ludwigsburg line bundle 8 (lot 1)	01/2018–12/2026	1.1	10.1
VVS Böblingen line bundle 8	12/2017–12/2023	0.9	5.5
Soest Mitte	05/2018–04/2028	0.9	8.5
WTV Waldshut Ost	12/2017–12/2027	0.8	8.4
City bus Herford line bundle E2	12/2018–07/2028	0.8	8.0
Other (27 contracts)	1–10 years	9.8	74.1
Total[1]		**19.6**	**165.9**

[1] Differences due to rounding are possible.

In bus services, a volume of 89.4 million bus kilometers was awarded in Germany as of December 31, 2017 (previous year: 104.7 million bus kilometers) in 171 tenders (previous year: 162 tenders). Of the bus kilometers newly awarded, 37% (previous year: 37%) were previously operated by DB Regional Bus.

In the year under review, we participated in 106 tenders (previous year: 115 tenders) with a volume of 72.0 million bus kilometers (previous year: 87.3 million bus kilometers). We won 27% of the tender procedures in which we participated (previous year: 38%).

Events in 2017

Vehicle measures implemented #QUALITY

Measures to improve our vehicle fleet included: interior redesign, installation of passenger information and video recording systems, and new paint.

- The renovation of 102 double-deck cars for the North-South network tender was concluded.
- Sixty-six vehicles from the 423 series were completely renovated for the future operation of the Stuttgart S-Bahn (metro) within the scope of the redesign.
- Twenty-five vehicles from the 644 series were modified for the transitional Baden-Württemberg regional contract. This includes the installation of new ceiling panels and wheelchair ramps in vehicles for mobility-impaired passengers. Furthermore, air conditioning was installed in a total of 23 double-deck cars by the end of 2017.
- Eighty-seven out of a total of 91 electric multiple units from the 425 series were modernized for the Rhine-Neckar S-Bahn (metro) and the RB 44.
- Since 2016, a total of 31 vehicles from the 474 series have been refurbished for the Hamburg S-Bahn (metro).

Largest vehicle modernization project started #QUALITY

Together with Bayerische Eisenbahngesellschaft (BEG), DB Regional has launched DB Group's largest vehicle modernization project. The interiors of all 238 423 series electric multiple units are being completely redesigned. This project was launched on the basis of the transition agreement for the continued operation of the Munich S-Bahn (metro) network until 2019 and includes a concept to increase the amount of open space, with wider gangways, a new lighting concept and more handles and grips for additional safety. New, large-scale monitors will provide real-time information about the status of the trains and connection options, disruptions and timetable changes during the construction work.

New vehicle purchases

- Fifty-two electric multiple units from the 1440 series are being procured from Alstom for the Nuremberg S-Bahn (metro) network and the Saar e-network lot 1 with the help of a financing model provided by the public transport authority.
- A total of 96 electric multiple units from Siemens (462 series Desiro HC and 463 series Mireo) will be used in the Rhine Valley (network 4) and for the Rhine-Neckar S-Bahn (metro) (network 6b), again using a financing model.
- A contract was signed with Alstom for the delivery of a total of 26 1440 series multi-part electric multiple units for the awarded tender for the Rhine-Mosel-Express (RMX, formerly RE 8, RB 33) in December 2016.
- In the current transport contract Schleswig-Holstein network central, the public transport authority exercised an option as of June 30, 2017 and requested an additional train set. This has already been ordered from the manufacturer Bombardier.

Delays in vehicle deliveries #QUALITY

We were able to vastly improve vehicle availability in the year under review. Delays and restrictions relating to the delivery of new trains did, however, occur:

- Bombardier's delayed delivery of the 2010 double-deck cars in December 2015 continued in 2017 with the addition of a further 139 vehicles (central and powered driving trailers).
- In January 2017, Bombardier also delivered the last of ten optional vehicles of the 430 series ordered in addition for the Stuttgart S-Bahn (metro) in 2014. The 430 series fleet in Stuttgart (a total of 97) may continue to be used, but without the retractable step function. Since 2016, this boarding system has been tested on seven vehicles while in operation. Other faults still exist and work to remedy them is still ongoing.
- After the test run had been completed in June 2017, 20 locomotives of the 147 series ordered from Bombardier in 2013 were accepted under the contract.
- In December 2016, DB Regional rented a total of 15 locomotives and three diesel rail cars from Paribus for deployment in the Schleswig-Holstein network transport contract west. Of the 90 passenger cars also to be leased, 84 vehicles are being gradually acquired due to vehicle defects in the year under review. Existing vehicles are being deployed until the defects are remedied.
- The delivery of eight 490 series pre-series vehicles planned for 2017 for the Hamburg S-Bahn (metro) is expected in April 2018. The intake of the 52 series vehicles is scheduled to take place from May to December 2018.
- We expect delivery of Link diesel multiple units from PESA (632/633 series) to be delayed by more than two years and for the Allgäu diesel network by one year on average. Replacement concepts are currently being run in existing vehicles.
- The delivery of the vehicles ordered from Skoda for the Nuremberg-Ingolstadt-Munich-Express is delayed until the second half of 2018.

Options to counteract delivery delays more effectively are being developed in the project "Optimization of vehicle deliveries." The commissioning of the Dosto 2010 rail cars started in summer 2017, completing a significant proportion of the fleet affected by delivery delays. We expect this to result in a significant improvement for our customers.

No changes in state aid procedures and requests for information on transport contracts

There were no significant changes regarding the ongoing formal investigation by the EU Commission against the Federal Government for the alleged provision of illegal state aid as a result of the conclusion of a transport contract between DB Regional and the Federal states of Berlin and Brandenburg. This also applies to the preliminary investigations concerning the transport contract for the Berlin S-Bahn (metro), the transport contract of the Rhine-Ruhr transport association (Verkehrsbund Rhein-Ruhr; VRR), as well as the Baden-Württemberg transport contract.

Investments

- The sale of the 51% stake in Regionalverkehr Dresden GmbH (RVD) to Oberelbische Verkehrsgesellschaft Pirna-Seibnitz mbH was completed on January 1, 2017. The company is no longer included in the DB consolidated financial statements.

Other events

- Passengers can now use DB Navigator to book tickets for 11 different transport associations in large metropolitan areas. This new service is available to more than 37 million people.
- Passengers for joint journeys on state tickets can be found using the ride-sharing app (DB Mitfahrer app). Since the beginning of May 2017, this has also been available in Schleswig-Holstein, Mecklenburg-Vorpommern, Brandenburg-Berlin and Lower Saxony.
- It has also been possible to make SEAT RESERVATIONS 14 (DEPARTURE ECONOMIC) for regional transport in Schleswig-Holstein since October 2017.
- Noise-reducing measures to reduce the noise level by more than 3 dB have been implemented in the five H3 HYBRID SHUNTING LOCOMOTIVES NO. 43 in Nuremberg and Würzburg.
- Two stationary rail lubrication systems have been installed on the grounds of the Nuremberg workshop to reduce the noise pollution caused by vehicles travelling around curves (cornering squeals).

Development in the year under review

- Performance gains in the rail line of business.
- Delays in vehicle deliveries necessitate replacement concepts.
- Portfolio adjustments in the bus line of business.
- Production costs are rising faster than revenues, weighing on profit development.

Punctuality in rail transport was unsatisfactory in the year under review. The positive effects of the RAILWAY OF THE FUTURE Zukunft Bahn were offset by the RESTRICTIONS IN RAIL OPERATIONS 66 F. The punctuality of bus transport was close to the previous year's level. #PUNCTUALITY

Customer satisfaction also declined:

- in the rail sector due to more critical assessments of the S-Bahn (metro) systems and
- in the bus sector as a result of more critical assessments of information provision in the event of irregularities during journeys and a slightly poorer assessment of punctuality.

To assess customer satisfaction, 19,000 customers (rail) and 1,500 customers (bus) are asked each year in two waves about their satisfaction.

Performance development was differentiated.

DB Regional	2017	2016	Change absolute	Change %	2015
Punctuality (rail) (%)	94.4	94.8	-	-	94.2
Punctuality (bus) (%)	90.5	90.6	-	-	90.5
Customer satisfaction (rail) (SI)	68	69	-	-	71
Customer satisfaction (bus) (SI)	74	75	-	-	74
Passengers (million)	2,562	2,512	+50	+2.0	2,537
thereof long-distance bus	-	0.8	-0.8	-100	0.7
Volume sold (million pkm)	48,911	48,399	+512	+1.1	50,360
thereof long-distance bus	-	237.2	-237.2	-100	193.3
Volume produced (rail) (million train-path km)	459.3	459.3	-	-	476.1
Volume produced (bus) (million bus km)	532.0	586.5	-54.5	-9.3	588.0
Total revenues (€ million)	8,734	8,653	+81	+0.9	8,670
External revenues (€ million)	8,629	8,529	+100	+1.2	8,568
Rail concession fees (€ million)	3,879	3,849	+30	+0.8	3,838
EBITDA adjusted (€ million)	1,156	1,272	-116	-9.1	1,316
EBIT adjusted (€ million)	508	636	-128	-20.1	669
Gross capital expenditures (€ million)	674	693	-19	-2.7	881
Employees as of Dec 31 (FTE)	35,651	36,008	-357	-1.0	36,494
Employee satisfaction (SI)	-	3.5	-	-	-
Employee satisfaction – follow-up workshop implementation rate (%)	100	-	-	-	100
Share of women in Germany as of Dec 31 (%)	16.0	16.1	-	-	16.0
Specific final energy consumption (rail) compared to 2006 (based on pkm) (%)	-28.5	-26.3	-	-	-26.3
Specific final energy consumption (bus) compared to 2006 (based on bus km) (%)	+4.8	+5.8	-	-	+7.2

- In rail transport, there was an increase in the number of passengers and volume sold, with volume produced at the previous year's level.
- The development in bus services was marked by a decline in volume sold and volume produced. However, the number of passengers was higher than in the previous year as a result of developments in the region Central. Long-distance bus activities were discontinued in fall 2016.

The economic development of DB Regional is particularly affected by the development of the higher-revenue and higher-performance rail line of business (share of revenues: 87%). 99% of the adjusted EBIT is generated by the rail line of business and 1% by the bus line of business. In the year under review, the disproportionate rise in expenses resulted overall in a decline in the adjusted EBITDA and EBIT figures. In contrast, the discontinuation of the loss-making long-distance bus activities had a positive effect.

- Revenues increased slightly. This was primarily driven by an increase in the rail line of business due to pricing and performance factors. Concession fees increased slightly due to payments in connection with settlements with the Berlin-Brandenburg transport association for previous years. The performance-based decline in the development of the bus line of business countered this impact.
- The nuclear fuel tax refund was offset by lower compensation payments, resulting in a decline in other operating income (– 2.0%).
- Cost of materials (+ 1.8%) was mainly driven by higher maintenance costs for vehicles, particularly for the Berlin S-Bahn (metro), as well as price-related higher costs for use of infrastructure in the rail line of business. In contrast, the decrease in the bus line of business had a positive effect.
- Personnel expenses (+ 3.6%) rose due to collective bargaining agreements, among other things. A lower number of employees in the bus line of business had a moderating effect.
- Other operating expenses (+ 4.5%) increased as a result of higher purchased services and higher rental expenses, especially for replacement vehicles in the Schleswig-Holstein West network. Expenses for additions to the provision for impending losses also rose.
- The higher level of depreciation (+ 1.9%) resulted, among other things, from vehicle acquisitions.

Capital expenditures declined, mainly as a result of vehicle projects being completed in the previous year in the bus line of business. In the rail line of business, in contrast, capital expenditures rose slightly.

77% of employees are employed in the rail line of business, with 23% in the bus line of business. The number of employees declined slightly, driven, among other things, by portfolio adjustments made in the bus line of business.

Employee satisfaction is measured every two years. In the year under review, the focus was on follow-up processes. The implementation rate of follow-up workshops within the scope of the employee survey 2016 was at a very satisfactory level. The share of women remained stable in the year under review.

In the year under review, the specific final energy consumption in traction decreased by 2.9% compared with 2006 to 11.9 kWh/100 pkm. This development was boosted by an increase in volume sold and a slight reduction in traction energy consumption (electricity and diesel). The increased energy demand in the unusually cold January of 2017 had a dampening effect on this development. This effect could not be fully offset by the increased efforts to save energy during journeys. Telematics systems are being installed in diesel vehicles for the timely and accurate recording of fuel consumption. This measure will make it possible to transfer the energy-saving driving methods already introduced in electric traction to diesel traction and will contribute to a significant reduction in diesel consumption.

In the bus transport segment, in the year under review we once again recorded a slight decline in specific final energy consumption compared to 2006.

Rail line of business

- Performance gains from awarded transport contracts.
- Personnel expenses increased as a result of collective bargaining agreements.
- Delays in vehicle deliveries necessitate replacement concepts.

Rail line of business **Selected key figures** (€ million)	**2017**	2016	Change absolute	Change %
Passengers (million)	1,977	1,933	+44	+2.3
thereof rail	1,930	1,879	+51	+2.7
Volume sold (million pkm)	42,588	41,622	+966	+2.3
thereof rail	41,876	40,809	+1,067	+2.6
Volume produced (million train-path km)	459.3	459.3	–	–
Total revenues	7,785	7,735	+50	+0.6
External revenues	7,508	7,352	+156	+2.1
Rail concession fees	3,879	3,849	+30	+0.8
EBITDA adjusted	1,099	1,180	–81	–6.9
EBIT adjusted	501	591	–90	–15.2
Gross capital expenditures	596	594	+2	+0.3
Employees as of Dec 31 (FTE)	27,304	26,958	+346	+1.3

Performance development in the rail line of business was mainly positive. The increase in the number of passengers and volume sold resulted from awarded tenders, in particular the Schleswig-Holstein West network, which more than compensated for the effects of lost transport contracts. Volume produced developed at the previous year's level.

Overall, the increased income was not able to compensate for the charges, resulting particularly from higher maintenance and personnel expenses, and the adjusted EBITDA and EBIT therefore fell.

- Revenue development was slightly better due to price and performance effects. Concession fees increased slightly due, among other things, to payments in connection with settlements with the transport association Berlin-Brandenburg for previous years.
- Other operating income (+ 6.0%) increased due to the reimbursement of the nuclear fuel tax and higher income from the reimbursement of vehicle retrofitting for the Berlin S-Bahn (metro).
- Cost of materials (+ 1.2%) was mainly driven by higher maintenance costs for vehicles, particularly for the Berlin S-Bahn (metro), as well as price-related higher costs for use of infrastructure. This was offset by lower levels of purchased services and lower energy expenses due to price and volume factors.
- Personnel expenses (+ 4.6) rose in the wake of a greater number of employees and as a result of collective bargaining agreements.
- Other operating expenses (+ 5.5%) increased as a result of higher purchased services and higher rental expenses, especially for replacement vehicles in the Schleswig-Holstein West network.
- Depreciation (+ 1.2%) rose slightly. Effects from vehicle additions were largely offset by some vehicles reaching the end of their useful life for accounting purposes.

Capital expenditures increased due to vehicle purchases, REDESIGN 103 of vehicles and the construction and conversion of workshops. The significantly lower investment grants for vehicles, particularly in connection with the Stuttgart and Nuremberg S-Bahn (metro) transport contracts, resulted in higher net capital expenditures.

The number of employees increased as a result of the INDIVIDUAL OPTION TO CHOOSE WORKING HOURS 6 (DEPARTURE SOCIAL) agreed with the trade unions.

Bus line of business

- Portfolio adjustments lead to performance losses.
- Production costs are rising faster than revenues, weighing on profit development.

Bus line of business **Selected key figures** (€ million)	**2017**	2016	Change absolute	Change %
Passengers (million)	584.2	579.0	+5.2	+0.9
thereof long-distance bus	-	0.8	-0.8	-100
Volume sold (million pkm)	6,323	6,777	-454	-6.7
thereof long-distance bus	-	237.2	-237.2	-100
Volume produced (million bus km)	503.7	557.5	-53.8	-9.7
thereof long-distance bus	-	20.5	-20.5	-100
Total revenues	1,224	1,280	-56	-4.4
External revenues	1,122	1,176	-54	-4.6
EBITDA adjusted	57	91	-34	-37.4
EBIT adjusted	7	45	-38	-84.4
Gross capital expenditures	77	99	-22	-22.2
Employees as of Dec 31 (FTE)	8,347	9,050	-703	-7.8

Development in the bus line of business was marked by a decline in volume sold and volume produced as a result of the discontinuation of the long-distance bus business in the fall of 2016, of portfolio adjustments in the region East and of transport contracts not being extended in Hesse. The number of passengers was higher than in the previous year in the region Central as a result of the positive development.

The lower volume of expenses only partly offset the decline in income. As a result, adjusted EBITDA and adjusted EBIT decreased. In contrast, the discontinuation of the long-distance bus activities had a positive effect.

- Revenue development was impacted by performance development and portfolio adjustments.
- Other operating income (– 1.9%) decreased, mainly as a result of reduced income from compensation for damages and refunds of expenses.
- Cost of materials (– 6.2%) fell, essentially due to portfolio adjustments, the cessation of long-distance bus activities and lower levels of purchased contractor services as a result of performance losses.
- Personnel expenses (–2.1%) also fell as a result of portfolio adjustments. Offsetting effects from the growth in fares and newly won transport services had a boosting effect.
- Other operating expenses (+26.8%) increased as a result of additions to the provision for impending losses and the initial transfer of central expenses to the bus companies. This was offset by the discontinuation of long-distance bus activities.
- Higher depreciation (+ 8.7%) essentially resulted from higher bus capital expenditures in the previous year.

Capital expenditure activities declined due to the extensive vehicle acquisitions for new services won in the previous year.

The number of employees as of December 31, 2017 fell as a result of portfolio adjustments.

DB Arriva business unit

Business model

With buses, trains, trams, water buses, car and bike-sharing systems, DB Arriva offers a wide range of transport solutions in 14 European countries. The activities of DB Arriva are divided into three lines of business: UK Bus, UK Trains as well as Mainland Europe (Northern Europe as well as Southern, Central and Eastern Europe).

Volume sold and volume produced are important key performance figures. In addition to revenues from fares, subsidies are an important source of income. Revenues from fares are the only source of income for transport services operated on a purely commercial basis.

Predefined terms in transport contracts, concessions and route concessions, combined with the complex production system, result in a cost structure with high fixed costs. The major drivers are personnel, maintenance, energy and infrastructure expenses. Only a small portion of costs vary with bus or train capacity utilization.

Throughout Europe, we work with local, regional and national authorities to bring new and improved services to our customers. Our regional presence allows us to quickly respond to changes, especially new regulatory requirements and changing customer expectations. We work closely with our customers to develop efficient, tailor-made, sustainable solutions.

Clients particularly appreciate the experience we have in operating various transport solutions and our commitment to providing high-quality, reliable, efficient and cost-effective services.

Markets and strategy

DB Arriva is our European growth platform in passenger transport, with operations in 14 countries. The STRATEGY DB2020+ forms the basis of DB Arriva's strategy and vision to become Europe's mobility partner of choice. The strategy focuses on four key themes: a strong base, growth through continuous improvement, the best employees and being the preferred choice for our customers. DB Arriva has also launched a refreshed brand and identity, which will be introduced for all DB Arriva business in 2018.

- ECONOMIC dimension: Sustained profitable growth is only possible if we provide high-quality services that our customers can afford and that they enjoy using. To achieve this, we are continuously investing in new vehicles and improving our passenger information systems. We are also introducing new sales systems based on online solutions. Our innovations in the UK rail transport market received industry awards, setting standards for quality and customer satisfaction. Profitable growth is the basis for guaranteeing a stable and sustainably successful business. We achieve this primarily by taking part in tenders for transport contracts and through acquisitions.
  - In the UK Bus business, we aim to optimize existing business and expand the services offered to customers. For example, we have launched a new on-demand minibus service ARRIVA CLICK 15 (DEPARTURE ECONOMIC) to the market.
  - In the case of UK Trains, new services were launched in 2016 (including Arriva Rail North and Arriva Rail London), which have performed well. We intend to strengthen and expand our existing transport contracts, identify potential future franchise opportunities and expand our presence in the open access market.
  - In Mainland Europe, we are also growing through re-won transport contracts, such as the NORTHERN LINES 114 and REGIONAL PÅGATÅG 13 (DEPARTURE ECONOMIC). We remain focused on acquisitions and the expansion of our existing business. In the year under review, we acquired the largest private bus operator in Croatia, the AUTO-TRANS GROUP 13 (DEPARTURE ECONOMIC). The takeover has strengthened our market position in Southeastern Europe and was the largest acquisition since the acquisition of the central European business of Veolia Transport in 2013. Opportunities will also result from liberalization of European transport markets, especially in Southern, Central and Eastern Europe.
- SOCIAL dimension: Satisfied employees are an essential component of our success. Our attractiveness as an employer enables us to recruit and retain talented employees and outstanding specialists. As part of this commitment, we launched our employer brand, which is underpinned by our fundamental value "Together – we are Arriva." Our graduate scheme has brought more graduates into the business, and we have invested in two new Apprentice Academies to train the bus engineers of the future. #RECRUITING
- ENVIRONMENTAL dimension: The journey of DB Arriva to Destination Green is an integral part of our corporate culture. Central to this is reducing fuel consumption, improving air quality and reducing carbon emissions. That's why we are exploring new technologies that can help in these areas. Electric vehicles are a key technology for us. We operate a steadily growing number of ELECTRIC BUSES 115. We are also looking for ways to make our train fleet even more environmentally friendly. In addition, we have implemented measures to reduce water and energy consumption and waste. We have equipped a number of our sites with rainwater collection systems, solar modules and wind turbines.

General framework

New air quality strategy in Great Britain

#CLIMATE PROTECTION

The British Government confirmed its final air quality strategy in July 2017. The strategy requires local authorities to develop plans to improve air quality where the existing legal limits are exceeded. Local authorities have until March 2018 to submit their plans to the UK Government on how they will improve air quality, with those plans being confirmed by November 2018. DB Arriva is working with local authorities to minimize the policy risk of restricting the use of older and more polluting buses and taking advantage of government funding opportunities to retrofit existing vehicles, procure new low-emissions buses and adopt local strategies to support bus travel.

Regulatory changes in Italy

The Italian Antitrust Authority (AGCM) stated that the "national railway license" effectively restricts the ability of newcomers to participate in tenders for service contracts; in addition, the same authority issued, together with the Anti-Bribery Authority (ANAC) and the Transport Regulation Authority (ART), a joint decision which requires more transparency and competition in the direct award of rail service contracts by public transport authorities. Starting from 2018, public financing (by the Government) of local passenger transport became stable. The rules for opening up the market and better public financing are decisive for DB Arriva Italy.

Developments in market access in the Netherlands

The new government in the Netherlands will start evaluating the transport license in the main rail network, now directly awarded to NS, in 2019. In order to promote a regionally integrated approach to public transport solutions and to improve connections between different modes of transport, slower train connections could be transferred from the main railway concession to regional concession in the future. However, in the three largest urban regions of the Netherlands (Amsterdam, Rotterdam and The Hague) the tender is not mandatory for transport authorities in the cities. The government has already agreed upon four extra regional railway services to be separated from the main rail network concession; when and how this will be implemented is to be made clear before the summer of 2018. There are good opportunities for DB Arriva as competitive tendering is expected for these services. The government has stressed that it will pass laws to promote the development of flexible and demand-driven public transport ("mobility as a service" approach). This offers DB Arriva extra growth opportunities. In addition, the high-speed line between Amsterdam and Rotterdam, Breda and possibly Antwerp and Brussels, could be put out to tender if Dutch railways continue to perform below average. This process is unpredictable but could possibly already begin as of 2018 or 2019.

Events in 2017

Award of transport contracts

Transport contracts awarded (rail) 2017		Term	Volume (million train km) p. a.	Volume (million train km) total [1]
The Netherlands	Northern Lines	12/2020–12/2035	10.4	155.4
Sweden	Pågatåg	12/2018–12/2026	12.1	96.8
The Netherlands	Achterhoek-Rivierenland [2]	12/2020–12/2025	3.7	18.5
Total [1]			**26.2**	**270.7**

[1] Differences due to rounding are possible.

[2] Extension of the existing contract.

Transport contracts awarded (bus) 2017		Term	Volume (million bus km) p. a.	Volume (million bus km) total [1]
Czech Republic	Olomoucky region (Central Moravia) (6 contracts)	01/2018–01/2027	13.9	138.6
Great Britain	London (23 routes)	5 years each	26.8	134.0
Slovakia	Košice region [2]	01/2018–12/2021	11.8	47.1
The Netherlands	Achterhoek-Rivierenland [2]	12/2020–12/2025	9.0	45.0
The Netherlands	North and South-west Friesland [2]	12/2020–12/2022	20.6	41.2
Italy	SAF [2]	01/2018–12/2018	19.7	19.7
Denmark	Movia A3 (2 parts) [2]	2 years each	8.1	16.2
Italy	SAB [2]	01/2018–12/2018	14.0	14.0
The Netherlands	ZOWAD (Zuid-Oost Fryslânen Waddeneilanden) [2]	12/2020–12/2022	6.3	12.6
Great Britain	London (5 routes) [2]	2 years each	5.5	11.1
Denmark	NT 16.0 and NT 16.1 [2]	06/2018–06/2020	5.4	10.9
Denmark	Midttrafik 29 (2 packages) [2]	2–3 years	4.1	10.8
Slovakia	Nitra City [2]	06/2017–12/2019	3.7	9.5
Denmark	Movia A15 (4 routes)	2–6 years	3.2	8.8
Czech Republic	Prerov City	01/2018–12/2027	0.8	8.2
Denmark	Sydtrafik 2, Esbjerg [2]	06/2018–06/2019	3.8	3.8
Czech Republic	Jesenicko (Olomoucky region (Central Moravia)) [2]	01/2018–12/2019	1.7	3.4
Other [3]		1–10 years	5.3	19.5
Total [1]			**163.8**	**554.3**

[1] Differences due to rounding are possible.

[2] Extension of the existing contract.

[3] Including extensions of the existing contract.

Additional environmentally friendly buses

#CLIMATE PROTECTION

DB Arriva operates ELECTRIC BUSES NO.63 in Great Britain, the Czech Republic and the Netherlands.

- Under the term of the contract with the Dutch province of Limburg, DB Arriva will operate a complete fleet of zero-emissions buses by 2026. Sixteen of these are already in operation. The necessary charging infrastructure has been introduced at convenient locations along the routes so that buses can be recharged in just 30 minutes or charged overnight at bus depots.
- In the Czech city of Třinec, DB Arriva has begun offering transport services with ten electric buses. DB Arriva operates a total of 17 electric buses in the Czech Republic. This is the largest electric fleet in the country.
- DB Arriva has also run the first all-electric bus in Portugal as part of a trial to learn about the technology.
- In Great Britain, more than 467 buses were put into operation in the year under review. They are all Euro VI standard, gas, hybrid or electric.
- In the year under review, DB Arriva signed a contract for the construction of 18 environmentally friendly trains for use in the Netherlands. Stadler will initially supply the new trains with low-emissions diesel engines. With the partial electrification of the line, these will be replaced by electric motors. Innovative power storage will also allow the trains to travel on sections without an overhead wire. In addition to the emissions-free trains, the existing fleet (51 trains) will be overhauled and equipped with state-of-the-art battery technology.

GRI 302-5

Further measures to improve the environmental impact #CLIMATE PROTECTION

At bus depots in Great Britain, Poland and Slovenia, we are pushing ahead with the conversion to LED LIGHTING NO. 50 and the installation of EFFICIENT WASHING SYSTEMS WITH WATER RECYCLING NO. 94 to reduce consumption of water and energy. Solar modules were installed at the bus depot in Rhyl/Great Britain to generate electricity. UK Bus also works closely with its waste service provider to test innovative recycling solutions.

Investments

- In August 2017, DB Arriva acquired 78.34% of the Croatian AUTOTRANS GROUP 13 (DEPARTURE ECONOMIC). As a result of this acquisition, DB Arriva has become the country's largest private bus operator, thereby bolstering its growth strategy in Southern, Central and Eastern Europe. The acquisition enables DB Arriva to build a comprehensive nationwide network and improve customer connectivity.

Other events

- Arriva Rail North continues to invest in new and modernized trains and stations as part of a capital expenditure program designed to transform quality of the network. New trains will be delivered from December 2018 onwards while the existing fleet is being renovated. The transport contract launched in the previous year provides for the introduction of driver-controlled operation. However, the plan has met with resistance from the RMT (National Union of Rail, Maritime and Transport Workers Union), which has initiated strike actions since the beginning of 2017. Competitors are also affected where they have franchises committed to changing the method of operations.
- DB Arriva has offered a fully on-demand service since the beginning of March 2017. Customers in the English county of Kent can order a minibus via the ARRIVACLICK APP 15 (DEPARTURE ECONOMIC).

Development in the year under review

- Start of operations in the UK Trains line of business and the Netherlands in the previous year are driving development.
- Positive effects from acquisitions in the previous year in the Mainland Europe line of business.
- Challenging market and competitive environment in the UK Bus line of business.
- Negative exchange rate effects due to weaker pound.

Punctuality in rail transport increased. This was mainly due to the continued implementation of programs to improve quality and the full-year inclusion of Arriva Rail North and Arriva Rail London contracts. #PUNCTUALITY

Customer satisfaction remained almost stable at a good level. The customer SI is based on annual surveys in the UK Bus and UK Trains lines of business.

DB Arriva	2017	2016	Change absolute	Change %	2015
Punctuality (rail) (Great Britain, Denmark, Sweden, the Netherlands and Poland) (%)	92.3	91.0	-	-	90.6
Customer satisfaction in bus and rail in Great Britain (SI)	80	81	-	-	83
Passengers in bus and rail (million)	1,943	1,761	+182	+10.3	1,663
Volume sold (rail) (million pkm)	13,334	11,230	+2,104	+18.7	8,980
Volume produced (bus) (million bus km)	1,075	1,028	+47	+4.6	1,024
Volume produced (rail) (million train-path km)	177.6	170.6	+7.0	+4.1	132.7
Total revenues (€ million)	5,345	5,093	+252	+4.9	4,843
External revenues (€ million)	5,338	5,085	+253	+5.0	4,836
EBITDA adjusted (€ million)	569	525	+44	+8.4	525
EBIT adjusted (€ million)	301	280	+21	+7.5	270
Gross capital expenditures (€ million)	374	359	+15	+4.2	276
Employees as of Dec 31 (FTE)	54,650	54,150	+500	+0.9	46,484
Employee satisfaction (SI)	-	3.7	-	-	-
Employee satisfaction – follow-up workshop implementation rate (%)	89.9	-	-	-	88.8
Specific CO_2e emissions (rail) compared to 2006 (based on rail car units) (%)	-14.6	-13.0	-	-	-12.6
Specific CO_2e emissions (bus) compared to 2006 (based on bus km) (%)	-17.2	-16.3	-	-	-17.5

The development of performance figures was positive, with an increase in the number of passengers and the volume produced and volume sold.

- The main drivers in the bus business were the new services in the Netherlands and the acquisitions made in the previous year.
- In rail transport, the full-year inclusion of Arriva Rail North and Arriva Rail London was a key factor.

Economic development was also pleasing in the year under review. Overall, adjusted EBIT and adjusted EBITDA increased. The start of operations and acquisitions in the previous year and the operating development of UK Trains and Mainland Europe had a positive effect here. Dampening effects resulted, inter alia, from exchange rate effects and developments at UK Bus.

- The UK Bus line of business generated 20% of DB Arriva's revenues, the UK Trains line of business generated 41%, and the Mainland Europe line of business generated 39%. The increase in revenues is mainly attributable to the full-year impact of Arriva Rail North (started in April 2016) and Arriva Rail London (started in November 2016) as well as of Limburg transport services in the Netherlands (started in December 2016). In addition, the acquisitions made in the Mainland Europe line of business and the operating development of UK Trains had a positive impact. On the other hand, exchange rate effects (development of the British pound) and declines in the UK Bus line of business had a dampening effect.
- The development of other operating income (+8.9%) was mainly influenced by the acquisitions and the commencement of new services in the previous year. Exchange rate effects, in contrast, had a dampening impact.

The development of expense items was in particular characterized by changes in the service portfolio and exchange rate effects.

- The increase in the cost of materials (+8.7%) and personnel expenses (+8.2%) resulted mainly from the expansion of services. Exchange rate effects had an offsetting effect.
- The decrease in other operating expenses (–7.4%) was caused by settlement changes to the CrossCountry franchise (end of the transport contract and direct award in the previous year) as well as exchange rate effects. The effects from the start of operations in the previous year had a dampening effect.
- Depreciation (+9.4%) was significantly influenced by the start of operations in the previous year.

Capital expenditure activity was driven primarily by vehicle purchases for UK Bus in connection with transport contracts in London won in the previous year and quality improvement measures in regions outside London. The conclusion of vehicle projects for new transport services in the previous year in the Netherlands countered this effect.

DB Arriva employs 29% of its employees in the UK Bus line of business, 23% in the UK Trains line of business and 47% in the Mainland Europe line of business. The number of employees increased, driven by acquisitions. The discontinuation of transport services countered this effect.

Employee satisfaction is measured every two years. In the year under review, the focus was on follow-up processes. The follow-up workshop implementation rate for the 2016 employee survey was again very high.

In bus and rail transport, we were able to again reduce specific greenhouse gas emissions compared to 2006.

UK Bus line of business

- Challenging market and competitive environment.
- Extensive countermeasures initiated.
- Market share of DB Arriva in London increases, countering the trend.
- Weaker pound leads to negative exchange rate effects.

UK Bus line of business **Selected key figures** (€ million)	2017	2016	Change absolute	Change %
Passengers (million)	707.1	709.0	-1.9	-0.3
Volume produced (million bus km)	353.6	364.9	-11.3	-3.1
Total revenues	1,064	1,164	-100	-8.6
External revenues	1,063	1,159	-96	-8.3
EBITDA adjusted	142	164	-22	-13.4
EBIT adjusted	66	90	-24	-26.7
Gross capital expenditures	149	86	+63	+73.3
Employees as of Dec 31 (FTE)	15,935	16,588	-653	-3.9

The number of passengers remained roughly stable. Positive effects due to contract wins in London were offset by a reduction in operations outside of London. The volume produced decreased as a result of network adjustments in the regions, which were only partially offset by contract wins in London.

Adjusted EBITDA and EBIT decreased primarily due to negative exchange rate effects and the weaker revenue development due to the challenging market environment. Positive effects from the sale of real estate in the previous year were non-recurring.

- The negative revenue development resulted from exchange rate effects and lower revenues in the non-core business (among others due to the termination of patient transport services). New transport services in London had a positive effect.
- Other operating income (+3.4%) increased at a low level.
- The decrease in the cost of materials (–15.4%) was mainly driven by exchange rate effects, declining volume produced and lower levels of procurement in the non-core business.
- Personnel expenses (–5.1%) declined due to exchange rate effects. Adjusted for exchange rate effects, personnel expenses increased slightly.
- Other operating expenses (–3.6%) declined due to exchange rate effects.
- Depreciation (+1.3%) was at the previous year's level. Higher depreciation as a result of increased capital expenditures was largely offset by exchange rate effects.

Vehicle acquisitions in connection with the transport contracts awarded in London as well as measures to improve services in the regions outside of London resulted in a significant increase in capital expenditures.

The number of employees declined, largely due to the cessation of patient transport contracts.

UK Trains line of business

- Operations commenced in the previous year are driving development.
- Overall positive development; strikes had a dampening effect.
- Weaker pound leads to negative exchange rate effects.

UK Trains line of business **Selected key figures** (€ million)	2017	2016	Change absolute	Change %
Passengers (million)	387.6	240.6	+147.0	+61.1
Volume sold (million pkm)	11,091	9,040	+2,051	+22.7
Volume produced (million train-path km)	126.2	117.2	+9.0	+7.7
Total revenues	2,223	2,114	+109	+5.2
External revenues	2,184	2,078	+106	+5.1
EBITDA adjusted	124	108	+16	+14.8
EBIT adjusted	89	76	+13	+17.1
Gross capital expenditures	65	47	+18	+38.3
Employees as of Dec 31 (FTE)	12,656	12,799	-143	-1.1

The performance development of UK Trains was clearly positive, mainly due to the full year impact of operations at Arriva Rail North (since early April 2016) and at Arriva Rail London (since mid-November 2016) in the previous year, as well as the full commissioning of the Oxford Parkway line at Chiltern Railways. Conversely, the cessation of the Tyne and Wear concession dampened development.

Adjusted EBITDA and EBIT improved as a result of the above average revenue growth. Negative exchange rate effects and strikes at Arriva Rail North and CrossCountry had a noticeably dampening effect.

- Revenue development was positive overall due to performance. Revenue growth was weakened by significantly negative exchange rate effects.
- Other operating income (–6.9%) declined due to exchange rate effects.
- Cost of materials (+13.3%) and personnel expenses (+19.1%) were also significantly higher due to the full year impact of the new operations, while exchange rates had a positive effect.
- Other operating expenses (–18.8%) decreased due to the impact of funding changes following the end of franchise and commencement of the direct award in CrossCountry trains and currency effects, partially offset by the full year impact of the new operations.

- Depreciation (+12.9%) increased due to capital expenditures, driven mainly by Arriva Rail North.

The higher gross capital expenditures are attributable to Arriva Rail North and Arriva Rail London.

The number of employees decreased due to the cessation of the Tyne and Wear transport contract. Growth at Arriva Rail North had the opposite effect.

Mainland Europe line of business

- Year-on-year impact of commencement of operations in the Netherlands is the main driver of development.
- Positive effects from acquisitions.

Mainland Europe line of business **Selected key figures** (€ million)	**2017**	2016	Change absolute	Change %
Passengers (bus) (million)	747.9	708.6	+39.3	+5.5
Passengers (rail) (million)	100.7	102.4	-1.7	-1.7
Volume sold (rail) (million pkm)	2,234	2,190	+44	+2.0
Volume produced (bus) (million bus km)	721.9	663.3	+58.6	+8.8
Volume produced (rail) (million train-path km)	51.5	53.4	-1.9	-3.6
Total revenues	2,158	1,933	+225	+11.6
External revenues	2,083	1,848	+235	+12.7
EBITDA adjusted	323	288	+35	+12.2
EBIT adjusted	165	147	+18	+12.2
Gross capital expenditures	148	204	-56	-27.5
Employees as of Dec 31 (FTE)	25,723	24,523	+1,200	+4.9

Performance development in the Mainland Europe line of business was positively influenced mainly by the newly commenced services in the Netherlands (Limburg and ZOWAD) that started mid-December 2016. In bus transport, the current year acquisition in Croatia and acquisitions from the previous year in Italy, Spain and the Czech Republic also led to an increase in performance. Performance declines in Denmark had an offsetting dampening effect, as did the closing of lines in rail transport in Sweden.

Driven by the transport services commenced in the Netherlands at the end of the previous year and acquisitions, income increased more than expenses, with the result that adjusted EBITDA and EBIT improved significantly. In contrast, the challenging market environment in Denmark had a noticeably dampening effect.

- Revenue development was positive, mainly driven by the commencement of operations in the Netherlands, acquisitions and rail replacement transport in Sweden. Performance declines in Denmark had a dampening effect.
- Other operating income (+14.5%) increased mainly as a result of the commencement of operations in the previous year.
- The acquisition and commencement of operations of the previous year also increased the cost of materials (+10.5%) and personnel expenses (+11.7%).
- The increase in other operating expenses (+ 14.7%) and depreciation (+12.1%) was mainly due to the commencement of operations in the Netherlands in the previous year.

Gross capital expenditures fell significantly. This resulted from the elimination of the previous year's capital expenditures in the Netherlands in connection with the commencement of operations.

The number of employees increased, mainly due to the acquisition of the AUTOTRANS GROUP 13 (DEPARTURE ECONOMIC) during the year.

The external revenue structure changed significantly as a result of the commencement of operations in the Netherlands. Consequently, the proportion of revenues in the Netherlands increased significantly.

Freight transport and logistics

Positive general framework

German freight transport market is growing

Rail nearly at previous year's level

- Rail freight transport in 2017 remained nearly at the previous year's level according to our own calculations. In the context of generally positive economic trends, this was due to intensive intermodal competition and quality-related restrictions, as well as OPERATIONAL RESTRICTIONS 66 F.
- DB Cargo recorded strong growth in paper and, above all, steel transports. However, the positive development in these segments was not sufficient to make up for the marked declines in areas like coal, stone/earth, mineral oil products and automotive, due in part to modal shifts. Combined transport was also unable to contribute to growth.
- Growth among non-Group railways weakened compared to the previous year according to our own calculations, but the development of volume sold remained above average. Growth was curbed not only by infrastructure-related problems but also by the declining trend in the coal market, transport losses at DB Cargo, intensive competition from trucking, and the portfolio adjustments that this required.
- Rail's market share could not be maintained, and it fell to about 17.4%. The DB market share in rail freight transport was about 58% according to our own calculations.

Road continued its strong growth

- The performance rise was heightened compared to the previous year and increasingly led to capacity bottlenecks over the course of the year.
- According to the toll statistics issued by the German Federal Agency for Freight Transport, trucks registered abroad, particularly in the Central and Eastern European region, showed above-average growth once again.
- Trucking benefited more than the average from the improved economic trends from international trade and strong domestic demand. In addition to the dynamic increase in the area of consumer and industrial goods, strong demand from the largely regional construction industry and modal shifts also contributed to the growth.
- Road's market position expanded for the fourth year in a row to about 71.7%.

Inland waterway transport slightly higher than in the previous year

- Affected by persistent restrictions due to low water, especially in the first quarter of 2017, when performance declined by nearly 13%, the previous year's level was only slightly exceeded. Rather steep performance declines were observed in particular in transport within Germany.
- Growth in metal products, ores/stone/earth and other mineral products was offset by, in some cases, severe declines in the areas of agriculture, coke/mineral oil products and chemicals.
- Market share fell for the fourth year in a row and was headed toward the 8% mark.

European rail freight transport market above previous year's level

Volume sold in European rail freight transport (EU 28, Switzerland and Norway) increased in 2017. The performance increase is supported by the revival of production in Europe and foreign trade. Positive momentum came above all from the metal and construction materials industry. Combined transport remains a growth driver, with heavy traffic through the ports of Amsterdam, Rotterdam and Antwerp (ARA ports). The year was characterized by a dynamic first half, with growth of about 4% compared to the same period in the previous year. In the second half-year momentum slowed, with clear regional differences. Of the large European rail systems, the Austrian Rail Cargo Group and the Polish PKP Cargo increased their volume sold. In the European DB Cargo network, volume sold remained lower than in the previous year (−2.2%). There were adverse effects from the blocking of the Rhine valley route and the reduced performance volumes in Southeastern Europe and Great Britain, among others.

European land transport shows solid growth

The European land transport market experienced positive growth and DB Schenker has maintained its leading market position despite consistent intense competition. The parcel market is being progressively opened up throughout Europe with GLS as a strategic partner. Risks remain, for instance due to persistent driver shortages and increasing competition among freight forwarders.

Strong growth in air freight

The international air freight market saw a marked upswing in 2017 with growth of 10%. The growth trend that began in the last quarter of 2016 extended through every month of 2017 without any notable letup. What set the market growth in motion was an unusual situation in the ocean freight market, where new alliance formation led to a shortage of capacity that had positive effects on the air freight industry. The economic environment and the continued e-commerce trend also had a favorable impact.

The markets in Asia and Europe showed particularly good trends, with the main driver being automobile and consumer goods transport, while other industries also recorded positive growth. The strongest growth was on the trade route between Asia and the USA. On account of higher demand and limited cargo space in the market, freight rates on some trade routes rose sharply, so that freight rates were also higher overall than in the previous year.

Ocean freight continues strong growth

Ocean freight saw global growth of close to 5% in 2017. Positive volume growth was recorded on all major routes. A recovery of demand and the formation of new alliances among shipping companies markedly improved the utilization of capacity.

The highest volume route, Intra-Asia, recorded growth of about 6%. The Asia–Europe route also grew by about 5%. The positive market trend overall also caused freight rates to rise again.

Persisting momentum in contract logistics

The positive performance of the global market for contract logistics also continued in 2017. As before, the dominant driver remained, above all, the persisting strong trend toward outsourcing in the key industries (especially electronics, consumer, automotive, healthcare and industrials).

Growing e-commerce business requires much more warehousing capacity than conventional retail and is stimulating the market for warehousing space, especially in the USA and China, or the Asia/Pacific region. Growth rates were high in the regions Asia/Pacific, the Middle East and Africa. India showed particularly strong additional growth, due in part to a comprehensive tax reform.

DB Cargo business unit

Business model

With about 4,200 customer sidings in Europe, DB Cargo provides its customers with access to one of the biggest rail networks in the world and is thus the number one in European rail freight transport. The international network stretches along the huge European freight transport corridor. This means that rail transport is offered across Europe in the product areas of block trains, single wagon and combined transport. Individual industry solutions complete the range of services offered. Mainly self-owned traction units and freight cars are used to provide services. The customer structure is characterized by major customers. The key industries served are the iron, coal and steel (montan) industries, chemical, automotive and construction materials industries, heavy industry and consumer goods, as well as intermodal transport. The customer structure is characterized by major customers. The premiere key performance indicator is volume sold measured in ton kilometers. The relevant capacity utilization figure is measured in tons per train. The cost structure is mainly influenced by volume produced. Major cost drivers are personnel, infrastructure and maintenance expenses.

The most important source of revenue is the transport of goods by rail. Key resources are customer relationships, a high level of customer understanding, motivated and well-trained employees, along with the efficient use of rolling stock and a high quality infrastructure. The intra-Group infrastructure companies and service providers are important partners in this respect.

Markets and strategy

DB Cargo operates a close-knit international network and is active in 17 European countries. This unparalleled network is the foundation for building on DB Cargo's leading position in the European rail freight transport market. The market is undergoing structural transformation, facing market participants with challenges, but also providing opportunities. Changed customer expectations and technical possibilities are producing TRENDS 56 F. that will shape the logistics market in the future, including digital supply chains and business models, automation and autonomous driving.

As a leading European transport services provider, we intend to take advantage of the opportunities offered to us by new technologies to make DB Cargo fit for the future. The digital transformation of DB Cargo is driving this technological change with the aim of offering customers competitive transport and logistics services and providing these services efficiently with high quality. Equipping the freight

car fleet with telematics and sensor systems as well as developing smart, modern locomotives offers the requirements to optimize and digitalize processes in distribution, operation and maintenance. Online platforms give our customers direct access to our services. An online solution is already available in the form of the innovative digitalization platform myRailportal for transmitting specific transport and logistics orders, transport information and billing statements.

DB Cargo is also working toward greater automation of the business, so that even complex tasks all along the value-added chain can be handled faster, at a much lower cost and with much higher quality. In this context, efficient and reliable rail transport through (partially) automated and interoperable driving is planned. Through the AUTOMATION OF MARSHALING YARDS 63 and the use of automatic coupling systems, greater performance capacity and productivity is achieved.

To enable DB Cargo to fully exploit the potential of the MASTER PLAN FOR RAIL FREIGHT TRANSPORT 54 and improve quality, the Rail Freight Transport Initiative 2030 has been launched. In the next five years, we intend to make about € 1 billion in additional capital expenditures in new locomotives, modern, innovative freight cars and digitalization of the fleet.

- ECONOMIC dimension: Our mission is to be a profitable quality leader with a strong European network in rail freight transport. Our activity is centered around fulfilling our promise to customers. To achieve this, the reorientation of our business model is aimed at stabilizing production quality, increasing organizational

efficiency and creating competitive cost structures. As part of RAILWAY OF THE FUTURE Zukunft Bahn 2 F. (DEPARTURE ECONOMIC), we are realigning our core business processes and creating the basic foundations for efficiency and quality. The production system was simplified in the year under review through the reorganization of production structures. The goal is to improve production stability and cost structures in order to boost competitiveness long-term. To ensure a stable quality network, production images with closed, efficient locomotive and locomotive driver turnarounds were introduced for long-term, plannable transport services. For short-term transport services, orders will be accepted only after a successful check of all necessary resources, in order to guarantee high quality. Production structures were modified so that a thoroughgoing accountability prevails in the completion of transports, and transport services are managed by a single source. The operational concepts for local transport have been optimized for full resource utilization. Sales is consistently aligned to customer needs and develops rail-based logistics solutions with customers. The European network portfolio is being systematically expanded to take advantage of growth potential on international corridors by using our European network. To improve unsatisfactory quality, DB Cargo has launched several short- and medium-term initiatives. OPEX 66 is a Group-wide initiative centered on the structural improvement of operating processes. The program has set a goal of eliminating the causes of quality defects and inefficiencies on a structural level and securing the objectives defined in RAILWAY OF THE FUTURE Zukunft Bahn, such as increasing punctuality, quality and vehicle availability. The targeted, gradual introduction of lean-management approaches will be used to push productive workflows and efficient use of materials and resources.

- SOCIAL dimension: Starting with the strategy DB2020+, our goal is to be the top employer across Europe. To this end, we will use the employee survey, for example, as a feedback instrument for assessing the measures we have initiated. We see the core of our European HR work as being in digitalization, demography and diversity. We want to impart skills to, and develop, our executives and employees through targeted measures. To give a permanent lift to our employee satisfaction, we are refining our feedback tools and communication and dialog platforms. In this way, we ensure that we are working together on the further development of DB Cargo and we prepare for trends in the logistics market.
- ENVIRONMENTAL dimension: We want to reinforce rail freight transport as being an environmentally and climate-friendly means of transport and to provide a base from which to reduce greenhouse gases through transport shifts. We are developing sustainable transport solutions and modernizing our fleet for this purpose. By 2020, we aim to have fitted our entire active German fleet of freight cars with QUIET BRAKE SHOES 79. We plan to develop the prototype of an innovative freight car in collaboration with VTG. By 2020, we want to have reduced our specific final energy consumption by 21% compared with 2006. New shunting locomotive are equipped with soot particulate filters and we are pushing the use of HYBRID TECHNOLOGY green. NO. 44. We underscore our position as an eco-pioneer by providing eco-friendly offerings such as DB ECO PLUS green. NO. 01 (CO_2-free) and DB ECO NEUTRAL green. NO. 32 (CO_2-neutral). In addition, we are identifying energy-saving potential through the green maintenance program.

Events 2017

New production system introduced #QUALITY

As part of RAILWAY OF THE FUTURE Zukunft Bahn, DB Cargo has introduced a new system of production, the so-called planning and implementation system. Under this system, trains are planned and navigated by the same team from start to finish. Until now, up to 12 different managers might sometimes be responsible for one transport service. Responsibility for each train was handed over like a baton from one managing department to the next. This made prospective scheduling difficult. All these interfaces have now been eliminated. A single, clearly identified contact partner will now have decision-making authority in case of schedule deviations or other problems. In this way, we achieve greater transparency for our customers in predicting delivery dates as well.

Legal issues

Monetary fine proceedings against Transfesa and other DB companies

The Spanish anti-trust regulator has imposed a fine of € 10.5 million against Transfesa and other Group companies for alleged anti-competitive agreements with the Spanish state-owned railway RENFE. An appeal against the decision has been filed. The regulator imposed a fine of just under € 50 million against RENFE for these allegedly anti-competitive agreements.

Other events

- box2rail is a new online booking platform for container transport customized to meet the needs of small and medium-sized enterprises.
- In cooperation with several freight railways, DB Cargo carried out the first direct rail transport from China to Great Britain in January.
- DB Cargo and ScandFibre Logistics have increased their transport contract to 1.2 million tons per year up to 2019 from Sweden to Continental and Southeastern Europe. There are also about 12,000 carloads traveling in the opposite direction to Sweden.
- DB Cargo has joined the Lean and Green initiative. All participating companies of the non-profit initiative undertake to reduce their greenhouse gas emissions in logistics processes by 20% in five years.
- Since mid-2017, Audi has been riding CO_2-free throughout Germany with DB Cargo. That saves over 13,000 t CO_2 per year.
- In the research project HELMS green NO. 45 (Hybrid Electronic Mechanical Shunter), DB Cargo and DB Vehicle Maintenance are testing a new drive system based on hybrid technology. Diesel consumption and greenhouse gas emissions are reduced by an average of 20%. Noise is also reduced. If these advantages are verified, we plan to move to series refitting.
- DB Cargo has entered into a technological cooperative agreement with Toshiba. It includes a feasibility study for the joint development and subsequent purchase of initially 50 new hybrid locomotives by DB Cargo. Hybrid vehicles are used as local transport locomotives and enable not only significantly lower diesel consumption and lower maintenance costs but also higher average fleet availability.
- With a modified engine control system, DB Cargo reduces fuel consumption and greenhouse gas emissions. The engine control system was optimized on just under 400 shunting locomotives. This saves 800,000 liters of fuel and 2.1 million kg CO_2. The project partners were MTO-Engineering and the Munich University of Applied Sciences.
- DB Cargo is procuring 60 Vectron multisystem locomotives from Siemens. These vehicles, which can be deployed in cross-border transports and are valued at about € 226 million, are part of a framework contract with Siemens for up to 100 new mainline locomotives. The first five locomotives have been in use since December 2017.
- DB Cargo and Siemens have entered into a new cooperative agreement on the technical upgrading of existing series 152 electrical locomotives to make them TechLOKs. In addition, Siemens series 170 and 191 Vectron locomotives will be linked to the TechLOK system. With this agreement, DB Cargo continues the digitalization of its vehicle fleet. The goal is to fit all 2,000 locomotives with diagnostic technology by 2020. Today, nearly 1,000 locomotives already report information about their condition.

			Change		
DB Cargo	**2017**	2016	absolute	%	2015
Punctuality (%)	72.7	75.6	-	-	73.9
Customer satisfaction (SI)	67	-	-	-	64
Freight carried (million t)	271.0	277.4	-6.4	-2.3	300.2
Volume sold (million tkm)	92,651	94,698	-2,047	-2.2	98,445
Volume produced (million train-path km)	175.6	179.1	-3.5	-2.0	187.0
Capacity utilization (t per train)	527.5	528.8	-1.3	-0.2	526.5
Total revenues (€ million)	4,528	4,560	-32	-0.7	4,767
External revenues (€ million)	4,209	4,230	-21	-0.5	4,417
EBITDA adjusted (€ million)	130	108	+22	+20.4	120
EBIT adjusted (€ million)	-90	-81	-9	+11.1	-183
EBIT margin (adjusted) (%)	-2.0	-1.8	-	-	-3.8
Gross capital expenditures (€ million)	328	304	+24	+7.9	451
Employees as of Dec 31 (FTE)	28,257	29,671	-1,414	-4.8	30,303
Employee satisfaction (SI)	-	3.4	-	-	-
Employee satisfaction – follow-up workshop implementation rate (%)	96.5	-	-	-	99.0
Share of women in Germany as of Dec 31 (%)	10.6	11.2	-	-	11.4
Specific final energy consumption compared to 2006 (related to tkm) (%)	-17.1	-17.1	-	-	-16.8
Total number of quiet freight cars in Germany as of Dec 31	39,604	32,396	+7,208	+22.2	20,460

Development in the year under review

- Limitations, above all in Germany, due to operating restrictions and strained transport quality (resource problems with personnel, and in some cases locomotives and cars).
- Persistent weak development in France due to quality-related transport losses and a refocusing of the customer portfolio.
- Restructuring carried forward in France and Great Britain.

Punctuality fell in the year under review. This was driven in particular by the trend in Germany, where start-up difficulties in the introduction of a new production system and OPERATING RESTRICTIONS 66 F. imposed burdens. #PUNCTUALITY

However, customer satisfaction improved due to the positive development of important customer interfaces such as advising and transport performance. We survey about 1,000 customers each year regarding customer satisfaction.

Performance development was disappointing. It was mainly driven by developments in regions West and Central. The volume of freight carried and volume sold fell slightly, as did capacity utilization per train.

The economic trend remained tense. Slightly lower income was offset by lower expenses, so that adjusted EBITDA rose. The development was driven by region West, while the development in region Central had a dampening effect. Due to the increased depreciation, the development of the adjusted EBIT was negative.

- 82% of revenues are generated in region Central, 13% in region West and 5% in region East. Revenues remained nearly the same. Performance-based increases, especially in region East, were offset by negative exchange rate effects and decreases in revenues in region West.
- Other operating income (−0.6%) fell based on exchange rate differences. Adjusted for exchange rates, there was a rise, mainly due to the REIMBURSEMENT OF THE NUCLEAR FUEL TAX 145.
- Above all, higher purchased transport services and increased maintenance expenses in Germany led to a slight increase in the cost of materials (+1.6%). Lower energy costs and exchange rate effects, among other things, partially made up for it.
- Because of lower employee numbers, due especially to restructuring measures in Great Britain and because of exchange rate effects, personnel expenses (−1.7%) were lower than in the previous year. The decrease was offset by the effects of wage increases.
- Other operating expenses (−9.7%) declined due to lower expenses for damage compensation and vehicle rents, among other things.
- Depreciation (+16.4%) rose due to the capitalization of IT development expenses in the previous year and due to increased capital expenditures in locomotives and freight cars.

Capital expenditure activities increased. Capital expenditure rose in region Central due to the capitalization of IT development expenses and higher capital expenditures in locomotives and freight cars. In contrast, capital expenditures in regions West and East declined.

65% of employees work in region Central, 15% in region West and 14% in region East. The number of employees declined. This was caused essentially by a decline in staffing in Germany related to the restructuring, additionally supported by natural fluctuation, part-time working in the lead-up to retirement and transfers within the Group, adjustments to the business situation in Great Britain and France and optimization measures in Poland.

Employee satisfaction is measured every two years. In the year under review, the focus was on follow-up processes. The follow-up workshop implementation rate for the 2016 employee survey was once again very high, though somewhat lower than two years ago.

The share of women fell slightly compared to the previous year. In the context of the declining employee numbers, this is attributable to demographically related departures, natural fluctuation, part-time working in the lead-up to retirement and intra-Group transfers.

The reduction of final energy consumption compared to 2006 remained stable.

Nearly two-thirds of DB Cargo's active freight cars in Germany now feature WHISPER BRAKES green NO. 05. The refitting continued in the year under review.

Region Central

- Hindrances due to operating restrictions with impact on performance quality in Germany.
- Stabilizing impact from positive development of the steel sector, which is predisposed to rail transport.
- Profitability increase due to efficiency-boosting actions in the sales companies.

Region Central **Selected key figures** (€ million)	**2017**	2016	Change absolute	Change %
Freight carried (million t)	246.2	246.9	- 0.7	- 0.3
Volume sold (million tkm)	74,780	75,771	- 991	- 1.3
Volume produced (million train-path km)	140.9	142.0	- 1.1	- 0.8
Total revenues	4,836	4,827	+ 9	+ 0.2
External revenues	3,431	3,421	+ 10	+ 0.3
EBITDA adjusted	160	181	- 21	- 11.6
EBIT adjusted	6	57	- 51	- 89.5
Gross capital expenditures	270	222	+ 48	+ 21.6
Employees as of Dec 31 (FTE)	18,494	19,332	- 838	- 4.3

Performance development declined in region Central. This was driven by the trend in Germany as a result of structural effects in goods predisposed to rail transport, such as coal, and due to operating restrictions. The implementation of optimization programs enabled us to keep capacity utilization largely at the level of the previous year.

The economic trend was tense. The slight rise in revenue was eaten up mainly by an increased cost of materials, so that the adjusted EBITDA and EBIT fell.

- Despite the operating difficulties in Germany, mild revenue growth was achieved. This resulted from the positive development in some sectors predisposed to rail transport and from newly forged purchasing and sales relationships.
- Other operating income (–1.3%) fell due to the elimination of a one-time effect from the disposal of rolling stock in the previous year. The reimbursement of nuclear fuel tax had a partially offsetting effect.
- The increase in the cost of materials (+1.8%) was due to increased purchased transport services and higher service-related expenses for utilization of train-paths among the production companies. Lower energy costs had a moderating effect.
- Personnel expenses (–0.3%) decreased as the number of employees declined. This was offset by wage increases.
- The decline in other operating expenses (–4.7%) resulted from lower expenses for damage compensation and for transport services, among other things.
- Depreciation (+24.2%) rose due to the capitalization of IT development expenses in the previous year and due to increased capital expenditures in locomotives and freight cars.

Gross capital expenditures increased significantly due to the capitalization of IT development costs and higher capital expenditures in locomotives and freight cars.

The number of employees fell mainly due to restructuring measures and natural fluctuation and intra-Group transfers in Germany.

Region West

- Declining demand in the coal and chemicals segments with stable steel transports in Great Britain.
- Weaker pound leads to exchange rate effects.
- Quality restrictions in France.
- Restructuring measures in Great Britain and France move ahead.

Region West **Selected key figures** (€ million)	**2017**	2016	Change absolute	Change %
Freight carried (million t)	55.4	61.7	- 6.3	- 10.2
Volume sold (million tkm)	13,255	14,062	- 807	- 5.7
Volume produced (million train-path km)	26.8	28.9	- 2.1	- 7.3
Total revenues	668	744	- 76	- 10.2
External revenues	544	607	- 63	- 10.4
EBITDA adjusted	41	7	+ 34	-
EBIT adjusted	- 12	- 46	+ 34	- 73.9
Gross capital expenditures	48	69	- 21	- 30.4
Employees as of Dec 31 (FTE)	4,207	5,055	- 848	- 16.8

In region West, freight carried, volume sold and volume produced fell, in some cases considerably. Quality-related service reductions in France were only partly offset by the rise in steel transports in Great Britain.

The economic trend improved. The decline in income was more than compensated by lower expenses, so that adjusted EBITDA and EBIT developed positively. Cost savings in France and Great Britain had a supporting effect in this case.

- Revenue declined for performance and exchange rate reasons.
- Other operating income (–12.0%) declined due to the elimination of high settlement payments in the previous year in France and lower internal rental income for locomotives in Great Britain.
- The decline in the cost of materials (–7.6%) was due to exchange rate effects and a significant decrease in purchased services.

- Personnel expenses (–16.3%) decreased due to exchange rate effects and an adjustment of the number of employees to match the performance development.
- Depreciation was stable.
- Other operating expenses (–24.5%) fell due to lower rent expenses in Great Britain, negative exchange rate effects and cost savings in France.

Gross capital expenditures fell sharply. This resulted from the postponement of capital expenditures in Great Britain.

The number of employees fell due to adjustment to the business conditions in Great Britain and France.

Region East

- Positive business development essentially driven by Poland.
- Structural adjustments in the customer portfolio in Southeastern Europe boost profitability and lead to proportional shifts from international to national transport services.

Region East **Selected key figures** (€ million)	**2017**	2016	Change absolute	Change %
Freight carried (million t)	17.3	16.6	+0.7	+4.2
Volume sold (million tkm)	4,616	4,865	-249	-5.1
Volume produced (million train-path km)	8.0	8.2	-0.2	-2.4
Total revenues	314	277	+37	+13.4
External revenues	216	202	+14	+6.9
EBITDA adjusted	21	16	+5	+31.3
EBIT adjusted	8	5	+3	+60.0
Gross capital expenditures	10	13	-3	-23.1
Employees as of Dec 31 (FTE)	4,076	4,205	-129	-3.1

Performance development in region East with respect to volume sold and produced was weaker, above all due to a reduction in international and national transport services in Southeastern Europe. Higher volumes in the intermodal and automotive sector in Poland had an offsetting effect. In contrast, the quantity of freight carried increased slightly as a result of, among other things, growth in Poland.

The economic trend was positive. Adjusted EBITDA and EBIT improved, driven in particular by the increase in revenues.

- Revenue development was positive, especially in Poland. Exchange rate effects had an offsetting effect.
- Other operating income (+7.7%) rose due to additional local transport services in Southeastern Europe. Exchange rate effects also contributed to the increase.
- The cost of materials (+28.3%) increased, mainly as a result of increased maintenance expenses and higher transport services purchased in Poland.
- Personnel expenses (+9.4%) rose in Poland as a result of collective bargaining agreements, in spite of a reduction in employees. In Southeastern Europe, personnel expenses rose because of additional hires and wage increases.
- Other operating expenses (–25.0%) fell due to optimization measures in Poland and lower auditing expenses in Southeastern Europe.
- Depreciation (+16.7%) increased due to capital expenditures in Poland.

Gross capital expenditures fell due to eliminated grants from the previous year for the Port of Szczecin.

The number of employees declined, mainly due to optimization measures in Poland.

DB Schenker business unit

Business model

DB Schenker serves established markets and emerging national economies as an integrated transport and logistics services provider with a global network.

- In land transport, the dense network connects the most important economic regions in Europe. Services include time and cost-optimized services for general cargo, partial and full load transport along with door-to-door solutions across Europe.
- As one of the global leaders in air and ocean freight, DB Schenker offers the entire range of services in this segment.
- In contract logistics, the services offered cover all stages of the value-added chain from supplier to producer/trade, end customers and spare parts service. The core area of expertise is the planning and handling of complex global supply chains, including sustainable logistics concepts.

DB Schenker has a global customer base in a wide range of industries and a focus on industrial customers. The vertical market approach is aimed at developing industry-specific solutions. Major customers are provided with tailored solutions as global accounts.

In air and ocean freight, we act solely as a freight forwarder without our own aircraft and ships. In some segments of land transport, we use our own vehicles and containers. Transshipment terminals and warehouses are generally our own property or are leased over the longer term.

Motivated and well-trained employees are key resources for a service provider. Close customer relationships and industrial expertise are extremely important. Efficient IT is also essential for good product and service quality.

In addition to airlines and shipping companies in air and ocean freight, our major partners include land transport subcontractors for the supply of transport services.

Performance measurement depends on the line of business: for European land transport, the key indicator is the number of shipments; for air freight, it is the tonnage billed; while in ocean freight, it is the freight volume, measured in TEU. There is no comparable volume measurement in the contract logistics segment. In this case, market comparisons are usually made on the basis of revenues.

DB Schenker has a relatively low capital intensity and real net output ratio. About 70 % of revenues in the transport business line come from procured intermediate input services. Therefore, optimizing these purchase relationships and balancing various influential success factors such as transport relations, volume, weight and mode of transport represents an important factor for success and a value driver. The same applies to managing fluctuations in freight rates and the specific surcharges to these freight rates. In particular, the effective and efficient use of personnel resources is a key driver below gross profit. This is of particular importance in contract logistics. Here, know-how and experience relevant to the industry are an essential success factor in the optimal design of intra-company logistics processes. Effective IT support is also especially important.

The most important sources of revenue are transport and logistics services, including added value services such as the assembly of modules or assemblies in the automobile industry or putting together special sales packaging for the retail sector.

Markets and strategy

DB Schenker holds a leading market position in all relevant market segments – European land transport, global air and ocean freight, as well as contract logistics. Our vision is to be the leading integrated transport and logistics services provider with a global reach. We want to strengthen and expand our leading market position.

With its PRIMUS STRATEGY 129, DB Schenker intends to significantly increase profitability and focus its portfolio even more on international growth markets. A comprehensive transformation program was launched to drive change in the three core areas of growth, efficiency and culture.

The individual business lines of land transport, air and ocean freight and contract logistics are developing measures and putting them in practice. In addition, overarching issues are being managed centrally. One example is the comprehensive program aimed at raising efficiency, where function costs are being analyzed, and global shared service centers set up, among other activities.

Digitalization is increasingly gaining in importance as a driver of disruption in the logistics industry. DB Schenker therefore has a dedicated digitalization unit. This unit's mission is to promote data-driven business models, online platforms and technical innovations worldwide.

- ECONOMIC dimension: The central challenge is to be able to respond more quickly to market demand. For this, we rely on processes distinguished by standardization as well as industrialization. By adapting supply chains consistently, we fulfill customer requests while deepening the customer relationship at the same time. The focus is also on the further expansion of integrated and innovative solutions for the entire logistics chain. Our objective is to grow profitably and increase the EBIT margin on a sustainable basis. We strive toward growing more strongly than the market in all segments and maintaining our leading market positions. In pursuing this goal, we are further enlarging and developing our global network. Particular focus is on the expansion and harmonization of our global IT landscape. We are also cooperating with technology companies to develop new digital products and services that improve both collaboration with our subcontractors and our ability to deliver on our promise of performance to customers.
- SOCIAL dimension: We aim to be the top employer in logistics. Satisfied employees are a prerequisite for satisfied customers. In order to achieve our targets, we are strengthening our corporate culture and expanding our individual and international career development programs. Moreover, we offer a modern, family-friendly and diverse working environment. #RECRUITING
- ENVIRONMENTAL dimension: We actively build upon our extensive know-how in green logistics. We use our Eco Operations to record, assess and increase the energy and material efficiency of our internal processes. With Eco Procurement, we focus on the purchase of CO_2-friendly services from our carriers and sub-providers. The tools we use in this effort include our preferred carrier portfolio, our carbon reduction agreements, and our environmental partnerships with top carriers. Eco Transparency includes instruments that can be used to calculate our carbon footprint even more precisely. Through ECO CONSULTING green NO. 12, we offer our customers consultation services through which they can improve their carbon footprint.

Events 2017

Expansion of the global network

Opening of new logistics hubs

- A new logistics hub in Grenoble/France specializes in the needs of nearby semiconductor manufacturers and offers the highest standards for the storage of computer chips.
- The enlargement of the logistics facility in Strečno/Slovakia to 8,000 m² improves the offer for transport and warehouse logistics for car customers.
- A further area of 10,500 m² is rented in the logistics hub in Großbeeren. The new property serves as a warehouse for various customers from the consumer goods and industrial goods sectors.
- Together with Duisburger Hafen AG, a logistics hub was set up in the Port of Duisburg. From 2018, DB Schenker will be organizing supply to plants abroad for the Mercedes-Benz Vans business unit's global production network.
- In Bologna, a new 11,000 m² terminal has been built and certified under the Building Research Establishment Environmental Assessment Method (BREEAM). It is equipped with LED LIGHTING green NO. 50, state-of-the-art insulation technology and a rainwater recycling system. The new logistics hub in Venlo, opened in July, was also BREEAM-certified.
- Graz is now home to the most advanced goods hub south of the Alps, with about 30,000 m² of usable space. Along with the most advanced IT solutions and up-to-date safety standards, the entire logistics hub is illuminated with daylight-sensitive LED lamps.
- DB Schenker Australia is opening one of its largest contract logistics hubs for several customers in Hoxton Park. This logistics hub is a facility for entertainment electronics, fast-moving consumer goods, and fashion and retail customers.

- In Auckland/New Zealand, a new contract logistics hub has been developed with the most advanced environmental technology (a combination of daylight and LED LIGHTING green NO. 50, SOLAR SYSTEM green NO. 30, recycling program) with 7,000 m² of warehouse space and 10,000 pallet spaces.
- DB Schenker and Jinbei Automotive opened a highly modern logistics hub in December. The Shenyang Logistics Center, with 42,000 m² of space, is one of the world's largest DB Schenker logistics hubs and is available for use by a number of customers.
- In MADRID 13 (DEPARTURE ECONOMIC), DB Schenker is opening its largest national logistics hub in Spain with 60,000 m² of space for international land transport as well as air and ocean freight. It is equipped with a PHOTOVOLTAIC SYSTEM green NO. 50 that generates most of the electricity needed. The climate control system also has a heat recovery system.

Investments

- In February 2017, DB Schenker invested in uShip, Inc. of Austin, Texas/USA, by way of a financing round. The investment follows a cooperative agreement with uShip in place since May 2016. The online platform of uShip provides a digital addition to DB Schenker's established business model.
- DB Schenker is taking over its New Zealand partner company SB Global Logistics after more than 20 years of cooperation. With this acquisition, DB Schenker is extending its presence to the southern islands of New Zealand, improving customer proximity and expanding into a nationwide company. As part of the acquisition, DB Schenker will take on more than 50 employees and an ultramodern logistics hub in Christchurch/New Zealand, opened in 2014.

Progress in implementation of PRIMUS

A large number of initiatives were implemented in the year under review that move DB Schenker forward on the way to becoming the sector's leader, its PRIMUS. Strong results have already been achieved in the categories of growth, efficiency and culture:

- Growth: the annual growth target of € 1 billion was surpassed and DB Schenker once again set a new annual revenue record in contract logistics.
- Efficiency: with the successful establishment of the Global Business Service Centers in Bucharest and Manila, the conditions were created for systematic integration of the operating business.
- Culture: DB Schenker has begun deploying 133 top managers as catalysts for accelerated change in the organization. This clears the way for a change in corporate culture that will put DB Schenker at the top of the industry.

Use of megatrucks

We contribute toward innovations in road freight traffic in general. But it is also important to DB Group that, in the concrete implementation of such innovations, any additional competitive disadvantages for freight transport by rail are avoided as far as possible. Thus, DB Schenker participated in the Federal Government's field test on megatrucks with four vehicles on only a few select routes in Germany used to transport time-critical general cargo shipments that are not suitable for rail transport. There is therefore no danger of a shift from rail to road transport in this case. There are currently no specific plans to expand the megatruck fleet.

Innovative environmental social commitment

GRI 302-5

#CLIMATE PROTECTION

- DB Schenker has further promoted the expansion of logistics locations into ECO WAREHOUSES green NO. 112 worldwide. All Eco Warehouses have modern LED LIGHTING green NO. 50. This enables potential energy savings of up to 30 % compared to conventional lighting.
- DB Schenker has acquired from Daimler subsidiary Charterway three Fuso eCanter FULLY ELECTRIC LIGHT TRUCKS 6 (DEPARTURE ENVIRONMENTAL) and is testing them under real production conditions in city logistics. Among other things, one of the three vehicles will be used for the delivery and pickup of general cargo shipments in Berlin's city center.
- With the ROLA ("rolling highway"), DB Schenker in Austria is connecting that country with its Slovenian and Italian neighbors. Through the Brenner Pass alone, 6,000 trucks a month are loaded and over 2,000 t CO_2 are saved every year.
- DB Schenker as an exclusive service provider signed a 4+2-year agreement with Louis Vuitton after an impressive environmental performance in a competition with top suppliers, and has thus taken on the role of driving the luxury manufacturer's climate goals in global transport.

- DB Schenker along with its preferred carrier, Hapag Lloyd, gained its first customer for voluntary conversion from heavy oil to low-sulfur marine diesel in unregulated ports. L'Oreal, as a premium customer, is paying a surcharge on all containers loaded in ports without sulfur emissions limits in order to finance low-sulfur fuel.

Legal issues

- DB Group is pursuing compensation for damages against the airlines that were part of the so-called air freight cartel, which, according to the findings of various competition authorities around the world, agreed on kerosene and security surcharges, among other things, from 1999 to at least 2006 at the expense of freight forwarders such as DB Schenker. Claims for damages were entered against several airlines in Germany and the USA in 2014. Out-of-court settlements in the USA have been concluded with all remaining airlines in the lawsuit in the year under review. The US proceedings have thus ended. In addition, out-of-court settlements relating to the proceedings in Germany were concluded with three airlines in the year under review. Settlement negotiations are being conducted with additional airlines to settle the pending proceeding in Germany.
- In December 2017, DB Group filed a lawsuit with the Munich Regional Court against the corporate groups DAF, Daimler, Iveco, MAN and Volvo/Renault, which participated in the truck cartel. DB Group is asserting its claims for damages in conjunction with the German Armed Forces. Besides the German Armed Forces, over 40 companies from all sectors of the German economy have assigned their claims to DB Group. In this lawsuit, DB Group is asserting combined damage claims for illicit price-fixing on about 35,000 trucks affected by the cartel, with a purchase volume of well over € 2 billion. DB Schenker was impacted with respect to several thousand trucks. The amount of the damage is currently being investigated. The EU Commission had found that the truck manufacturers participating in the cartel had entered into prohibited agreements on gross list prices between 1997 and 2011. There were also agreements to delay the introduction of new emissions reduction technologies and to pass their costs onto customers. The cartel was hit with record fines totaling € 3.8 billion.

			Change		
DB Schenker	**2017**	2016	absolute	%	2015
Customer satisfaction (SI)	74	–	–	–	71
Shipments in European land transport (thousand)	100,452	99,638	+814	+0.8	99,361
Air freight volume (export) (thousand t)	1,300	1,179	+121	+10.3	1,128
Ocean freight volume (export) (thousand TEU)	2,169	2,006	+163	+8.1	1,942
Total revenues (€ million)	16,430	15,128	+1,302	+8.6	15,451
External revenues (€ million)	16,345	15,059	+1,286	+8.5	15,390
Gross profit margin (%)	34.3	36.0	–	–	34.4
EBITDA adjusted (€ million)	676	599	+77	+12.9	589
EBIT adjusted (€ million)	477	410	+67	+16.3	395
EBIT margin (adjusted) (%)	2.9	2.7	–	–	2.6
Gross capital expenditures (€ million)	246	209	+37	+17.7	238
Employees as of Dec 31 (FTE)	71,888	68,388	+3,500	+5.1	66,327
Employee satisfaction (SI)	–	3.8	–	–	–
Employee satisfaction – follow-up workshop implementation rate (%)	96.0	–	–	–	94.7
Share of women in Germany as of Dec 31 (%)	30.8	31.9	–	–	32.1
Specific CO_2 emissions (European land transport) compared to 2006 (related to tkm) (%)	-20.2	-16.3	–	–	-20.1
Specific CO_2 emissions (air freight) compared to 2006 (related to tkm) (%)	-8.8	-4.8	–	–	-2.9
Specific CO_2 emissions (ocean freight) compared to 2006 (related to tkm) (%)	-60.7	-60.3	–	–	-50.3

Development in the year under review

- Ocean and air freight, as well as contract logistics, are growth drivers.
- Market and competitive environment with positive stimuli.
- Rising freight rates in air and ocean freight.

Customer satisfaction has improved, largely caused by positive developments in the area of sales and customer service in many countries. We survey about 16,000 customers (annually starting in 2017) regarding customer satisfaction.

Volume development was very positive in air and ocean freight. It was slightly positive in European land transport.

The economic trend was encouraging. The adjusted operating profit figures showed positive development due to a disproportionate rise in income. Adjusted for exchange rates, the development of operating profit was even more positive. Gross profit (+3.5%) also grew, most markedly in contract logistics, although all lines of business recorded gains. In comparison to revenue development, however, gross profit rose at a lower rate therefore the gross profit margin declined.

Revenues were generated 40% in European land transport, 44% in air and ocean freight, and 16% in contract logistics.

The adjusted EBIT was generated 20% in European land transport, 55% in air and ocean freight, and 25% in contract logistics.

- The main drivers of the positive revenue development were air and ocean freight as well as European land transport. Growth continued to be dynamic in contract logistics. Negative exchange rate had dampening effects.
- Other operating income (+32.9%) rose due to higher income from damage claims, refunds of expenses and income from the release of provisions.
- Cost of materials (+11.2%) rose particularly due to the volume and freight rate developments in air and ocean freight.
- Personnel expenses (+4.5%) were significantly higher. This can be attributed specifically to a service-related increase in the number of employees in all lines of business and regions as well as to wage increases. The rise was even clearer when adjusted for exchange rate effects.
- Other operating expenses (+3.6%) rose in part due to the leasing of new space and higher purchases of IT services.
- Depreciation rose slightly at a low level.

Capital expenditure activities increased. The increase resulted primarily from the regions Europe and Asia/Pacific. Capital expenditures continued to focus on region Europe. Capital expenditures were made in particular in new construction and the expansion of freight forwarding facilities and terminals, as well as the introduction of new IT systems.

At the end of the year under review, 28% of employees were employed in European land transport, 19% in air and ocean freight, and 31% in contract logistics. The number of employees increased. The main driver was the business expansion in contract logistics.

Employee satisfaction is measured every two years. In the year under review, the focus was on follow-up processes. The follow-up workshop implementation rate for the 2016 employee survey improved slightly on a very high level.

The share of women in Germany fell slightly in the year under review.

The majority of DB Schenker's emissions are the scope 3 emissions of our subcontractors. We have therefore developed a comprehensive monitoring system to monitor our carriers' target development toward reducing greenhouse gas emissions overall. In the year under review, the reduction trend in ocean freight was maintained in view of additional market consolidations. Emissions fell sharply in air freight thanks to fleet renewals. In land transport, significant reductions were recorded based on the new hub structure, in which freight is consolidated into larger transport units.

European land transport line of business

- Within the system and direct transport areas, greater focus on international transport services.
- Europe-wide cost reduction initiatives launched.

European land transport **Selected key figures** (€ million)	**2017**	2016	Change absolute	Change %
Shipments in European land transport (thousand)	100,452	99,638	+814	+0.8
Total revenues	6,608	6,358	+250	+3.9
External revenues	6,531	6,298	+233	+3.7
EBITDA adjusted	163	149	+14	+9.4
EBIT adjusted	94	82	+12	+14.6
Employees as of Dec 31 (FTE)	20,323	19,505	+818	+4.2

In a market environment marked by growing demand, volume development in European land transport was slightly positive overall. A decline in the parcel business (–3.2%) was more than compensated for by higher volumes for general cargo (+2.6%) and direct transport (+2.9%).

The economic trend was positive. The development of adjusted EBITDA and EBIT was better as a result of good business development.

- The revenue trend was driven by the higher shipment volume and the increased price of diesel. Increases in general cargo and direct transport had a positive impact. This was offset by negative exchange rate effects.
- Cost of materials (+3.8%) rose. This resulted especially from general cargo transports. But it was offset by the development in direct transport and the parcel business, as well as exchange rate effects.
- Personnel expenses (+3.8%) increased as a result of staff reductions and collective bargaining agreements.

The number of employees has increased as a result of business development.

Air and ocean freight line of business

- Significant effects due to freight rate development.
- Focus in ocean freight on efforts to optimize capacity utilization, costs and purchase prices.
- Focus in air freight on broadening the customer base and improving the cargo mix.

Air and ocean freight **Selected key figures** (€ million)	**2017**	2016	Change absolute	Change %
Air freight volume (export) (thousand t)	1,300	1,179	+121	+10.3
Ocean freight volume (export) (thousand TEU)	2,169	2,006	+163	+8.1
Total revenues	7,188	6,257	+931	+14.9
External revenues	7,182	6,249	+933	+14.9
EBITDA adjusted	277	237	+40	+16.9
EBIT adjusted	263	221	+42	+19.0
Employees as of Dec 31 (FTE)	13,368	13,137	+231	+1.8

Performance was positive in both air and ocean freight:

- Volumes increased significantly in air freight. The largest relative growth was accounted for by transpacific services and the routes from Asia to Europe. In addition, the volume of transatlantic and Asian traffic and the routes from and to Latin America, among others, have experienced a distinctly positive development.
- The ocean freight volume also increased significantly. Here in particular, growth on the transpacific and intra-European routes and on routes to and from Latin America made an impact. Intra-Asian transport and transatlantic routes also contributed to growth. Only the routes from and to the Middle East showed a slight decline.

The economic trend was positive in both air and ocean freight, and adjusted EBITDA and EBIT rose.

- Revenue development was also positive in both air and ocean freight. The main drivers were freight rate and volume trends. Adjusted for exchange rates, revenue increased even more sharply.
- Cost of materials also rose (+19.8%) in line with the volume and freight rate trends.
- Personnel expenses (+4.6%) increased as a result of a higher number of employees and due to collective bargaining agreements.

The number of employees rose because of higher staffing requirements, mainly in air freight.

Contract logistics/SCM line of business

- Good business development in the existing and new customer base.
- Further business expansion.

Contract logistics/SCM **Selected key figures** (€ million)	**2017**	2016	Change absolute	Change %
Warehouse space (million m²)	8.0	8.0	–	–
Total revenues	2,634	2,514	+120	+4.8
External revenues	2,633	2,513	+120	+4.8
EBITDA adjusted	167	161	+6	+3.7
EBIT adjusted	120	107	+13	+12.1
Employees as of Dec 31 (FTE)	22,081	20,139	+1,942	+9.6

The economic trend in the contract logistics/SCM line of business was positive. The development of adjusted EBITDA and EBIT was better as a result of good business development.

- Revenue development remained steadily and markedly positive. The good business trend among existing and new customers was noticeable here. This was partly offset by negative exchange rate effects.
- With the expansion in business, cost of materials (+6.8%) also increased due to the higher number of employees and personnel expenses (+6.8%). In contrast, exchange rate effects had a dampening effect.

The dynamic business development was also reflected in an increase in the number of employees.

Infrastructure

Requirement plan implementation agreement signed #CONSTRUCTION

The requirement plan implementation agreement (Bedarfsplanumsetzungsvereinbarung; BUV) was signed with the BMVI on July 25, 2017 to speed up the implementation of major projects and takes effect from January 1, 2018. Under the agreed model for the implementation of new track infrastructure construction and expansion projects by the Federal Government, in the future, new plans and results of early public participation will be presented once a year to the Bundestag. Instead of the current plan lump sum, in the future the Federal Government will subsidize total project costs, with DB Group covering the economically viable share of the project portfolio. Planning support from the Federal Railway Authority will increase and non-compliance with commissioning dates will be penalized.

Quality of the existing network improved further #QUALITY

For the proof of infrastructure quality that must be provided annually under the LUFV II 218 F., a total of eight key quality indicators subject to sanctions as well as other assessment parameters were established, and are used to describe and assess in detail the state and development of the existing track infrastructure.

In the year under review, most of the agreed contractual targets were met. The only agreed contractual target not met in full was theoretical lost travel time total network (theoretischer Fahrzeitverlust Gesamtnetz). This target was missed due to developments in the past which are being discussed between DB Netz AG and the Federal Government with respect to their legal compliance and their accountability with regard to quality key figures. As a result, € 15 million will become liable for repayment to the Federal Government. This is documented with the 2017 Infrastructure State and Development Report (Infrastrukturzustands- und -entwicklungsbericht; IZB) which will be submitted to the Federal Government by April 30, 2018, as agreed in the contract. This report will also address the capital expenditures and maintenance expenses undertaken, as agreed, in the year under review. Performance figures for the key quality indicators are preliminary, in accordance with LuFV II, until the audit has been completed by the Federal Railway Authority.

Progress on the Stuttgart – Ulm project

#CONSTRUCTION

The COST AND SCHEDULE DEVELOPMENT 158 of the STUTTGART – ULM RAIL PROJECT will be discussed in Events after the balance sheet date. Further progress has been made on construction work:

- Further reinforcement and concreting work on the floors and walls in some construction phases is underway.
- The concreting of the first three chalices is now complete.
- The west tube of the Filder tunnel was bored conventionally and the tunnel boring machine passed through this section.
- Breakthrough to the second tube of the Cannstatt tunnel was completed at the northern approaches to the station (Nordkopf) at the start of October.
- In total, about 90 % of the relevant anhydrite seams in the Cannstatt and Feuerbach tunnels have been broken through successfully.
- More than 35 km, representing about 60 % of the tunnels required for Stuttgart 21, have been drilled and excavated.
- Following submission of an appeal to the Higher Administrative Court, no further contracts will be awarded in the airport sector for plan approval section 1.3a despite possible immediate enforceability until a final judgment has been issued.
- On the Wendlingen–Ulm new construction line, a stretch of over 38 km, or more than 60 % of the tunnel kilometers, has already been bored and extracted.
- The tunnel boring machines accommodated signage for the last major tunnel in the foothills (Albvorland tunnel, over 8 km long) in October 2017.

Implementation of capital expenditure program for the future #CONSTRUCTION

The BMVI is providing additional Federal funding of € 995 million from 2016 to 2018 as part of the Federal Government's capital expenditure program for the future. Under financing agreements with the BMVI, funding of € 745 million (€ 645 million for DB Netze Track and € 100 million for DB Netze Stations) has been committed from the Federal budget. The focus of the funding will be on creating a planning reserve, NOISE PROTECTION RAIL 79, increasing digital capacity, Building Information Modeling (BIM), digitalization and the upgrade of new control systems and accessibility at stations. In total, about € 295 million was spent in the first two years.

Digital planning and construction becomes a reality #DIGITALIZATION

BIM is a collaborative method of working where all data on rail infrastructure facilities is fed into an optimized planning, construction and management process that covers the entire life cycle. We intend to use the BIM method to implement all new infrastructure projects that can be standardized or that are complex from the end of 2020. We intend to complete the first phase of the development of principles for efficient digital processes and technologies in the planning, construction and operation of rail infrastructure facilities, which we started in the year under review, by the end of 2018 and move to the professionalizing phase in 2019. The BMVI is funding 13 major infrastructure projects.

DB Netze Stations has been using BIM to plan and construct all of its new station projects since January 2017. At Werbig in Brandenburg, we started using BIM to plan and construct the first station back in 2014. Cost and deadline targets were met and progress on construction optimally integrated into railway operations. Since then the BIM approach has been applied in another 80 station projects.

DB Netze Track business unit

Business model

DB Netze Track is Europe's number one rail infrastructure provider. More than one billion train-path kilometers are traveled each year on the tracks in Germany.

The most important sources of income are revenues from train-path products, which constitute over 90 % of total revenues. Train-path prices are established on a transparent basis by a train-path pricing system regulated by the BNetzA.

DB Netze Track is also responsible for managing infrastructure operations as well as for securing long-term infrastructure quality and availability and non-discriminatory access to train-paths and service facilities. This includes preparing timetables in close cooperation with customers, operations management, construction management and maintenance.

The cost structure is determined by fixed costs. The rail network is one of the most important cost drivers. The use of resources for the operation and maintenance of infrastructure facilities is very much influenced by specific facility characteristics, requirements relating to operational opening hours, and the degree of rationalization in operating business

activities. As the dimensions of the infrastructure only change in the long term due to new construction or expansion projects or targeted dismantling, the optimal capacity utilization of the existing infrastructure is of major importance for economic success. A high level of quality and availability for customers also calls for a forward-looking integrated capital expenditures and predictive maintenance strategy.

Capacity utilization is measured by volume produced. In terms of relative network capacity utilization, this figure can be compared to track kilometers. To reach our transport growth target, it is essential that new construction and expansion projects concentrate on removing bottlenecks and on the creation of additional capacities for growth in transport in the main corridors and metropolitan areas. The budgetary resources of public authorities, in particular the Federal Government, are of considerable relevance for the financing of replacement capital expenditures in the existing infrastructure, as well as for the financing of new construction and expansion projects. In this respect, integration of an entrepreneurial infrastructure into the Group structure is essential for enabling DB Group to continue making a high contribution to the co-financing of these infrastructure measures.

Markets and strategy

The contributions made by the Federal Government to the INFRASTRUCTURE FINANCING 95 are of material importance to secure the competitiveness of rail as a mode of transport. A central instrument for this is the LUFV 218 F.

- ECONOMIC dimension: By developing infrastructure in line with customer and market requirements, we enable the entire rail transport sector to take advantage of opportunities for growth. Our vision places the focus on customers: “Together with our customers, we make rail the first choice.” This is how we make our contribution to the competitiveness of rail. With a strong focus on the economic objectives, three key strategic anchor switches will help us achieve this vision:
  - an increase in quality,
  - better control of capacity and
  - a radical simplification of the customer interface.

  The program Transport Network of the Future was derived from this vision along the strategic anchors of quality, capacity and simplicity. Transport Network of the Future combines all projects that have a significant influence on the objectives. Increasing customer satisfaction requires optimum utilization and capacity control. In addition to creating additional capacity, we want to modernize and maintain the network efficiently and in line with requirements. Integrated capital expenditure and maintenance planning as well as concentrating construction sites into corridors and integrating them into the annual timetable will ensure the most efficient use of resources. At the same time, we strive to minimize the effects for our customers. We attempt to guarantee high availability and quality of infrastructure in spite of ever-increasing transport volume. We incorporate our network development strategy created on the basis of customer requirements into the BVWP. We have established an additional infrastructure financing instrument in the form of the network fund. We launched the OPEX program for production processes and the Business Process Excellence (Geschäftsprozess-Exzellenz; GPEX) program for control and support processes at the start of 2017. Both programs focus on the customer and performance capability, and are intended, for example, to establish new methods and standards to achieve process optimization in close cooperation with our customers.
- SOCIAL dimension: Our employee structure is defined by a high average age. Successful recruitment and the timely qualification of our employees is therefore crucial. Furthermore, we make use of the opportunities provided by the collective bargaining agreement designed to address demographic change and rely on such methods as flexible working time models to improve work-life balance. In order to improve employee satisfaction, we are continuing with the cultural development processes and promoting a more transformational leadership style.
- ENVIRONMENTAL dimension: By implementing both conventional and innovative noise reduction measures and the LATPS 139, we are making an important contribution to the reduction of noise pollution caused by rail transport. Furthermore, we are also reducing our CO_2 emissions, for example through the energy-focused renovation of our workshops and a network-wide energy efficiency program, and are increasing the efficient use of materials and resources by RECYCLING TRACKS, TIES green. NO. 73 and BALLAST green. NO. 51.

General framework

Decision on the 2018 train-path pricing system

By the decision of February 6, 2017, the BNetzA approved the fees and fee policies for the new DB Netz AG train-path pricing system for the 2017/2018 schedule. The decision contained modifications to a few of the fee applications. DB Netz AG on the one hand, and DB Regio AG and DB Fernverkehr AG on the other, brought a lawsuit and requested an interim injunction. In June 2017, all three companies filed a complaint with the Appellate Administrative Court in Münster against the rejection of applications for interim injunctions by the competent Administrative Court in Cologne of May 2017. The Appellate Administrative Court rejected the complaint in December 2017. The disputed issues will be clarified in the principal proceedings.

Review procedure according to new incentive regulation

Under the new incentive regulation framework under the ERegG, the BNetzA must set a price ceiling for train-path usage fees for the first regulatory period (2019 until 2023). In the first process step, the "initial basis of the overall costs" must be approved for this purpose. DB Netz AG had determined this on the basis of the base years 2014 until 2016, until the first year of the regulatory period and submitted for approval to the regulatory authorities in April 2017. By decision of June 28, 2017, the BNetzA set the initial level for the overall costs below the requested value. The reduction is mainly due to reductions in the costs of capital and secondary costs as well as reductions in carryforwards. DB Netz AG has filed an appeal against the decision.

In the next process step, by decision of August 21, 2017, the BNetzA has set the ceiling for the overall costs for the 2019 schedule which the requested train-path usage fees may not exceed. The ceiling is calculated based on the initial level set for the overall costs in 2018, multiplied by the difference between the rate of inflation and the productivity factor. The ceiling for the overall costs in 2019 is provisional and may be revoked.

Follow-on regulation governing equalization payments for level crossings

The equalization payments made by the Federal Government for level crossings offset half of the costs incurred for operating and maintaining the crossings used by both rail and road vehicles. The payments will run until the end of 2017 on the basis of European (EEC) regulation 1192/69, which has been in force since 1969. Following the consolidation of existing EU legislation as part of the fourth railway package, appropriate connection regulations at Federal level will be necessary from 2018.

Events 2017

Capital expenditure and modernization program continued #CONSTRUCTION

In the year under review, about € 7.5 billion was invested in the German rail network. About € 5.1 billion of this was spent on the renovation and maintenance of, for example, about 1,650 km of track, just under 1,800 switches, and about 4,600 LST facilities. In addition, € 2.4 billion is being spent on numerous new construction and expansion projects. This has resulted in many different construction activities. The impact on day-to-day operations was minimized by concentrating construction sites into corridors.

A construction site management round table was set up to find optimal solutions for everyone involved in the trade-offs between operations and constructions; round table participants include representatives of industry associations, the BMVI, the BNetzA, the TOCs, the public transport authorities and DB Netz AG. The aim is to gradually shift the focus of construction processes and communication within construction projects and the incentive systems and commercial policies between all sides involved further towards more passenger-friendly approaches to construction and change the way the unavoidable consequences of restrictions due to construction work are managed. Specific results and implementation milestones are to be presented in the second quarter of 2018.

Additional measures were initiated to further reduce delays caused by construction sites and increase stability in the rail network. For example, the management center Construction is collaborating with the regional areas on optimizing and improving the management of construction works. Despite an increase in construction sites, construction-related delays were down 14%, significantly lower than in 2016.

Progress with regard to new construction and expansion measures #CONSTRUCTION

Major construction works in the year under review are summarized in the CONSTRUCTION PROJECT MAP 137.

Commissioning of Berlin–Munich line 15

Commercial operation of the Ebensfeld–Erfurt new construction line commenced on December 10, 2017, completing GERMAN UNIFICATION TRANSPORT PROJECTS (VERKEHRSPROJEKTE DEUTSCHE EINHEIT; VDE) NO. 8 3. One of the results is that travel time between Munich and Berlin on ICE trains will be reduced to under four hours. Under this project, portions of the expansion line Ebensfeld–Nuremberg were also expanded to four tracks. On the Ebensfeld–Erfurt new

Selection of construction projects in 2017

CONSTRUCTION INFORMATION PORTAL (BAUINFOPORTAL)

PLANNED

1. Fehmarn Belt fixed link
2. Relocation of the Hamburg-Altona long-distance train station
3. Construction of new S4 from Hamburg to Bad Oldesloe
4. Munich central station and Starnberger branch station
5. Hamburg central station
6. Construction of new converter plant at Kuppenheim
7. Expansion of major hubs (Frankfurt, Hamburg, Cologne, Mannheim and Munich)
8. Hamburg–Lübeck–Puttgarden expansion/ new construction line (hinterland connection to Fehmarn Belt link)
9. Hamburg–Bremen–Hanover expansion/ new construction line
10. Karlsruhe–Basel expansion/new construction line (sections 7 and 8)
11. Rhine/Main–Rhine/Neckar new construction line
12. S-Bahn (metro) Northern Main (Frankfurt–Hanau)
13. Hagen–Siegen–Hanau expansion line ("Ruhr-Sieg")
14. Hanau–Würzburg/Fulda expansion/ new construction line
15. Uelzen–Stendal–Magdeburg–Halle expansion line (East corridor north)
16. Hof–Marktredwitz–Regensburg–Obertraubling expansion line (East corridor south)
17. Munich–Rosenheim–Kiefersfelden–German/ Austrian border(–Kufstein) expansion/ new construction line
18. Munich–Mühldorf–Freilassing expansion line
19. Nuremberg–Marktredwitz–Hof/German/ Czech border (–Prague) (Franconia-Saxony Mainline) expansion line

UNDER CONSTRUCTION

1. Oldenburg–Wilhelmshaven expansion line
2. Maschen bypass
3. German/Dutch border–Emmerich–Oberhausen expansion line 46/2
4. Rhine-Ruhr-Express
5. Cologne hub: S13 (Troisdorf–Bonn–Oberkassel)
6. Frankfurt hub: S6, Gateway Gardens, Homburger Damm
7. Merklingen station (Wendlingen–Ulm new construction line)
8. Electrification of Southern railway (Ulm–Lindau)
9. Karlsruhe–Basel expansion/new construction line
10. Munich, 2nd S-Bahn (metro) main line
11. Berlin hub, conversion/rebuilding. Ostkreuz
12. Erding ring closure, Neufahrn northern curve
13. Rostock–Berlin expansion line
14. Karow-Nord crossing, 2nd construction phase
15. Berlin-Rummelsburg track layout
16. Dresden railway, plan approval section
17. S-Bahn (metro) Berlin, S2 South rebuilding works
18. S-Bahn (metro) Berlin, S21, 1st construction phase
19. VDE 9, Leipzig–Dresden, 3rd construction phase
20. Knappenrode–Horka–German/Polish border – expansion/electrification
21. Gaschwitz–Böhlen, Lehndorf
22. Halle hub with marshaling yard
23. Leipzig hub
24. Stuttgart 21
25. Dortmund central station – station conversion
26. Würzburg station – station conversion
27. Frankfurt central station – fire protection
28. Conversion of S-Bahn (metro) – Elbbrücken stop
29. Frankfurt central station – modernization of mail/passenger tunnel
30. Cottbus station – traffic station
31. Bonn station – modernization of covered platform
32. Nuremberg station – VDE 8.1 expansion line Nuremberg–Ebensfeld
33. Berlin-Ostkreuz station – conversion
34. Straubing station – accessibility conversion
35. Berlin–Dresden expansion line
36. Berlin–Frankfurt/Oder–border, S3, East expansion line
37. Hanau–Nantenbach expansion line
38. S-Bahn (metro) Breisgau 2020
39. Saarbrücken–Ludwigshafen (POS north) expansion line 23
40. Magdeburg hub
41. VDE 8.1 expansion line (plan approval section 18 Baiersdorf–Forchheim)
42. VDE 8.1 new construction line
43. Replacement of traction current line 443 from Flörsheim to Bingen
44. New traction current line 596 from Bengel to Koblenz
45. Replacement of traction current line 304 from Großkorbetha to Weimar
46. Construction of new centralized converter plant at Schwerin
47. Construction of new centralized converter plant at Bützow
48. Replacement of traction current line 305 from Chemnitz to Dresden/Stetzsch
49. Modernization of Hamburg stations (Jungfernstieg, Stadthausbrücke, Altona)

COMMISSIONED

1. Lehrte MegaHub (partially commissioned)
2. Rhine-Ruhr-Express, plan approval section 1.1 Deutz approaches–Cologne–Mülheim (partially commissioned)
3. Saarbrücken–Ludwigshafen expansion line 23 (partially commissioned)
4. Hanau–Nantenbach expansion line
5. Karlsruhe–Basel, Haltingen pedestrian footway
6. Ansbach–Dombühl, through connection of S-Bahn (metro)
7. Freilassing–Salzburg, third track
8. Altmühldorf–Tüßling expansion line 38 (partially commissioned)
9. S-Bahn (metro) Ostkreuz – electronic interlocking (partially commissioned)
10. Berlin–Dresden expansion line (160 km/h) Wünsdorf–Elsterwerda&Großhain Kottewitz branch line (partially commissioned)
11. Berlin–Frankfurt/Oder expansion line – Köpenick-Rahnsdorf section (partially commissioned)
12. Magdeburg hub, construction phase 3 in track plan conversion (partially commissioned)
13. Ruhland hub (partially commissioned)
14. Erfurt–Eisenach, 200 km/h upgrade
15. VDE 8.1 new construction line and expansion line
16. Münster central station, opening of concourse building
17. DUSS-Terminal Leipzig
18. Replacement of Landshut substation
19. Expansion of Hamburg network control center
20. Upgrade of traction current line 441 from Mannheim to Weiterstadt

Selection of new construction and expansion as well as station projects as of Dec 31, 2017

construction line, as well as on the Erfurt–Halle/Leipzig new construction line that was put into service in 2015, the newest version of the ETCS will be used. Extensive construction work is still taking place at the Halle and Leipzig hubs and on feeder lines.

Construction begins on second S-Bahn (metro) main line in Munich

The start of construction on the project and the opening of the second main line information center took place on April 5, 2017 with a multimedia exhibition. Preparatory construction work is currently underway at the central station, at Marienhof and in the area west. The main construction work will begin at Marienhof in summer 2018. Preparatory construction work will start at the central station in the concourse building area in spring 2018. The main construction work will begin there at the end of 2018. A legally valid construction permit has been obtained for the western and central section; two lawsuits regarding the eastern section are still pending.

Construction of Rhine-Ruhr-Express

Construction on the Rhine-Ruhr-Express project officially began in Cologne in March 2017. The first section was put into service in May following upgrades to the existing network. Additional sections for which construction permits have not yet been obtained will have to be expanded in order to absorb the initial increase in traffic. For reasons relating to customer tolerance, expansion within the heavily overloaded Rhine-Ruhr region will be possible only at a gradual pace, each time obtaining a construction permit while maintaining ongoing service. The Rhine-Ruhr-Express is one of the pilot projects of BIM 134.

Commissioning of the Hanau–Nantenbach expansion line

The commissioning of the second track in the Laufach area on the bypass of the old Schwarzkopf Tunnel on November 6, 2017 established continuous two-track operations between Laufach and Heigenbrücken, and regular scheduled services have now commenced. This completes all work on the new operating tracks. Filling works in the old Schwarzkopf tunnel and the necessary landscaping measures are still underway, including dismantling around construction roads/construction site areas.

Recommissioning of Berlin–Dresden expansion line

As part of the project for recommissioning the Berlin–Dresden expansion line, commercial operations commenced on December 10, 2017 on the Wünsdorf–Waldstadt–Hohenleipisch and Großenhain Berlin Station–Kottewitz branch line sections of the route. The maximum speed in these sections was increased to 160 km/h. This achieved a nine-minute reduction in travel time, another stage toward reducing total travel time to 80 minutes.

Progress in standardizing maintenance #DIGITALIZATION

In order to improve rail infrastructure quality, we take advantage of digitalization for maintaining the rail network.

Within the framework of the standardization of production system maintenance (Standardisierung Produktionssystem Instandhaltung; SPI), the scheduling and feedback process of operational maintenance has been standardized and digitalized. The first rollout phase has been completed on schedule and the maintenance system is now operating across Germany in long-distance and metropolitan networks equipped with digital commissioning and reporting. The second phase of the SPI commenced in the year under review as part of the OPEX program. The focus here is on standardizing workflows and processes, especially work preparation and execution, increasing productivity and improving the quality of facilities. The pilot locations are the operations and maintenance sites in Frankfurt and Würzburg; nationwide rollout commenced at the end of 2017 and will be completed by the end of 2019.

Rollout of point machine diagnostics #DIGITALIZATION

In order to optimize the availability of switches, a digital remote diagnostic system is used to detect potential faults before they can occur. The DIANA diagnostics platform gives maintenance an indication of a possible fault, allowing preventive measures to be taken. In the future, this should make it possible to reduce drive-related switch defects by up to 50 %. Up to December 2017 about 15,700 switches were equipped with actuating current diagnostic systems. Predictive maintenance via the DIANA diagnostics platform will gradually be expanded to include other components.

New emergency technology in use

DB Netze Track is carrying out large-scale modernization of its machinery and vehicle fleet (for example, emergency technology, measurement technology and track maintenance vehicles). About € 660 million will be invested in this effort between 2015 and 2024. Emergency cranes and rescue trains are important components of this capital expenditures initiative. By 2019, all old vehicles using emergency technology will be replaced at a cost of about € 150 million. In the year under review, for example, a rescue train was placed into service in Würzburg as well as a track infrastructure maintenance vehicle in Leipzig.

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

The LaTPS currently provides for a surcharge of 4% on the regular train-path price for loud freight trains. Freight trains consisting of 90% cars with quiet brake shoes are exempt from the surcharge. In the working timetable period of 2016/2017 about € 17 million was generated, all of which was used to finance bonus payments for TOCs that have equipped their freight cars with QUIET COMPOSITE BRAKE SHOES green NO. 05. In the year under review, we received and approved a total of 25,643 applications for 2016 in the LaTPS (2015: 11,025) to promote the noise remediation of existing freight cars. A total of € 4.4 million was paid as a bonus to the TOCs on the basis of the applications submitted (2015: € 2.3 million). The LaTPS will be in place until the end of 2020. The program is income-neutral for its entire duration.

Legal issues

Rail cartel proceedings still pending

In 2013, partial settlements were concluded with voestalpine and ThyssenKrupp regarding the payment of damages. In March 2016, we concluded a partial settlement with the Stahlberg-Roensch Group and Constantin Stahlberg. We have not yet reached a settlement with the Moravia Group. After a commercial agreement had been reached, Moravia again backed out. Therefore, we continue to pursue claims for damages against Moravia in a lawsuit. We will continue our endeavors to achieve a full settlement. We are transferring most of the compensation payments to the Federal Government, the Federal states and other funding bodies which previously had assigned their claims to us. Because the rail procurements in question were largely supported by public funding, in obtaining damages we are working primarily in the interest of the funding bodies.

Development in the year under review

- Higher revenues from price adjustments and higher volume produced by non-Group customers.
- Increase in personnel expenses due to collective wage increases and a greater number of employees.
- Maintenance expenses increased.

Punctuality of DB rail transport has declined slightly. The positive effects of RAILWAY OF THE FUTURE Zukunft Bahn 2 F. (DEPARTURE ECONOMIC) were weakened by the OPERATING RESTRICTIONS 66 F. #PUNCTUALITY

Customer satisfaction also deteriorated slightly. To assess this, about 240 customers are asked each year about their satisfaction with all of the services offered to them.

DB Netze Track	2017	2016	Change Absolute	Change %	2015
Punctuality DB Group (rail) in Germany (%)	93.9	94.3	-	-	93.6
Punctuality (rail) in Germany [1] (%)	93.6	93.9	-	-	93.7
Customer satisfaction (SI)	67	69	-	-	68
Length of line operated (km)	33,348	33,241	+107	+0.3	33,193
Volume produced on track infrastructure (million train-path km)	1,072	1,066	+6	+0.6	1,053
thereof non-Group railways	331.3	321.9	+9.4	+2.9	289.9
share of non-Group railways (%)	30.9	30.2	-	-	27.5
Total revenues (€ million)	5,364	5,228	+136	+2.6	5,015
External revenues (€ million)	1,522	1,408	+114	+8.1	1,217
share of total revenues (%)	28.4	26.9	-	-	24.3
EBITDA adjusted (€ million)	1,484	1,484	-	-	1,491
EBIT adjusted (€ million)	687	561	+126	+22.5	568
Operating income after interest (€ million)	442	311	+131	+42.1	296
ROCE (%)	3.8	3.1	-	-	3.1
Capital employed as of Dec 31 (€ million)	17,866	17,821	+45	+0.3	18,082
Net financial debt as of Dec 31 (€ million)	9,386	10,396	-1,010	-9.7	10,696
Redemption coverage (%)	14.0	12.7	-	-	12.3
Gross capital expenditures (€ million)	6,601	6,226	+375	+6.0	5,823
Net capital expenditures (€ million)	660	688	-28	-4.1	914
Employees as of Dec 31 (FTE)	45,375	43,974	+1,401	+3.2	43,161
Employee satisfaction (SI)	-	3.7	-	-	-
Employee satisfaction – follow-up workshop implementation rate (%)	99.1	-	-	-	99.0
Share of women in Germany as of Dec 31 (%)	18.8	18.6	-	-	17.7
Noise-remediated track kilometers in total (rounded) as of Dec 31 (km)	1,700	1,600	+100	+6.3	1,500

[1] Non-Group and DB Group TOCs.

Customers were particularly critical on infrastructure availability and construction works. The LINE CLOSURE AT RASTATT 66 F. had an additional negative effect.

By contrast, performance development was slightly positive: train kilometers on track infrastructure increased due to higher demand from non-Group customers, especially from freight transport, but also from passenger transport. Demand from intra-Group customers for long-distance passenger transport and freight transport declined, which had a dampening effect.

However, economic performance was modest overall. The positive income trend was offset by the increase in personnel and maintenance expenses, leaving the adjusted EBITDA at the previous year's level. Adjusted EBIT showed positive development due to lower depreciation.

- Total revenues increased, with the negative effects of the operating restrictions offset by price adjustments and increases in demand.
- Other operating income increased (+2.4%), mainly due to higher income from property sales and posting of fixed assets, as well as a rise in revenue from the sale of scrap. This was counteracted by lower income from government subsidies and the rehabilitation of existing ecological damage.
- Cost of materials increased (+3.3%), driven primarily by higher maintenance expenses for quality-related measures and the remediation of severe weather damage. This was counteracted by lower expenses for energy, amongst other factors.
- The increase in personnel expenses (+6.5%) was primarily attributable to wage adjustments and the higher number of employees.
- The decline in other operating expenses (−0.6%) is partly due to lower expenses from the disposal of property, plant and equipment. This was counteracted by higher expenses for IT services, grants for third-party facilities and leases, amongst others.
- Depreciation (−13.7%) declined due to a lower level of property, plant and equipment and due to lower unplanned impairment charges and higher write-ups.

Operating income after interest also improved in the year under review, further supported by lower interest expenses, which led to an improvement in net operating interest.

The positive profit development driven by an almost unchanged capital employed resulted in an increase in the ROCE.

Net financial debt fell, primarily due to the capital increase at DB Netz AG. This also slightly improved the redemption coverage.

The volume of capital expenditures for new construction and expansion projects and for the existing network increased. Net capital expenditures fell as a result of a marked increase in investment grants in accordance with the LuFV II.

The number of employees rose, mainly due to increases to cover existing and future staffing requirements, especially in the maintenance and construction project areas.

Employee satisfaction is measured every two years. In the year under review, the focus was on follow-up processes. The follow-up workshop implementation rate for the 2016 employee survey was again very high.

The share of women rose slightly during the year under review.

Within the framework of the NOISE REMEDIATION PROGRAM 78 F. we also carried out noise remediation measures on additional lines in the year under review.

DB Netze Stations business unit

Business model

DB Netze Stations is the largest station operator in Europe. In addition to the core business, the development and operation of stations, the business unit offers a variety of mobility-oriented services in stations. With about one million m² of leasing area, we are among Germany's largest commercial landlords.

Each day, more than 400,000 trains from 109 TOCs with more than 18 million passengers use our stations. We set particular priorities in the areas of service, safety and cleanliness so that we can offer customers a high degree of quality. Our station managers also work hard on-site to ensure seamless operations.

Our station portfolio has a particularly wide geographical coverage. The infrastructure required is characterized by high fixed costs. Maintaining facilities and building infrastructure in line with requirements is crucial to our commercial success.

Revenues are generated from station stops (regulated, about 70% share) in the stations and from leasing out commercial space (not regulated). Our most important regulatory partners are the BNetzA and the EBA.

Markets and strategy

Stations are increasingly becoming meeting places in today's mobile society. We are actively promoting this development and are developing our stations into multimodal mobility hubs with improved amenities, as is clearly seen in our "Stations 2020+" strategy.

- ECONOMIC dimension: The connection to innovative transport services at the station continues to be fundamental to the multimodal design of the transport systems of the future. Stations also need to offer a customer experience that goes beyond a mobility hub function. Free WiFi access at major stations allows passengers to spend their waiting time in a meaningful way, in comfortable waiting areas in the concourse buildings and on the platform. We have pressed ahead with follow-up measures under the quality initiative setup under RAILWAY OF THE FUTURE Zukunft Bahn 2 F. (DEPARTURE ECONOMIC). To ensure the continuity of the successes of the cleaning initiative, we will establish a new cleaning concept with a permanent on-site presence at the top stations. We are pressing on with the extensive modernization of the major S-Bahn (metro) tunnel stations and have provided the latest sanitary facilities at about 100 stations. These measures are supported by new marketing concepts, a variety of digital approaches, consistent cost management and cooperation with numerous partners. This is providing considerable benefits to customers and creating a setting which is appropriate for our role as Profitable Quality Leader.
- SOCIAL dimension: We work continuously on further developing our corporate culture and the satisfaction of our employees. Our guidelines in this effort are the five elements of customer focus, cooperation, leadership, responsibility and performance. At the same time, a performance culture, in addition to involving lofty goals and being able to accept criticism, includes an appreciation for the contribution that every employee makes. A common target culture is created in dialog formats and through management training. We focus on tools

that promote continuing vocational training, to offer attractive development opportunities for high performers and those with high potential.

GRI 302-5

- ENVIRONMENTAL dimension: As an operator of a complex portfolio of facilities we are committed to using environmentally friendly facilities and building technologies. When modernizing old buildings or constructing new ones, we therefore investigate the use of INNOVATIVE LIGHTING TECHNOLOGIES green NO. 50, geothermal energy production, combined heat and power generation and PHOTOVOLTAIC SYSTEMS green NO. 30 at all sites.

General framework

2018 station fees approved

From April to December 2017, several procedures were in place to approve the 2018 station price list presented by DB Station&Service AG as well as to review the corresponding fee policies. The focus of the procedures was on the changes in the pricing system, which were required because of the new fee regulations under the ERegG, which came into force in September 2016. This applies, in particular, to the provisions of Article 37 of the ERegG, which contain strict guidelines for determining the station prices in regional rail passenger transport. The BNetzA concluded the preliminary review procedure for fee policies in May 2017 and then completed the associated retrospective review of fee policies in December 2017. Most of the changes proposed by DB Station&Service AG were accepted.

The BNetzA also approved most of the requests for 2018 station fees in full.

Retail revenues increased further

Real retail revenues in Germany, which are of relevance for leasing business in stations, increased by 3.0% in 2017.

Events 2017

Improvements to service at the station #QUALITY

- A number of measures were taken to ensure the continuity of the successes of the cleaning initiative under RAILWAY OF THE FUTURE Zukunft Bahn 2 F. (DEPARTURE ECONOMIC) and further increase customer satisfaction at the stations. This also includes customer-facing workflows and digitalized processes such as gathering customer feedback using WHATSAPP 15 (DEPARTURE ECONOMIC) as well as the permanent presence of cleaning staff at the top stations.
- In mid-June the first new GLASS WAITING ROOM 16 (DEPARTURE ECONOMIC) was commissioned to provide more comfort for passengers on the platform at Wolfsburg central station.
- Replacement of the 82 central information points in stations across Germany commenced at the end of November with the commissioning of the first new DB INFORMATION POINT 16 (DEPARTURE ECONOMIC) at Nuremberg central station. There is an integrated version at Münster (Westphalia) central station and Hamm (Westphalia) station.

Developments in construction projects #CONSTRUCTION

Construction works in 2017 are summarized in the CONSTRUCTION PROJECT MAP 137.

Modernization of stations in Hamburg 49

In Hamburg, we have started to modernize the tunnel stations at Jungfernstieg and Stadthausbrücke S-Bahn (metro) stations. At Jungfernstieg station the central feeder level has been remodeled. Work is expected to be completed at both stations in 2018. Modernization of the Altona S-Bahn (metro) station was largely completed by the end of 2017. About € 55 million has been invested in modernization works.

Master agreement signed for Munich central station and Starnberger branch station 4

The signing of the master agreement between the City of Munich authorities and DB Group in March is an important milestone for the overall development of Munich central station with concourse buildings, Starnberger branch station and approaches. DB Netze Stations is investing about € 700 million in total. We have also come to an agreement with the Free State of Bavaria and the City of Munich authorities over concerns relating to civil engineering and protection of historic monuments regarding the demolition of Starnberger branch station and construction of the new 69 m high-rise building.

Plan approval decision issued for relocation of Hamburg-Altona station 2

The existing terminal station at Hamburg-Altona will be replaced by a new station at the Diebsteich site for long-distance and regional transport. The current S-Bahn (metro) station in Altona will remain.

The plan approval decision was issued on December 29, 2017. Overall commissioning is scheduled to take place at the end of 2023. A start will be made on initial construction work at the start of 2018.

A real estate scheme at the new Diebsteich site is planned by a private investor and is included in the relocation of Hamburg-Altona station. The plan is for a building complex with two high-rise buildings which will also function as the DB concourse building. The City of Hamburg, the investor and DB Group have signed the contracts required for this. DB Netze Stations is investing about € 63 million.

Development in the year under review

- Increased demand from new traffic and increased schedule frequencies.
- Rental revenues are driven by price effects.
- Negative impact from higher expenses for personnel.
- Measures to further reduce energy consumption pressed ahead.

Performance development was marked by a slight increase in the number of station stops. This was mainly due to increased schedule frequencies and additional traffic in regional transport. This was counteracted by the absence of the additional day of service in the previous year (leap year). In particular, the higher demand was driven by non-Group railways.

The quality of the facilities improved slightly from an already good level. Facilities quality is assessed locally and is determined on the basis of a detailed calculation and weighting algorithm in accordance with the provisions of the LUFV II 218 F.

Customer satisfaction remained stable. To assess customer satisfaction, about 29,000 passengers are asked each year, in two waves, about their satisfaction with the stations, and about 60 tenants and about 90 public transport authorities are surveyed annually.

The economic trend was positive. Overall, higher income compensated for the increase in expenses, particularly in personnel expenses, resulting in an improvement in operating profit.

- The rise in revenues is attributable to higher station revenues as a result of volume and prices as well as higher revenues from rental and leasing. The development of external revenues reflects the growing market share of non-Group railways.
- Other operating income increased substantially (+9.1%), primarily due to higher investment grants and higher insurance and compensation benefits.
- Cost of materials (−2.7%) decreased. Lower expenses for maintenance and energy were partly offset by higher costs for personnel services.
- Personnel expenses (+9.8%) increased significantly. This was mainly due to the higher number of employees and wage increases.
- Among other things, other operating expenses rose (+10.7%) because of higher expenses due to the increase in the number of employees as well as higher costs of IT and communication services.
- Depreciation was roughly at the previous year's level (+0.7%).

			Change		
DB Netze Stations	**2017**	2016	absolute	%	2015
Number of stations	5,365	5,367	−2	–	5,382
Station stops (million)	150.0	149.4	+0.6	+0.4	147.8
thereof non-Group railways	35.9	35.3	+0.6	+1.7	31.4
Facilities quality [1] (grade)	2.89	2.92	–	–	2.94
Customer satisfaction, traffic station (passengers/visitors) (SI)	69	69	–	–	69
Customer satisfaction, traffic station (TOCs and transport authorities) (SI)	62	62	–	–	65
Customer satisfaction, tenants (SI)	78	78	–	–	77
Total revenues (€ million)	1,265	1,233	+32	+2.6	1,199
thereof station revenues (€ million)	851	831	+20	+2.4	807
thereof rental (€ million)	384	377	+7	+1.9	370
External revenues (€ million)	540	519	+21	+4.0	480
EBITDA adjusted (€ million)	372	359	+13	+3.6	391
EBIT adjusted (€ million)	233	221	+12	+5.4	254
ROCE (%)	8.4	7.9	–	–	9.0
Capital employed as of Dec 31 (€ million)	2,766	2,777	−11	−0.4	2,811
Net financial debt as of Dec 31 (€ million)	1,268	1,257	+11	+0.9	1,294
Redemption coverage (%)	23.0	22.0	–	–	25.0
Gross capital expenditures (€ million)	709	584	+125	+21.4	533
Net capital expenditures (€ million)	103	117	−14	−12.0	88
Employees as of Dec 31 (FTE)	5,463	5,093	+370	+7.3	4,982
Employee satisfaction (SI)	–	3.7	–	–	–
Employee satisfaction – follow-up workshop implementation rate (%)	97.8	–	–	–	99.1
Share of women in Germany as of Dec 31 (%)	46.2	47.3	–	–	47.6
Absolute primary energy consumption (stations) compared to 2010 (%)	−17.1	−16.8	–	–	−16.6

[1] Preliminary figure for 2017.

The positive EBIT development resulted in an increase in the ROCE since capital employed remained roughly stable.

Net financial debt increased slightly, mainly as a result of higher other liabilities.

Among other things, the profit-driven higher cash flow from operating activities had a positive impact on redemption coverage.

The higher capital expenditures were focused primarily on renovating existing stations and projects under RAILWAY OF THE FUTURE Zukunft Bahn 2 F. (DEPARTURE ECONOMIC).

The number of employees rose due to the increase in personnel in the areas of station services, construction management and facilities management. The development of business at Station Food GmbH, which was founded in the previous year, also had an impact.

Employee satisfaction is measured every two years. In the year under review, the focus was on follow-up processes. The follow-up workshop implementation rate for the 2016 employee survey was again very high.

The share of women decreased slightly. This was due to the increase in personnel in professional groups composed mainly of male applicants.

With the further reduction of the primary energy consumption of the stations, for example through the use of energy-saving technologies, the positive trend of the past years is continuing.

DB Netze Energy business unit

Business model

DB Netze Energy offers market-oriented, customer-focused energy products in Germany in the fields of traction energy and stationary energy. These include traction current and diesel for rail transport, as well as electricity, gas and heat to stations and other DB Group properties. Furthermore, DB Netze Energy supplies industrial customers throughout Germany with a broad array of electricity and gas products. Retail customers have also been able to buy their domestic electricity via DB Netze Energy since June 2017. DB Netze Energy only provides green electricity. The range of services is rounded out with energy economics-related consulting and technical services.

The technical backbone of traction current supply in Germany is our traction current grid, which offers a high level of supply reliability. Traction current plants, converters and transformers feed the required electricity into the traction current grid. A second important pillar is the Germany-wide network of refueling stations, optionally equipped with ADBLUE® PUMPS NO. 64, some of which can also be used by road vehicles. In addition, DB Netze Energy operates 50 Hz medium-voltage networks for energy supply to stations. DB Netze Energy also offers a charging infrastructure for electric vehicles. The infrastructure operated by DB Netze Energy is to a high degree and in varying forms subject to regulation by the BNetzA.

Markets and strategy

The main tasks of DB Netze Energy are the economical and environmentally efficient procurement of energy and the reliable supply of energy for TOCs. In addition to structured energy procurement and the effective control of auxiliary energy costs, we counter risks of volatile commodity prices using a hedging strategy established in DB Group. Changes in taxes and fees are compensated to the greatest degree possible. We also have a high-performance infrastructure for the provision of electricity and diesel to mobile and stationary consumers.

- ECONOMIC dimension: DB Netze Energy offers one of Europe's highest levels of supply reliability for rail transport. Thus far, we have exceeded the supply reliability target agreed with the Federal Government in the LUFV II 218 F. each year. This quality is also reflected in the high level of customer satisfaction. DB Netze Energy strives to maintain the high quality and to continue offering our customers attractive products in the future. As an expert in the railway energy industry, DB Netze Energy uses the energy economics know-how available to it in order to provide market-oriented services to meet the demand from external industrial and commercial enterprises for qualified assistance in the procurement of electricity and gas. Retail customers can also buy eco-power from DB Netze Energy.
- SOCIAL dimension: DB Netze Energy emphasizes transparent information and communication as a basis for the cultural development process and a high level of employee satisfaction. In addition, conditions have been established to enable employees to enroll in programs for further personal development and for shaping strategic topics as well as presenting their own ideas for innovations. These programs give employees the opportunity to exercise their own initiative.
- ENVIRONMENTAL dimension: As the energy provider for TOCs in Germany, we are implementing the climate target of DB Group in procurement and supply, thus making a fundamental contribution to the energy transition on the rails and in the entire transport sector. We will pursue our vision of meeting 100 % of our traction current requirements with renewable energies by 2050.

Customers today are already able to take advantage of green products based entirely on renewable energies. In addition, we are committed to increasing energy efficiency in DB Group and offer customers services around the charging infrastructure for electric vehicles from a single source. Comprehensive services for efficiency measures and reduction in greenhouse gases are provided not only to TOCs, but also to customers from industry and commerce.

General framework

Impact of the Nuclear Waste Disposal Fund Act

In 2015, the Federal Government set up a commission to review financing for the phase-out of nuclear energy. The commission's recommendations were implemented by the Law on Restructuring Responsibility for Nuclear Waste Disposal, which entered into force on June 16, 2017: nuclear power plant operators (E.ON, RWE, EnBW and Vattenfall) will continue to be responsible for decommissioning and dismantling the plants. The Federal Government is assuming responsibility for the interim and final storage of radioactive waste and has established a public fund for this purpose. The nuclear power plant operators have transferred to this fund the provisions they have already set aside, plus a lump-sum risk add-on of about 35%.

Because of its shareholding in the Neckarwestheim nuclear power plant, DB AG had a payment obligation of about € 400 million.

Nuclear fuel tax is unconstitutional

In a decision dated June 7, 2017, the Federal Constitutional Court ruled that the Nuclear Fuel Tax Act is void with retroactive effect, declaring that the Federal Government does not have legislative power to impose the tax. Overall, the Federal Government has collected about € 6.3 billion from the nuclear fuel tax. In the absence of a valid legal basis,

payments made must be refunded to operators. The Federal Ministry of Finance disbursed the amount plus interest to operators in the year under review.

DB Netze Energy received a repayment of about € 120 million plus interest and has refunded to its customers the payments received in connection with the nuclear fuel tax based on their individual consumption and contracts.

Higher EEG surcharge

The Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz; EEG) of 2014 stipulates an EEG levy on railways for traction current amounting to 20% of the full EEG surcharge as part of the "special equalization scheme." In the year under review, the EEG surcharge increased by 0.526 cents/kWh compared to the previous year to 6.880 cents/kWh. This resulted in an increase of the limited EEG rate for traction current to 1.376 cents/kWh.

Grid Charges Modernization Act adopted

The new Grid Charges Modernization Act (Netzentgeltmodernisierungsgesetz; NEMoG) provides, among other things, for the restructuring of the so-called avoided grid charges. For the determination of avoided grid charges for locally controllable systems, and consequently also for the traction current plants, the calculation basis is frozen at the 2016 level. In addition, certain cost components, such as offshore connection costs, are factored out. The changes will come into effect in 2018.

Events 2017

Entry into retail business

DB Netze Energy entered the retail business in June, offering customers exclusively ECO-POWER green NO. 04, certified with the ok-power label. Retail business was launched on schedule and promises to contribute to the greening of retail electricity consumption well into the future. This means every customer can become part of the energy transition.

Charging at the station project launched

DB Netze Energy is participating in the Charging at the station project under the BMVI's Federal program on charging infrastructure for electric vehicles in Germany. We plan to install fast-charging infrastructure at Frankfurt am Main, Hanau, Regensburg and Düsseldorf stations to further develop the intermodal road/rail transport interface.

Development in the year under review

- Positive development of demand from non-Group customers in stationary energy, counteracted by decline in Group-internal demand for traction current.
- Revenues up due to rise in sales of stationary energy.
- Development of operating profit weakened by EEG arrears and elimination of one-off effects.

Supply reliability remained at its previous high level.

We survey about 230 customers each year regarding customer satisfaction. The survey cycle was moved from the fourth to the first quarter during the year under review and there was therefore no measurement of customer satisfaction in the year under review.

Development was uneven in volume terms:

- Sales of traction current declined. In addition to OPERATING RESTRICTIONS 66 F., the negative effects of customers switching over to pass-through also played a role here.
- The traction current volume passed through on behalf of non-Group customers increased due to an increase in demand from existing customers and the switchover from full electricity supply to pass-through.
- In stationary energy, the sales volume for non-Group customers continued to increase substantially. This was attributable both to an expansion of business with existing industrial customers and effects from the portfolio optimization segment.
- Demand for diesel fuels was slightly up. Decreases in demand from Group customers due to weather damage and line closures were counteracted by an increase in demand from existing and new non-Group customers.

Economic performance in the year under review was below that of the previous year, which had benefited from positive one-off effects. Higher income was unable to offset the increase in expenses, which was driven by higher energy expenses; the operating profit figures deteriorated as a result.

- Revenues were slightly up on the previous year, helped by development of non-Group sales of stationary energy and pass-through as well as increases in revenue from mineral oil products driven by market prices. Internal revenues declined due to the drop in demand for traction current and the reduction in selling prices due to better purchasing conditions.
- Other operating income rose (+5.8%) because of network operating services for the S-Bahn (metro) Berlin and the provision of facilities for Group customers.

- Cost of materials increased (+3.1%) because of the development in demand in the stationary energy business and because of EEG arrears for previous years due to changes in legislation (EEG Amendment, 2017). Higher expenses on mineral oil products were due to developments in prices on the primary energy markets. This was counteracted by an improvement in purchasing conditions for traction current. Development was also dampened by the absence of one-off effects from the final settlement on the joint venture power plant, which had the effect of reducing expenses in the previous year.
- Personnel expenses (+3.4%) increased as a result of collective bargaining agreements.
- Other operating expenses (–1.3%) remained virtually unchanged.
- The decrease in depreciation (–2.8%) resulted from the absence of unscheduled depreciation and reductions in the useful life of property, plant and equipment in the previous year.

The decrease in operating profit, accompanied by an increase in capital employed, resulted in a weakening of the ROCE. The increase in capital employed is due in particular to the increase in inventory and higher trade receivables from non-Group customers as a result of balance-sheet-date effects.

Redemption coverage decreased significantly due to a decline in operating cash flow accompanied by a significant increase in net financial debt. This significant increase in net financial debt was driven by an increase in capital employed.

Capital expenditure activities were roughly at the same level as the previous year. The slight increase in gross capital expenditures reflects the higher capital expenditures – driven by higher investment grants from LuFV II – in the renovation of traction current lines, traction current switching systems and centralized converters.

The number of employees was virtually unchanged.

Employee satisfaction is measured every two years. In the year under review, the focus was on follow-up processes. All planned follow-up workshops on the employee survey were once again implemented.

The share of women again increased slightly.

The SHARE OF RENEWABLE ENERGIES IN THE DB TRACTION CURRENT MIX 77 F. continued to expand.

DB Netze Energy	2017	2016	Change absolute	Change %	2015
Supply reliability (%)	99.99 [1]	99.99 [1]	–	–	99.99
Customer satisfaction [2] (SI)	–	80	–	–	78
Customer satisfaction traction current and diesel [2] (SI)	–	80	–	–	78
Customer satisfaction electricity and gas plus (Group customers) [2] (SI)	–	79	–	–	77
Customer satisfaction electricity and gas plus (non-Group customers) [2] (SI)	–	82	–	–	83
Traction current (16.7 Hz and direct current) (GWh)	8,284	8,902	–618	–6.9	8,644
Traction current pass-through (16.7 Hz) (GWh)	1,906	1,419	+487	+34.3	1,181
Stationary energy (50 Hz and 16.7 Hz) (GWh)	19,331	17,589	+1,742	+9.9	14,865
Diesel fuel (million l)	436.1	433.7	+2.4	+0.6	427.1
Total revenues (€ million)	2,794	2,779	+15	+0.5	2,812
External revenues (€ million)	1,301	1,194	+107	+9.0	1,128
EBITDA adjusted (€ million)	141	197	–56	–28.4	133
EBIT adjusted (€ million)	72	126	–54	–42.9	66
ROCE (%)	6.7	14.3	–	–	7.0
Capital employed as of Dec 31 (€ million)	1,081	878	+203	+23.1	937
Net financial debt as of Dec 31 (€ million)	630	390	+240	+61.5	254
Redemption coverage (%)	17.7	32.9	–	–	27.9
Gross capital expenditures (€ million)	177	174	+3	+1.7	167
Net capital expenditures (€ million)	53	52	+1	+1.9	68
Employees as of Dec 31 (FTE)	1,721	1,736	–15	–0.9	1,726
Employee satisfaction (SI)	–	3.8	–	–	–
Employee satisfaction – follow-up workshop implementation rate (%)	100	–	–	–	100
Share of women in Germany as of Dec 31 (%)	13.5	13.3	–	–	13.2
Share of renewable energies in the DB traction current mix (%)	44.0 [3]	42.0 [4]	–	–	42.0 [4]

[1] Preliminary figures (not rounded).

[2] No survey conducted in 2017.

[3] Preliminary figure.

[4] Consolidated share for non-Group and DB Group TOCs.

Subsidiaries/other

DB Finance relocated to Berlin

DB Group's finance subsidiary completed the change of its registered headquarters and legal form on September 1, 2017 whilst retaining its identity. Deutsche Bahn Finance B.V., headquartered in Amsterdam/the Netherlands, became Deutsche Bahn Finance GmbH, headquartered in Berlin.

This relocation has allowed processes to be optimized and costs reduced.

All bonds continue to be fully guaranteed by DB AG. This has had no effect on DB Group's FINANCIAL MANAGEMENT SYSTEM 87 F.

Formation of DB International Operations

As part of the NON-EUROPEAN OPERATIONS GROUP PROGRAM 61, on October 12, 2017 DB International Operations GmbH was formed, headquartered in Berlin, and entered in the trade register. This new international unit in DB Group will acquire, initiate and be responsible for implementing rail operations and maintenance projects outside Europe. It will act as the management holding company for its local operational subsidiaries, which will collaborate as independent partners with DB Engineering&Consulting (DB E&C) and our business units. The rail operations and maintenance projects are organized as project-specific, individual local subsidiaries in the respective countries.

DB Engineering & Consulting

DB E & C continues on its path of growth

Our engineering and consulting subsidiary DB E&C continues on its path of expansion in its key international markets, opening new offices in several countries including China and Australia. Following the record figures for new orders overseas in 2017 (over € 90 million), DB E&C will appoint new employees, particularly in India and the entire Asia-Pacific area. At the end of the year under review, there were about 4,400 employees from 73 countries working for DB E&C.

Continuing engagement in Taiwan

DB E&C, with support from DB Systemtechnik and commissioned by Sinotech Engineering Consultants, is reviewing the detailed design planning and the tender documents for the Taoyuan Metro's new green line in Taiwan. Our experts will also provide support for the construction, systems integration and commissioning of the rail system over the next seven years. The new line is just under 28 km long; ten underground stations and 11 overground stations are planned. This project marks DB E&C's continuation of an engagement in Taiwan that goes back to 1970.

Feasibility study for BMVI and new metro project in India

On behalf of the BMVI, DB E&C and non-Group partners have been conducting a joint feasibility study on high-speed rail transport in India since March 2017. Studies into increasing capacity and speeds on selected rail lines in India are being conducted as part of the Germany-India cooperation program. They are based on German experience of operational and spatial planning. DB E&C has also won a major new contract to provide project management services to the Bhopal/Indore metro.

Predictive maintenance improves the quality of rail operations #DIGITALIZATION

Since the start of 2017, customers of DB E&C and DB Systemtechnik have also benefited from the maintenance opportunities provided by digitalization: predictive maintenance enables maintenance requirements and damage to infrastructure and vehicles to be identified and rectified by the use of smart data diagnostics/analysis before problems arise. For example, operational disruptions due to switch failures are prevented by the early detection of faults as they emerge. This has a direct impact on customer satisfaction since it allows delays to be reduced considerably. These services are based on networking facility data on a special IT platform.

DB Rail Academy for international customers

The DB Rail Academy run by DB E&C offers high-quality, rapidly available training solutions for international customers. It is aimed at non-specialists such as senior managers and provides on-site training in the know-how required to plan and operate rail and transport systems successfully. The portfolio extends from individual seminars to long-term, certified programs.

Contract in California

DB E&C has won a contract for a section of the first high-speed line in California/USA. The Board of Directors of the California High-Speed Rail Authority in Sacramento awarded DB E&C a contract for engineering and consulting services on technical and commercial aspects for the leg between Bakersfield and San Jose. In collaboration

with its subcontractors, DB E&C will develop stations and schedules, train employees, develop operator models and act as an early train operator for the first section.

DB Vehicle Maintenance

New strategy for maintenance facilities that are fit for the future

The increase in the number of regional transport contracts awarded to competitors, and the developments in rail freight transport, have led to a significant fall in demand for maintenance services in recent years. This is further driven by the increasing trend for vehicle manufacturers to offer their own maintenance services. All this has resulted in a steady decline in utilization of the DB maintenance facilities. We have developed the new 2030 facilities strategy to make this division fit for the future. As part of RAILWAY OF THE FUTURE Zukunft Bahn we conducted an analysis of how to secure jobs by increasing productivity and expanding mobile maintenance. This also focused on compensating for contracts lost by gaining business for non-Group railways. A concept for the future was developed to increase profitability and competitiveness.

New locomotive testing facility at Dessau works

Built over about 30 months and with an area of 1,500 m², four tracks and eight workstations, Europe's most modern locomotive testing facility at the Dessau vehicle maintenance workshop is now complete. The workshop teams will now be able to work on different locomotives with varying drive trains and power systems simultaneously.

New bogie workshop in Wittenberge

After 24 months of building, a new bogie workshop has now begun operation at the Wittenberge works. We have invested about € 20 million.

Sale of Eberswalde works

With effect from January 1, 2017, the Eberswalde works have been transferred to Eberswalde GmbH (investor: Quantum). About 150 employees were transferred to the new company on the same day.

DB Systel sells data center in Berlin

Following an international tender, Penta Berlin GmbH was awarded the contract for the purchase of the DB Systel data center in Berlin-Mahlsdorf on January 1, 2018. The data center will continue to be operated by DB Systel for the first three years. The sale includes the migration of DB applications to a new, future-proof cloud-based system. The cloud-based system will be managed by DB Systel and operated by Amazon Web Services. Over 1,000 applications are to be transferred by the end of 2021.

Business development

- Reduction of Group headquarters costs.
- Optimization of the service companies.

Subsidiaries/other **Selected key figures** (€ million)	**2017**	2016	Change absolute	Change %
Total revenues	4,854	4,588	+266	+5.8
External revenues	627	540	+87	+16.1
EBITDA adjusted	-136	-119	-17	+14.3
EBIT adjusted	-392	-377	-15	+4.0
Gross capital expenditures	358	589	-231	-39.2
Net capital expenditures	357	589	-232	-39.4
Employees as of Dec 31 (FTE)	51,937	51,022	+915	+1.8

The area Subsidiaries/other encompasses the governance functions (such as corporate development, finance or personnel) and the dependent administrative service units (such as the Accounting Shared Service Center or HR services) of the holding company DB AG. This segment also bundles the legally independent administrative service units within DB Group (such as DB Temporary Work and DB JobService) and the independent operating service units (such as DB Vehicle Maintenance or DB Systel) which provide services to several DB Group business units.

The increase in total revenues was mainly attributable to higher revenues generated with Group customers, including in connection with IT developments and an increase in construction activities as well as project-related business at DB E&C.

The decrease in adjusted EBITDA and adjusted EBIT was mainly due to collective wage increases and project costs for measures under RAILWAY OF THE FUTURE Zukunft Bahn. This was counteracted by increases in volume and productivity at Group-internal service companies as well as cost reductions in the Group headquarters.

Opportunity and risk report

Opportunity and risk management within DB Group —— 150
Major opportunities and risks —— 152

Assessment of risk position by categories

Opportunity and risk portfolio for 2018 financial year as of December 31, 2017 (€ billion)

Opportunity and risk portfolio for 2017 financial year as of December 31, 2016 (€ billion)

ADDITIOMAL INFORMATION 152 FF.

Opportunity and risk management within DB Group

Opportunity and risk management in DB Group comprises the systematic identification, assessment and management of opportunities and risks. The primary objective of opportunity and risk management is to ensure the long-term existence of DB Group.

The principles of opportunity and risk management are laid down by the Group headquarters and implemented on a Group-wide basis. Within the framework of our early-warning system, opportunity and risk reports are submitted to the Management Board and the Supervisory Board of DB AG three times a year. Major risks occurring outside of this reporting cycle must be reported immediately. Planned acquisitions are subject to additional specific monitoring.

Our risk management system (RMS) maps all of the opportunities and risks in an opportunity and risk portfolio and also individually in detail, factoring in materiality thresholds. The opportunities and risks considered within the risk management report are categorized and classified according to probability of occurrence. Together with possible consequences, the analysis also takes into account the starting position and the cost of countermeasures. In organizational terms, Group controlling is the central coordination point for our opportunity and risk management.

Our strategic opportunity and risk management efforts are mainly derived from the targets and strategies of our business units. Operational management personnel in the business units are directly responsible primarily for the early and regular identification, analysis and management of strategic opportunities and risks. These activities are an integral element of the Group-wide planning and controlling systems. We focus intensely on detailed analyses of our markets and competitors, market scenarios, relevant cost drivers and critical factors for success, including those within our political and regulatory environment. Concrete opportunities for specific business units are identified and analyzed from these.

DB Group's business environment is in a state of constant change. Only if we understand the change can we actively shape it. In order to take advantage of opportunities and to identify risks at an early stage, we use the DB environment radar to monitor the most important external developments for DB Group. The focus is on the issue of how changes in society, politics, technology and the global economy affect our markets. The individual topics are all highly interconnected and of great importance for the future of DB Group. The DB environment radar helps DB Group to focus its business operations on the future and actively make use of opportunities.

In conjunction with Group financing, with its strict focus on the operating business, Group Treasury is responsible for limiting and monitoring the resulting credit, market and liquidity risks. The centralized handling of the relevant transactions (money market, securities, foreign exchange and

derivative transactions) means that potential risks can be managed and limited centrally. Group Treasury is organized in line with the appropriate risk control and management system requirements for banks (Mindestanforderungen an das Risikomanagement; MaRisk), which means that it complies with the resulting criteria of the German Corporate Sector Supervision and Transparency Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich; KonTraG).

Key characteristics of ICS and RMS with regard to the Group accounting process

Our RMS is complemented by a Group-wide internal control system (ICS) that also includes the accounting-related processes. To the extent that is deemed to be appropriate, the components of our ICS take into account the principles published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) called "Internal Control – Integrated Framework" in its revised version from 2013. On that basis, our accounting-related ICS is a continuous process based on basic control mechanisms, such as sytem-based and manual reconciliation, the separation and clear definition of functions as well as the monitoring of compliance and further development of Group-wide guidelines and special work instructions.

The accounting-related control mechanisms we use beyond the instruments outlined above include uniform reporting throughout DB Group and the regular updating of the relevant accounting directives and accounting-related systems.

Subject to a binding schedule, business transactions of the accounting-relevant units are processed in line with IFRS principles and in compliance with Group-wide, uniform procedures. These are then transmitted to the centralized consolidation system.

The auditing activities of the intra-Group auditors, which represent a key element of our control mechanisms, are focused on evaluating the adequacy and effectiveness of our ICS. Audits are also conducted during the stocktaking of property, plant and equipment as well as inventories. In addition to these measures, the Audit and Compliance Committee and the Supervisory Board monitor the accounting process and the effectiveness of the ICS.

The management of the companies included in the scope of fully consolidated companies and of the individual business units of DB Group verifies the completeness and accuracy of data relevant to the financial statements among other aspects, using a quarterly internal reporting process. Confirmation is also given that the executives responsible have implemented the centrally defined ICS minimum standards for reporting and, where appropriate, have supplemented these with their own documented control and monitoring tools.

Management assessment of the risk situation

The current risk situation is assessed on the basis of our RMS. The system is based on the requirements of the KonTraG and is continually evolving. During the year under review, there were no major methodological changes to that system.

On December 31, 2017, DB Group's main risks were in the area of production and technology. In comparison to the previous year, the total risk position based on the forecast for the following year increased slightly in the year under review (€ +0.3 billion). This was due, among other things, to uncertainties relating to energy price development and additional measures to improve punctuality and quality. #PUNCTUALITY

For the forecast of development in the 2018 FINANCIAL YEAR 162 FF., risks amounting to € 0.4 billion exist (thereof very likely (vl): € 0.2 billion), including countermeasures. These risks are primarily in the areas of production and technology, procurement and energy market as well as economic climate, market and competition.

Opportunities in relation to the forecast of development in financial year 2018 exist in the amount of € 0.1 billion (thereof vl: € 0.1 billion). These opportunities exist in production and technology.

We have addressed further quality improvements in relation to punctuality and comfort and convenience on rail transport in Germany through the comprehensive program RAILWAY OF THE FUTURE Zukunft Bahn 2 F. (DEPARTURE ECONOMIC).

Third-party evaluation is also an important indicator for overall risk assessment. In addition to internal risk assessment, DB Group's creditworthiness and its aggregated default risk is also assessed by the two RATING AGENCIES 88 F. Moody's and S&P. Their external assessments of DB Group's overall risk position are reflected in the good ratings. Nevertheless, the profit and the debt situation have also been reflected in the assessments of the rating agencies.

In terms of organization, we have created all of the conditions necessary to enable the early identification of possible risks. Our continuous risk management and the active management of key risk categories help to limit risks within DB Group. Key strategic opportunities and risks were identified at the business unit level and recorded in the course

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

GRI 102-11

Major opportunities and risks

Economic climate, market and competition

Scope: macroeconomic fundamentals, business environment, intermodal and intramodal competition, ordered services market for regional passenger transport, service offerings and penalties

Demand for our mobility services and, in particular, for our transport and logistics services is dependent on overall economic development, among other things:

- Economic growth fuels the trends underlying our strategy in our relevant markets.
- Macroeconomic shocks such as economic and financial crises and economic fluctuations may adversely affect our business.
- Risks arising from depleted public sector budgets in some European countries could have negative effects (particularly in the form of spending cuts), especially on DB Arriva activities. The market volume here is greatly determined by the financial situation of the contracting organizations. However, this creates the possibility that new markets or market segments will be opened for competition. With DB Arriva, we have positioned ourselves in such a way that we are well prepared to take advantage of the opportunities posed by open and opening markets.

Developments in the competitive environment are of particular importance for DB Group:

- In long-distance transport, we are exposed to heavy intermodal competition, particularly with motorized individual transport as the dominant competitor, but also with long-distance bus services and air transport.
- There is intense competition in regional transport throughout Europe for securing long-term transport contracts. There is the risk of performance losses. To be able to compete in this market, we are constantly working to optimize our tender management and our cost structures. In addition, there are risks from the implementation of transport contracts, for example as a result of lower passenger numbers than expected. In order to continuously increase quality and customer satisfaction and improve our efficiency, we at DB Regional and DB Arriva have put together appropriate programs.

- In rail freight transport, there is a high level of competitive pressure. Risks arise from the fact that competitors can operate with less expensive cost structures while enjoying greater flexibility. Further risks result from possible future efficiency gains of trucks, for example, by platooning. Several measures have been implemented to tackle these challenges.
- In the freight forwarding business, there is on the one hand intense competition with other providers and on the other hand a concentration in the carrier market that causes changes in the offerings of cargo space with corresponding effects on the purchase and sales prices. We are responding to this by further expanding our networks and improving our cost structures, services and IT infrastructure.

Overall, a general risk is a loss of competitiveness. A key component in facing competition is improvements in service quality. For the integrated rail system, we have developed the quality program RAILWAY OF THE FUTURE 2 F. (DEPARTURE ECONOMIC) in particular to significantly improve the quality of our products.

Key opportunities for performance enhancements result from the trend towards digitalization:

- Processes can be made more efficient and more customer-focused.
- Customers can be offered improved and new digital services.
- Online portals and apps facilitate access for customers (user experience).

In the medium-term, changes in the competitive environment may result from the following developments:

- New competitors: in addition to established competitors, providers from outside the industry, such as automobile manufacturers, IT groups and start-ups are increasingly active in our markets.
- New platforms/data-driven business models: digital platform providers increase the intensity of competition and transparency in passenger transport and logistics and also change how customers perceive prices. Start-ups in particular are the driving force behind the platform business and aim to occupy the digital customer interface.
- Shifts in added value: added value in the mobility and logistics sector could shift towards additional services.
- Integrated on-demand mobility: mobility-as-a-service (MaaS) concepts will be part of the standard offering in the long-term. The customer can order, book and pay for transport easily and in real time.
- Liberalization of the passenger transport market: demographic developments are increasing the pressure on the public sector to make use of favorable offers. Public transport authorities could also change their ordering behavior and tenders could be supplemented to include on-demand, minibus and shuttle services. This increases the cost pressure on established providers.
- Supply chain visibility: transparency in the value-added chain is one of the top trends in logistics. Start-ups and established players see data and analysis solutions as a significant business opportunity.
- Goods structure effect: the production share of highly specialized goods such as pharmaceuticals and high-tech products is growing strongly. At the same time, types of goods with a generally lower weight and higher value density, such as electronic components, are growing at an above-average rate. Heavy, bulky goods, such as steel, paper and chemicals are becoming less important.

To adequately tackle the resulting risks and opportunities, we have developed, among other things, our comprehensive DIGITALIZATION STRATEGY 4 (DEPARTURE ECONOMIC) with a separate digital ecosystem.

We are also responding to opportunities and risks arising from changing demand patterns and from shifts in traffic patterns throughout the Group with intensive market observation and by continuously upgrading our portfolio and our products.

The demand for our products and services is partly dependent on the development of our customers' sales markets:

- Our customers' economic development dictates their need for storage and transport services, which in turn affects our freight forwarding and logistics businesses. In addition, there may be structural changes in the production structures of our customers. The rising costs of globally distributed production make more regional production more efficient. Another reason for regionalization is the use of production innovations, such as automation, modularization and 3D printing with potential to relativize wage cost differences and economies of scale.
- Rail freight transport is partly dependent on industries that are stagnating. The decline of coal as an energy source, for example, is having an effect.
- The development of demand in track infrastructure is dependent on rail transport's ability to compete on the upstream transport markets.

Production and technology

Scope: technical malfunctions, technology risks (vehicles, infrastructure, IT and telecommunications), custom offenses, thefts, maintenance, fire protection, legacy remediation, noise abatement, technical further development and sale of real estate

If the quality of passenger transport services suffers, this has an impact on production and service quality and can lead to the loss of customers. Postponed deliveries of new vehicles may result in revenue losses and additional costs, for example due to substitute transport services or penalty payments.

The availability and the condition of the track infrastructure are significant prerequisites for competitive rail transport. In order to maintain the future viability of rail in the long term, it is also necessary to modernize the infrastructure through digitalization and automation.

Intense construction work on the network affects schedules and the production quality of carriers to a different extent, depending on the region, some of which cannot be compensated for.

The range and quality of our services depend to a significant extent on the availability and reliability of the production resources used, intermediate services procured and the quality of our partners' services. We therefore keep up an intense dialog with our suppliers and business partners on the subject of quality. This is of particular importance in the vehicle industry.

Sufficient availability of our vehicle fleet is particularly critical. Significant restrictions endanger operating schedules. In regional transport, there is the additional risk of penalties imposed by the relevant contracting organizations if trains are canceled or punctuality is insufficient. We try to minimize this risk by taking preventative actions and also by minimizing the consequences should it happen, such as by providing replacement vehicles or by organizing substitute transport.

The technical production resources used in rail transport must comply with applicable standards and requirements, which are subject to change. As a result, we may receive technical complaints concerning our vehicles. This leads to the risk that we may only be permitted to use individual series or rail car types under certain conditions, such as limited speeds, shorter intervals between maintenance or reduced wheel set loads. In addition, we cannot accept newly purchased vehicles that have flaws or for which the necessary vehicle certification has not been granted.

In regional transport, a risk can arise from the redundancy of vehicles following the expiry or re-tendering of a transport contract. As a countermeasure, alternative possible uses are checked continuously.

Increasing digitalization means that dependence on secure IT that is available around the clock is increasing. This will result in risks, such as the interruption of the availability of IT systems or unauthorized third parties accessing customer data.

We combat these risks through forward-thinking IT security management, which provides the necessary security for our IT-based business processes. A key tool in this respect is risk management for IT applications and IT infrastructure/services. The relevant risks are systematically identified, analyzed, evaluated and reduced. The remaining risks are documented and if necessary reported to and monitored by suitable bodies. The IT risk management of DB Group follows the internationally accepted standard as defined in ISO 27001/27002:2013.

To prevent critical gaps in security, appropriate countermeasures (such as firewalls, encryption and closed servers, timely installing of software updates) have been implemented. In order to ensure high availability of IT operations, we use redundant systems distributed across different locations. Data backup is carried out at a separate location from actual operations. Operational management is performed by trained personnel, and there is clear separation of responsibilities. Our wide area network (WAN) is redundantly designed wherever IT security and business continuity require this. Penetration tests are conducted systematically and regularly for the most important IT applications, with the aim of detecting weak points at an early stage and eliminating them. These measures reduce the risk of IT system failures and avoid large-scale disruptions, ensuring that mission-critical business processes are operational at all times.

Improved IT security

According to Europol, on May 12, 2017 at least 200,000 computer systems in 150 countries fell victim to the worldwide WannaCry cyber attack – including DB Group. This primarily affected ticket machines and display boards at train stations. Train services, customer safety and the security of customer data were never at risk. Immediately after the occurrence of WannaCry, a crisis committee was set up to correct the technical failures and prevent it from continuing to spread. The Cyber Security @ DB project aims to sustainably improve IT security and governance throughout DB Group. We want to increase our resilience to external IT threats. Measures to prevent and promptly identify attacks are therefore being developed.

PUNCTUALITY 68 is a key factor for rail freight transport customers when selecting a mode of transport. In addition to this, irregularities can occur during transport, such as customs offenses and theft. We combat these risks with measures such as engaging qualified customs coordinators and using an immediate reporting system for tax assessment notices.

Personnel

Scope: collective bargaining agreements, Group-wide labor market, pension commitments

To be able to hold our own against the competition, our personnel cost structure plays an important role. Our target is always to conclude competitive collective bargaining agreements in terms of the labor market and the transport market.

Due to demographic changes and the associated lack of skilled employees, it is becoming increasingly difficult to fill vacancies with qualified personnel. This in turn leads to risks such as lack of know-how transfer. At the same time, DB Group has a relatively high annual need for new employees. We counteract the resulting risks in particular by improving our EMPLOYER ATTRACTIVENESS 70 F. and by taking extensive RECRUITMENT MEASURES 4 (DEPARTURE SOCIAL). #RECRUITING

Our life-phase-oriented HR policy gives us the opportunity to promote loyalty among employees in the long term. Flexible working time models and jobs designed specifically for the age of the employee contribute to this, as do the job security we offer and our intensive work on our corporate culture.

Extensive new appointments create diversity in the workforce, which can lead to more creativity and productivity if there is an intensive transfer of knowledge and good diversity management. Young employees bring new ideas and concepts into the working routine. Older employees have varied and extensive experience and pass on their knowledge to new groups of employees. In addition, in mixed teams, new perspectives and viewpoints are contributed to the solution-finding process. In the long term, and in an appropriate corporate culture, this can have an impact on the innovation capacity and performance of DB Group.

Regulation

Scope: government intervention or changes in the regulatory environment relating to rail infrastructure (access, pricing and unbundling requirements)

Regulation to the detriment of rail, for example due to additional legislative requirements, endangers intermodal competitiveness. Changes to the legal framework at national or European level could pose risks to our business. This general regulatory risk could therefore result in tangible negative effects on revenues and profit.

These regulations govern the individual components of the pricing systems, and general terms and conditions applied by our RIC. There are risks of complaints and intervention here. Measures that threaten or even prevent DB Group from attaining reasonable returns in our infrastructure business units (such as intervention in pricing systems) make it more difficult to control these activities from a business perspective and can therefore threaten financing contributions by DB Group to infrastructure capital expenditures.

Political risks concern particularly a tightening of existing standards and regulations affecting the railways. The structure of DB Group may also be exposed to regulatory risks.

In order to respond to risks resulting from changing legal framework conditions on either a national or an international level, we take an active part in the discussions and debates that take place ahead of this type of change.

Procurement and energy market

Scope: price trends on procurement markets, full auctioning of CO_2 certificates

Purchase prices for raw materials, energy and transport services vary according to market conditions.

We respond to the risk of increasing energy prices among other things by using appropriate DERIVATIVE FINANCIAL INSTRUMENTS 194 FF. and entering into long-term procurement contracts. However, these safeguards also limit opportunities arising from trends in energy prices. In the event of falling prices, we do not participate in the market development.

This means that depending on the market and competitive situation, it may not be possible or may only be possible to a very limited extent to pass increased costs on to the customer in the short term. This in turn has a negative impact on margins.

The consolidation of demands and optimization of procurement processes create opportunities to leverage further potential in terms of procurement prices.

Noticeable train-path price increases outside of Germany result in significant increases in costs for the use of infrastructure. Due to the intensity of competition, it is not always possible to pass on cost increases.

Capital markets and taxes

Scope: interest rate and currency developments, taxes

The expansion of our international business entails currency risks. This risk, however, is largely limited to the so-called translation risk, since usually there is a high regional congruence between the production and sales markets. We use primary and DERIVATIVE FINANCIAL INSTRUMENTS 194 FF. as one means of countering interest rate and currency risks from our operating business. Their use is only permitted for hedging purposes in DB Group. There is a risk that these hedging measures will not pay off, or not in the way expected.

To prevent counterparty default risk from financial and energy derivatives, we conclude credit support agreements (CSA) for all longer-term hedges.

Due to the long-term capital employed, we also use long-term, fixed-interest financial instruments. As a result, only new issues are exposed to the risk of rising interest rates. We apply a conservative planning approach to deal with risks arising from capital market performance or a deterioration in credit ratings.

Pensions and similar retirement benefit obligations are partially covered by plan assets from stocks, real estate, fixed-income securities and other investments. Value losses in these assets directly reduce the cover of pension obligations by plan assets, potentially resulting in DB Group having to provide additional cover.

In addition, there are potential risks from back-tax payments from tax audits that are in progress and from amendments to tax laws.

Law and contracts

Scope: compensation claims, lawsuits, active and passive claims

As a result of delayed vehicle deliveries and vehicle defects, operating difficulties and breaches of contract or non-compliance events arise with respect to contracting organizations in regional transport. Higher expenses and penalty payments combined with lower fare-box revenues are the result. Ensuing damage claims are asserted against the manufacturers. Provisions have been made for legal and contractual risks based on an assessment of their probability of occurrence.

Compliance with current laws, company guidelines and recognized regulatory standards is the task and duty of every DB Group employee. It is the mission of our COMPLIANCE DEPARTMENT 238 FF. to ensure compliance with such criteria.

With its very high purchasing volume and over 40,000 suppliers, DB Group is one of the largest purchasers in Germany. Large-scale capital expenditures mean that the infrastructure business units in particular are exposed to a significant risk of becoming the target and victim of corruption, cartel agreements or fraud. As a provider of grants, the Federal Government places high demands on DB Group with its anti-corruption guidelines.

Opportunities arise from the discovery of cartels that operated in the past and the enforcement of claims for damages against cartel members. DB Group is seeking compensations for damage in over 20 cases. These involve, inter alia, cartels for rail, air freight, elevators and escalators, prestressing steel, credit cards, but also beer. In about 40 other cases, DB Group is currently determining whether damage has been suffered.

Significant events

Scope: disasters and accidents, sabotage, extortion, global political events

Our activities are based on a technologically complex, networked production system. In general, we try to combat the risk of potential operational disruptions through regular maintenance and by taking on qualified employees, coupled with continuous quality assurance and improvement of our processes. The nature of rail transport as an open system means that certain factors (such as natural disasters, accidents, sabotage and theft) over which we have only limited influence could have a negative impact on operations. Our efforts in such cases focus on minimizing the potential effects. However, this could also result in cost risks from countermeasures.

Damage to our infrastructure caused by extreme weather events results, among other things, in a loss of income, penalty payments and an increased need for preventive measures. In order to adapt the means of production to extreme weather events and to avoid restricted operating

quality due to weather damage, DB Group is working with national and international experts on the adaptation of external technical regulations to altered climatic conditions. In addition, DISRUPTION MANAGEMENT 67 is being revised in order to minimize knock-on effects.

Additional measures to increase public security in passenger stations, among other areas, such as higher requirements for the quality and quantity of video surveillance, may result in additional costs.

Other issues

Project risks

Our measures involve not only some huge capital expenditure volumes, but also a large number of highly complex projects. Changes to the legal framework, delays in implementation (due among other things to more extensive public participation), necessary adjustments during terms often lasting several years, deviations from the ramp-up curve of funds for capital expenditures agreed with the Federal Government or changes to purchase prices may lead to project and liquidity risks. The networked production structure means that these can often affect a number of business units. For example, in such cases planned modal shifts from road to rail will not be feasible. We keep up to date with this by closely monitoring projects. This applies in particular to large, centrally managed projects.

With the implementation of planned profit and efficiency gains from various business-unit-specific programs and projects, such as RAILWAY OF THE FUTURE Zukunft Bahn for the integrated rail system in Germany or Primus at DB Schenker, there is a risk that the planned effects will either not be realized or will only be realized to a lesser extent and/or after a delay. At the same time, however, there is also the opportunity that the planned effects will be even greater than expected.

Infrastructure financing

As a key element of the German Rail Reform Act, the Federal Government has the constitutional obligation to finance the capital expenditures in rail infrastructure. The key factor here is getting a sufficient amount of funding, but also the ability to plan the availability of funds for the existing network as well as new construction and expansion (requirement plan capital expenditures). A lack of availability of funds for capital expenditures may result in insufficient funds for the maintenance of the existing network and restrictions in the long-term competitiveness of rail as a mode of transport.

We have an agreement with the Federal Government that sets out the financing of the existing network until 2019. The LUFV II 218 F. and the associated securing of infrastructure quality and availability in the long term improve the attractiveness of rail as a mode of transport, which also results in higher revenues for infrastructure companies. The profits of infrastructure companies in turn are plowed back into the infrastructure via the financing cycle. Risks result from a potential failure to achieve the QUALITY OBJECTIVES 133 specified in the LuFV II and may result in a possible reclaim by the Federal Government based on an audit of the proper use of Federal funds.

The economic sustainability of capital expenditures or contributions to capital expenditure projects funded with DB funds is essential to ensure DB Group's ability to invest in the long term.

Political risks

EUROFIMA has given loans to state-owned railways in states that now have poor credit ratings. If these state-owned railways fail to meet their financial obligations to EUROFIMA, this could have repercussions for the carrying amount of the investment, and under certain circumstances trigger further financial obligations.

Environmental risks

Unique environmental features, such as climate-neutral transport services in passenger and freight transport on the basis of renewable energies, improve our customers' positive opinions and thus improve external perception of the company. This results in considerable opportunities. Our activities not only have a positive effect on the reduction of greenhouse gases, they can also have a positive influence on customer satisfaction and our market position. Our mobility services must be CO_2-free from end to end in order to secure an environmental advantage.

Events after the balance sheet date

Cost and schedule development for Stuttgart 21 and the Wendlingen–Ulm new construction line —— 158
Two bonds issued —— 158
Cyclone results in considerable rail transport restrictions —— 158
New coalition agreement provides opportunities for rail transport —— 158

Cost and schedule development for Stuttgart 21 and the Wendlingen–Ulm new construction line

On January 26, 2018, the Supervisory Board of DB AG deliberated the schedule and cost situation for the Stuttgart 21 project. The cost forecast was increased to a total value of about € 7.7 billion. To take into account unanticipated events, further funds of about € 0.5 billion have been earmarked, meaning that the overall funding framework has increased to € 8.2 billion. In addition to increases in construction prices, the increase in costs results in particular from significantly more elaborate procedures for tunneling in the anhydrite rock, more extensive approval processes as a result of species protection and the postponement of commissioning to 2025, among other things.

The cost and schedule planning for the Wendlingen–Ulm new construction line was also deliberated. The cost forecast was increased to € 3.7 billion and the completion date postponed to 2022. The cost increase is mainly down to greater geological risks as well as additional capital expenditures in the modernization of Ulm Central Station. The one-year delay results from more elaborate plan revision procedures for species protection in the Alpine Foreland.

Two bonds issued

At the start of 2018, we issued two euro benchmark bonds through DB Finance with a volume of € 1,000 million (maturity: 10 years; coupon: 1.000 %) and € 750 million (maturity: 15.5 years; coupon: 1.625 %).

Cyclone results in considerable rail transport restrictions

With wind speeds of up to 200 km/h, Cyclone Friederike caused severe damage to the track infrastructure in large parts of Germany on January 18, 2018. Long-distance transport was temporarily suspended throughout the country. Cyclone Friederike was the most severe storm since Kyrill 11 years ago.

New coalition agreement provides opportunities for rail transport

In the coalition agreement dated February 7, 2018, the Union parties and the Social Democratic Party of Germany (SPD) declared their commitment to the integrated DB Group. A “rail pact” of politics and the economy should double the number of passengers by 2030 and bring more freight transport to the railways. The key demands made by industry associations, such as the reduction of train-path prices, the implementation of a synchronized timetable for all of Germany and the promotion of innovation, have been taken on board. Other important measures listed in the agreement include a capital expenditure ramp-up and adequate financing for the BVWP 2030, the implementation of the master plan for rail freight transport, including the creation of a country-wide network for 740-meter-long freight trains, a Planning Acceleration Act (Planungsbeschleunigungsgesetz), the use of BIM for all newly planned infrastructure projects as well as a digitalization campaign including the expansion of the ETCS and the digitalization of interlockings.

The coalition agreement is subject to the outcome of the vote by members of the SPD, which will run until March 2, 2018.

Outlook

Overall statement of the Management Board regarding the economic development of DB Group —— 159
Future direction of DB Group —— 159
Improving economic outlook —— 160
Growth of transport markets expected to continue —— 160
Development of DB Group —— 162

Overall statement of the Management Board regarding the economic development of DB Group

Following the overall positive development in the year under review, the Management Board of DB AG anticipates that DB Group will demonstrate further positive development in the 2018 financial year. The expected increase in revenues is expected to have an effect on profits as well.

We expect to continue to have excellent access to the capital market in the 2018 financial year.

Our activities are subject to various risks, as described in the OPPORTUNITY AND RISK REPORT 150 FF. For the 2018 financial year, we particularly see risks in the production and technology area.

The Management Board believes that DB Group has taken all necessary measures to protect itself from existing risks and to be able to take advantage of possible opportunities. We intend to further strengthen our market positions and to continue implementing our strategy DB2020+ and our programs, such as RAILWAY OF THE FUTURE Zukunft Bahn. On the whole, our assessment of DB Group's medium-term prospects is therefore positive.

Future direction of DB Group

Future business policy

We want to assert our market positions in the 2018 financial year and stimulate further organic growth in our business units. We have defined the strategic directions for the coming years in our strategy DB2020+, which we consistently pursue. In the 2018 financial year, we will continue implementing the second phase of RAILWAY OF THE FUTURE Zukunft Bahn. In addition to the weak development in the year under review, our focus in this process is in particular on punctuality. #PUNCTUALITY

Future strategic focus

Our strategy DB2020+, which is based on a sustainability approach, continues to be the compass for DB Group's strategic focus. The focus is on addressing the three main areas of action – culture of quality, digital expertise and performance capability, which were specifically derived from the challenges of the integrated rail system. Our objective remains to improve the competitiveness of the integrated rail system, to continue to grow internationally and to ensure the future fitness of DB Group particularly by employing digital technologies.

Future sales markets

Our opportunities for growth in the German passenger transport market are limited due to the high level of competition and restrictions imposed by antitrust laws. As a result, we are primarily focused on defending our strong market position and improving the competitive position of the railways in intermodal competition. Over the medium term, we foresee a shift to demand-driven road transport in the German passenger transport market as new data-based business models are established. Autonomous driving, for example, will lead to ever fewer people having to own their own car. At the same time, autonomous transport on the road could potentially make certain areas of public transport independent of stops/stations and schedules, and thus enhance flexibility. Our growth potential in the area of passenger transport services lies in countries outside of Germany and in cross-border long-distance rail passenger transport services.

In the area of rail freight transport, our focus continues to be on the European market. We are well positioned in all of the central European corridors and can offer service connections to locations as far afield as China.

We also do not expect significant changes in the freight forwarding and logistics division in 2018. DB Schenker is already very well represented in all key markets and regions.

Improving economic outlook

— Forecasts for development in 2018 are based on the assumption of no material change in the geopolitical situation.

Anticipated development (%)	2017	**2018**
World trade	+5.9	~ +4.5
GDP world	+3.0	~ +3.0
GDP eurozone	+2.5	~ +2.0
GDP Germany	+2.5	~ +2.5

The data for 2017, adjusted for price and calendar effects, is based on the information and estimates available as of February 2018.
Expectations for 2018 are rounded off to the nearest half percentage point.

Source: Oxford Economics

In 2018, we expect global economic growth to continue at the level of the previous year. Consumption growth in Europe and Germany, however, will decrease slightly, but investments, on the other hand, will increase significantly. Asia will likely also display growth at a high level. Our expectations for North America are also positive. One reason for this is that the tax reform in the USA will reduce the burden on companies. Accordingly, we expect that investments will be the main driver of growth, while the contribution of private consumption will slightly decrease. Growth in the global goods trade will likely slow down somewhat in 2018 compared to the previous year. The reason for this assessment is the lack of stimuli from further liberalization or production changes.

Risks for the global economy and trade arise particularly from geopolitical developments such as the Korea crisis, Brexit and an economic policy in the USA that is hard to predict. But the high debt level of companies and governments also carries risks for financial markets and economic development.

Growth of transport markets expected to continue

Passenger transport

Anticipated market development (%)	2017	**2018**
German passenger transport (based on pkm)	+1.1	~ +1.0

Expectations for 2018 are rounded off to the nearest half percentage point.

In 2018, German passenger transport will continue to grow according to our forecast, while the growth in volume sold should remain on the level of the year under review. A significant factor in this respect is the foreseeable positive development of employment figures and disposable income. At the same time, fuel prices are expected to rise.

Under these conditions, we expect solid growth for rail passenger transport supported by our measures to improve our offerings and quality. Long-distance transport in particular should develop above average, due among other things to the commissioning of the Munich–Berlin line in December 2017.

We expect a decrease in public road passenger transport. Although long-distance bus services will continue to grow again following consolidation, regional bus services are expected to continuously decline due to demographic development.

Motorized individual transport and domestic air transport will likely also post further growth thanks to a positive labor market situation and income development and continually relatively low fuel and kerosene prices.

Despite the fact that the situation in Great Britain remains fraught with uncertainties as a result of Brexit, the European passenger transport market appears to be developing generally positively. Rising employment figures and disposable income combined with rising fuel prices should have a positive impact on demand, particularly in rail passenger transport. Above-average growth is expected particularly in countries with intensive intra- and intermodal competition, significant capital expenditures on infrastructure and vehicle fleets, and consistent measures to liberalize markets.

Freight transport and logistics

Anticipated market development (%)	2017	**2018**
German freight transport (based on tkm)	+1.8	+2.0
European rail freight transport (based on tkm)	+3.0	+3.0
European land transport (based on revenues)	+3.8	+3.5
Global air freight (based on t)	+10.0	+2.0
Global ocean freight (based on TEU)	+4.8	+3.5
Global contract logistics (based on revenues)	+3.0	+3.0

The data for 2017 and 2018 are based on information and estimates available as of February 2018.
Expectations for 2018 are rounded off to the nearest half percentage point.

For 2018, we expect increasing transport demand in the German freight transport market in an environment of continued overall positive economic trends. Notwithstanding

bottlenecks in transport capacities, the market will continue to be characterized by fierce inter- and intramodal competitive pressure.

In 2018, rail freight transport in Germany should return to growth following weak development in the year under review. We expect performance growth as a result of the continued stimuli from a positive economic environment, supported by a positive baseline effect after the RESTRICTIONS IN RAIL OPERATIONS 66 F. in the year under review. In addition, we expect further positive effects from the agreed REDUCTION IN TRAIN-PATH PRICES 139 for rail freight transport, which in turn will slightly dampen truck transport development. Strong and above-average growth in performance is also expected for the road in 2018. A different picture emerges with regard to inland waterway transport. Even excluding weather-related restrictions and the expected positive baseline effect following the very low water levels, we expect below-average development in line with the long-term trend.

- Positive development is expected for the European rail freight transport market. Growth should be supported mainly by intra-European trade in consumer and capital goods, which should stimulate the intermodal transport market.
- We expect slight revenue growth for the European land transport market. This market is mainly impacted by the rising costs of subcontractors and the price adjustments resulting from these, among other things.
- The expectations for the global air freight market in 2018 are modest due to the strong growth in the year under review. As far as capacity is concerned, shortages are not anticipated given the continuing supply of new aircraft and addition of new routes. It is expected that rates will remain at a high level as some carriers are considering introducing additional extra fees, such as the reintroduction of a fuel surcharge.
- Volume growth in global ocean freight is expected to be slightly below the level of the year under review. We expect to see a further increase in rate levels, primarily caused by the ongoing consolidation of container shipping companies and the formation of new alliances.
- We expect continued, selective growth particularly in the Asia/Pacific and European regions in contract logistics.

Infrastructure

Overall, we expect train-path demand to improve slightly in 2018. Continued positive demand development is predicted for regional rail passenger transport thanks to increased regionalization funds. In addition, long-distance rail passenger transport is expected to realize additional volume following the commissioning of the Munich–Berlin line in December 2017. In rail freight transport, we also expect significant volume growth as a result of the MASTER PLAN FOR RAIL FREIGHT TRANSPORT 54.

Due to continued extensive construction activities, we expect constant development of station stops. The share of station stops by non-Group TOCs will continue to increase in future. Across Germany, the development of real retail sales (excluding vehicles and gas stations) has been assessed to be slightly positive for 2018. As a result, we expect that leasing income in stations will increase slightly.

Procurement markets

We continue to expect no bottlenecks in procurement. As a result of the OPEC output cuts, we expect a balanced oil market for 2018. A significant further increase in oil prices is currently not expected due to the growth in shale oil production in the USA.

In Germany, there will continue to be struggles over the design of the new electricity market (Electricity Market 2.0). Short-term price increases are likely to be amplified by the further expansion of renewable energies due to the limited ability to forecast them. Wholesale prices are being boosted by the dismantling of conventional capacities. The as-yet incomplete formation of a government has led to uncertainties regarding the speed of the fossil fuel phase-out.

Financial markets

The financial markets reached new heights in 2017 for several reasons, including the loose monetary policy pursued by central banks. After the Federal Reserve started increasing rates, the ECB also exhibited tentative signals and took steps to tighten monetary policy, albeit with much more caution. Due to the forecasted rise in interest rates, we no longer expect negative interest rates in the eurozone over the medium term. Equity and bond prices may come under pressure as a result.

Development of DB Group

Profitable quality leader

Anticipated development of DB Group	2017	2018	2020
Volume sold rail passenger transport (Germany) (billion pkm)	82.3	~84.5	-
Volume sold rail freight transport (billion tkm)	92.7	~98	-
Train kilometers on track infrastructure (billion train-path km)	1.1	~1.1	-
Shipments in European land transport (million)	100.5	~103	-
Air freight volume (export) (million t)	1.3	~1.3	-
Ocean freight volume (export) (million TEU)	2.2	~2.3	-
Customer satisfaction - passengers (SI)	75.8	~78	~79
Punctuality DB Group (rail) in Germany (%)	93.9	~95	>95
Punctuality DB Long-Distance (%)	78.5	82	-
Revenues (€ billion)	42.7	~44	-
EBIT adjusted (€ billion)	2.15	≥2.2	-
ROCE (%)	6.1	~6.0	≥8.0
Redemption coverage (%)	18.7	≥18.5	≥25

Volume sold should increase in the 2018 financial year as a result of the improved performance and the full-year effectiveness of the Berlin–Munich line. Train-path demand should therefore also increase in the 2018 financial year. The increase in demand for regional rail passenger transport due to additional regionalization funds as well as for rail freight transport as a result of stimuli created by THE MASTER PLAN FOR RAIL FREIGHT TRANSPORT 54 will also have an impact in this respect. The trend of steadily increasing train-path demand from non-Group customers will continue.

In 2018, our focus is on improving punctuality. At DB Long-Distance we intend to significantly improve punctuality by consistently continuing and expanding our measures within the framework of the RAILWAY OF THE FUTURE Zukunft Bahn program and by increasingly using new ICE 4 trains. #PUNCTUALITY

Positive economic and market expectations are also reflected in the anticipated performance development by DB Schenker. We expect all lines of business to grow at a faster pace than the market.

Income and financial position

- Further improvements anticipated in the 2018 financial year.
- The development is based on our expectations regarding market, competition and environmental developments, as well as the successful implementation of planned measures.

DB Group

- The main drivers of revenue growth will be DB Schenker, DB Arriva and DB Long-Distance in particular.
- In terms of profits, we do not expect revenue gains to be fully mirrored in the development of profits. In this context, additional expenses, for example from collective bargaining agreement wage increases and our RAILWAY OF THE FUTURE Zukunft Bahn quality program, have a particular impact.
- ROCE is expected to remain stable at best as a result of the slightly positive development of adjusted EBIT in conjunction with a proportionately larger increase in capital employed.
- Redemption coverage should be on a par with the previous year's level due to the noticeable increase in net financial debt.

Business units

	Revenues adjusted		EBIT adjusted	
Anticipated development (€ million)	2017	**2018**	2017	**2018**
DB Long-Distance	4,347	↗	381	↗
DB Regional	8,734	↗	508	↗
DB Arriva	5,345	↗	301	→
DB Cargo	4,528	↗	-90	↗
DB Schenker	16,430	↗	477	↗
DB Netze Track	5,364	↗	687	↗
DB Netze Stations	1,265	↗	233	↘
DB Netze Energy	2,794	→	72	↘

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

DB Long-Distance

At DB Long-Distance, we expect revenues to be above the previous year's level in the 2018 financial year, driven by a more favorable market and competitive environment, measures to increase quality and the new Berlin–Munich link. This is also positively reflected in the development of adjusted EBIT.

DB Regional

We expect DB Regional to generate higher revenues in the 2018 financial year. Supported by measures within the framework of Railway of the Future, we also expect an increase in operating profit.

DB Arriva

Positive effects in the Mainland Europe line of business should be noticeable at DB Arriva in the 2018 financial year. We therefore expect revenue development above the previous year's level. Due to the difficult market environment in the bus and rail business in Great Britain, among other things, operating profit is expected to remain at the previous year's level.

DB Cargo

At DB Cargo, we expect an increase in volume sold in the 2018 financial year due to the elimination of OPERATING RESTRICTIONS 66 F. from the year under review and the initial effects of the MASTER PLAN FOR RAIL FREIGHT TRANSPORT 54. Revenues should therefore increase. Operating profit should therefore be above the previous year's level.

DB Schenker

In the 2018 financial year, we expect further growth at DB Schenker resulting from both volume and price effects. This development should also have a positive impact on adjusted EBIT.

DB Netze Track

In the 2018 financial year, we expect revenue development at DB Netze Track to be slightly positive as a result of both volume and price effects. Adjusted EBIT is also expected to improve in conjunction with RAILWAY OF THE FUTURE Zukunft Bahn measures.

DB Netze Stations

At DB Netze Stations, revenues are expected to increase in the 2018 financial year particularly in connection with price effects. Increased costs, however, will result in operating profit development being slightly below the previous year's level.

DB Netze Energy

At DB Netze Energy, revenue development is expected to be at best at the previous year's level due to various price and volume effects from the individual products. Due to additional costs, we expect a decline in operating profit development.

Top employer

Anticipated development	2017	**2018**	2020
Employee satisfaction (SI)	–	3.8	4.0
Employer attractiveness (rank in Germany)	13	13	≤10

With regard to employer attractiveness, we managed to improve in the year under review and expect stabilization in 2018. Demographic change will cause the intensity of competition on the labor market to increase further as the available workforce steadily shrinks in all target groups. In addition, other corporations are also focusing on employer branding and recruiting activities. #RECRUITING

In 2018, we will conduct our fourth Group-wide employee survey to detect trends and changes and to find out which measures are effective and where we still need to take action. We expect a slight improvement in the survey results.

Eco-pioneer

Anticipated development	2017	**2018**	2020
Specific CO_2e emissions [1] compared to 2006 (%)	–30	–32	–33
Share of renewable energies in the DB traction current mix (%)	44	45	45
Noise-remediated track kilometers in total (rounded) as of Dec 31 (km)	1,700	~1,800	2,000
Quiet freight cars in Germany as of Dec 31	39,604	~50,000	~64,000

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

We set new, ambitious climate protection targets in the year under review to be achieved by 2030 in the environmental dimension. #CLIMATE PROTECTION We intend to reduce our specific greenhouse gas emissions by 50% compared to 2006. In terms of greenhouse gas emissions, we are already at a very good level following sustained strong improvements in shipping. The reduction of specific greenhouse gases emitted worldwide by our transport companies will also continue in 2018. Due to the switch to 100% ECO-POWER grün. NO. 01 at DB Long-Distance, we expect a further increase in the share of renewable energies in the DB traction current mix.

The REFITTING OF OUR FREIGHT CARS grün. NO. 05 is moving toward our target value for 2020.

With regard to NOISE PROTECTION grün. NO. 25, we expect additional noticeable relief for those residing close to railway tracks in 2018.

Anticipated capital expenditures

Anticipated development (€ billion)	2017	**2018**
Gross capital expenditures	10.5	>12
Net capital expenditures	3.7	>4.5

We will continue our quality and capital expenditures initiative for the integrated rail system in Germany with large capital expenditures. We thus intend to improve our quality and customer satisfaction, drive digitalization (including IT security improvements) forward and increase our performance capability.

In the 2018 financial year, capital expenditures are again expected to be above the level of the year under review. Increased vehicle capital expenditures at DB Long-Distance (ICE 4 and IC 2), additional capital expenditures at DB Cargo as part of the RAIL FREIGHT TRANSPORT INITIATIVE 121 and higher capital expenditures for rail infrastructure will have an impact in this respect.

Anticipated financial position

Anticipated development (€ billion)	2017	**2018**
Maturities	2.1	2.2
Bond issues	2.0	≤3
Cash and cash equivalents as of Dec 31	3.4	~3
Net financial debt as of Dec 31	18.6	≤20

Efficient liquidity management is once again a top priority for us in the 2018 financial year. We are focusing on continually forecasting the cash flow from operating activities, as this is our main source of cash and cash equivalents. We produce liquidity forecasts every month on the basis of a rolling 12-month liquidity plan. In the 2018 financial year, we must redeem financial liabilities (excluding commercial paper and current bank liabilities) at about the same level as in the previous year. Funding needs are met by issuing public and non-public bonds. Roadshows are planned in Europe and Asia in conjunction with the bond issues.

We anticipate that the financing measures will not significantly change the structure of the shareholders' equity and liabilities side of the balance sheet with regard to current and non-current liabilities as the financing measures will primarily serve to refinance expiring financial debt.

We continue to have adequate financing scope for our capital market activities based on our DEBT ISSUANCE PROGRAMS AND COMMERCIAL PAPER PROGRAM 87 F. The GUARANTEED CREDIT FACILITIES 87 F. serve as a fallback in the event of interrupted access to the capital market. Our short- and medium-term liquidity supply is therefore also secure in the 2018 financial year.

The majority of our gross capital expenditures in the 2018 financial year will again be covered by investment grants. The net capital expenditures to be financed by DB Group will likely also not be fully covered by internal sources in the 2018 financial year.

On December 31, 2018, the net financial debt will therefore probably once more be significantly above the level of the year under review.

We will continue our M&A activities in a selective and focused manner in the 2018 financial year. We do not expect these activities to have any significant impact on our financial position in the 2018 financial year.

FORWARD-LOOKING STATEMENTS

This management report contains statements and forecasts pertaining to the future development of DB Group, its business units and individual companies. These forecasts are estimates made based on information that was available at the current time. Actual developments and 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 financial statements

Consolidated statement of income — 166

Consolidated balance sheet — 167

Consolidated statement of cash flows — 168

Consolidated statement of changes in equity — 169

Notes to the consolidated financial statements — 170

Independent Auditor's report — 234

Consolidated statement of income

Jan 1 through Dec 31 (€ million)	Note	2017	2016
Revenues	(1)	42,693	40,557
Inventory changes and internally produced and capitalized assets	(2)	2,900	2,741
Overall performance		45,593	43,298
Other operating income	(3)	2,954	2,834
Cost of materials	(4)	-21,457	-20,101
Personnel expenses	(5)	-16,665	-15,876
Depreciation and impairments	(6)	-2,847	-3,017
Other operating expenses	(7)	-5,890	-5,677
Operating profit (EBIT)		**1,688**	**1,461**
Result from investments accounted for using the equity method	(8)	14	33
Net interest income	(9)	-704	-772
Other financial result	(10)	-30	-16
Financial result		**-720**	**-755**
Profits before taxes on income		**968**	**706**
Taxes on income	(11)	-203	10
Net profit for the year		**765**	**716**
Net profit attributable to			
Shareholder of Deutsche Bahn AG		745	695
Non-controlling interests		20	21
Earnings per share (€ per share)	(12)		
undiluted		1.73	1.62
diluted		1.73	1.62

Reconciliation of consolidated comprehensive income

Jan 1 through Dec 31 (€ million)	2017	2016
Net profit for the year	765	716
Changes due to the revaluation of defined benefit plans [1]	651	-852
Change in items recognized directly in equity which are not reclassified to the income statement [1]	651	-852
Changes resulting from currency translation [1]	-175	-43
Changes resulting from market valuation of securities	0	-1
Changes resulting from market valuation of cash flow hedges	51	262
Share of profit items not recognized in the income statement due to investments accounted for using the equity method	-	-
Change in items recognized directly in equity which are reclassified to the income statement [1]	-124	218
Balance of profit items covered directly in equity (before taxes) [1]	**527**	**-634**
Revaluation of defined benefit plans	-41	108
Changes in deferred taxes on profit items recognized directly in equity, which are not reclassified to the income statement	**-41**	**108**
Deferred taxes relating to the change in the market valuation of securities	-	1
Deferred taxes relating to the change in the market valuation of cash flow hedges	-4	-34
Changes in deferred taxes on profit items recognized directly in equity, which are reclassified to the income statement	**-4**	**-33**
Balance of profit items recognized directly in equity (after taxes) [1]	**482**	**-559**
Comprehensive income [1]	**1,247**	**157**
Comprehensive income attributable to		
Shareholder of Deutsche Bahn AG [1]	1,235	138
Non-controlling interests	12	19

[1] Previous year adjusted due to the effects of the retrospective application of the change in method in accounting for pension obligations in the DB Arriva segment.

Consolidated balance sheet

Assets

(€ million)	Note	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
NON-CURRENT ASSETS [1]				
Property, plant and equipment	(13)	39,608	38,884	39,059
Intangible assets [1]	(14)	3,599	3,691	3,762
Investments accounted for using the equity method	(15)	500	534	518
Available-for-sale financial assets	(17)	40	12	11
Receivables and other assets [1]	(19)	302	319	128
Derivative financial instruments	(21)	160	339	339
Deferred tax assets	(16)	1,416	1,511	1,335
		45,625	**45,290**	**45,152**
CURRENT ASSETS				
Inventories	(18)	1,151	1,062	1,018
Available-for-sale financial assets	(17)	1	1	1
Trade receivables	(19)	4,571	3,974	4,018
Other receivables and other assets	(19)	1,620	1,433	1,159
Income tax receivables	(20)	52	54	56
Derivative financial instruments	(21)	19	60	59
Cash and cash equivalents	(22)	3,397	4,450	4,549
Held-for-sale assets	(23)	0	0	0
		10,811	**11,034**	**10,860**
Total assets [1]		**56,436**	**56,324**	**56,012**

[1] Figures as of December 31, 2016 adjusted due to the effects of the retrospective application of the change in method in accounting for pension obligations in the DB Arriva segment.

Equity and liabilities

(€ million)	Note	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
EQUITY [1]				
Subscribed capital	(24)	2,150	2,150	2,150
Reserves [1]	(25)	4,813	3,323	3,880
Retained earnings [1]	(26)	7,110	7,000	7,181
Equity attributable to shareholder of Deutsche Bahn AG [1]		**14,073**	**12,473**	**13,211**
Minority interests	(27)	165	184	186
		14,238	**12,657**	**13,397**
NON-CURRENT LIABILITIES [1]				
Financial debt	(28)	19,716	20,042	19,753
Other liabilities	(29)	233	252	334
Derivative financial instruments	(21)	341	282	450
Pension obligations [1]	(32)	3,940	4,522	3,691
Other provisions	(33)	2,374	2,362	2,597
Deferred items [1]	(34)	785	937	1,104
Deferred tax liabilities [1]	(16)	121	128	163
		27,510	**28,525**	**28,092**
CURRENT LIABILITIES [1]				
Financial debt	(28)	2,360	2,439	2,675
Trade liabilities	(29)	5,157	5,100	4,679
Other liabilities	(29)	3,399	3,511	3,338
Income tax liabilities	(30)	150	150	163
Derivative financial instruments	(21)	41	37	205
Other provisions	(33)	2,743	2,972	2,714
Deferred items [1]	(34)	838	933	749
		14,688	**15,142**	**14,523**
Total assets [1]		**56,436**	**56,324**	**56,012**

[1] Figures as of December 31, 2016 adjusted due to the effects of the retrospective application of the change in method in accounting for pension obligations in the DB Arriva segment.

Consolidated statement of cash flows

Jan 1 through Dec 31 (€ million)	Note	2017	2016
Profit before taxes on income		968	706
Depreciation on property, plant and equipment and intangible assets		2,847	3,017
Write-ups/write-downs on non-current financial assets		-	2
Result on disposal of property, plant and equipment and intangible assets		-121	-89
Result on disposal of financial assets		-19	5
Interest and dividend income		-53	-42
Interest expense		757	813
Foreign currency result		19	-6
Result of investments accounted for using the equity method		-14	-33
Other non-cash expenses and income		1,291	1,252
Changes in inventories, receivables and other assets [1]		-639	-647
Changes in liabilities, provisions and deferred items [1]		-1,966	-586
Cash generated from operating activities		3,070	4,392
Interest received		39	25
Received/paid (-) dividends and capital distribution		-10	-8
Interest paid		-592	-594
Paid (-)/reimbursed (+) taxes on income		-178	-167
Cash flow from operating activities		**2,329**	**3,648**
Proceeds from the disposal of property, plant and equipment and intangible assets		341	355
Payments for capital expenditures in property, plant and equipment and intangible assets		-10,524	-9,115
Proceeds from investment grants		6,724	6,190
Payments for repaid investment grants		-63	-53
Proceeds from sale of financial assets		5	0
Payments for investments in financial assets		-28	0
Proceeds from sale of shares in consolidated companies less net cash and cash equivalents sold		2	0
Payments for acquisition of shares in consolidated companies less net cash and cash equivalents acquired		-30	-42
Proceeds from disposal of investments accounted for using the equity method		4	0
Payments for additions of investments accounted for using the equity method		0	0
Cash flow from investing activities		**-3,569**	**-2,665**
Proceeds from capital injection		1,000	-
Distribution of profits to shareholder		-600	-850
Distribution of profits to minority interests		-12	-13
Payments for finance lease transactions		-53	-201
Proceeds from issue of bonds		2,038	2,117
Payments for redemption of bonds		-1,819	-1,542
Payments for the redemption and repayment of interest-free loans		-206	-220
Proceeds from borrowings and commercial paper		100	90
Payments for the redemption of borrowings and commercial paper		-209	-410
Cash flow from financing activities		**239**	**-1,029**
Net changes in cash and cash equivalents		**-1,001**	**-46**
Cash and cash equivalents as of Jan 1	(22)	4,450	4,549
Changes in cash and cash equivalents due to changes in exchange rates		-52	-53
Cash and cash equivalents as of Dec 31	**(22)**	**3,397**	**4,450**

[1] Previous year adjusted due to the effects of the retrospective application of the change in method in accounting for pension obligations in the DB Arriva segment.

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	Non-controlling interests	Equity
As of Jan 1, 2016	2,150	5,310	199	0	-396	-1,177	-12	**3,924**	7,185	**13,259**	186	**13,445**
Adjustment opening balance: change in method in accounting for pension obligations in the DB Arriva segment	-	-	-	-	-	-44	-	**-44**	-4	**-48**	-	**-48**
As of Jan 1, 2016 adjusted	**2,150**	**5,310**	**199**	**0**	**-396**	**-1,221** [1]	**-12**	**3,880** [1]	**7,181** [1]	**13,211** [1]	**186**	**13,397** [1]
⊕ Capital increase	-	-	-	-	-	-	-	**-**	-	**-**	15	**15**
⊖ Capital decrease	-	-	-	-	-	-	-	**-**	-	**-**	-12	**-12**
⊖ Dividend payment	-	-	-	-	-	-	-	**-**	-850	**-850**	-13	**-863**
± Other changes	-	-	-	-	-	-	-	**-**	-26 [1]	**-26** [1]	-11	**-37** [1]
± Comprehensive income	-	-	-41 [1]	-	228	-744 [1]	-	**-557** [1]	695	**138** [1]	19	**157** [1]
thereof net profit for the year	-	-	-	-	-	-	-	**-**	695	**695**	21	**716**
thereof currency effects	-	-	-41 [1]	-	-	-	-	**-41** [1]	-	**-41** [1]	-2	**-43** [1]
thereof deferred taxes	-	-	-	1	-34	108	-	**75**	-	**75**	-	**75**
thereof market valuation	-	-	-	-1	262	-	-	**261**	-	**261**	-	**261**
thereof revaluation of defined benefit plans	-	-	-	-	-	-852 [1]	-	**-852** [1]	-	**-852** [1]	-	**-852** [1]
thereof share of items not recognized in the income statement from investments accounted for using the equity method	-	-	-	-	-	-	-	**-**	-	**-**	-	**-**
As of Dec 31, 2016	**2,150**	**5,310**	**158** [1]	**0**	**-168**	**-1,965** [1]	**-12**	**3,323** [1]	**7,000** [1]	**12,473** [1]	**184**	**12,657** [1]

GRI 201-1

(€ 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	Non-controlling interests	Equity
As of Jan 1, 2017	2,150	5,310	158	0	-168	-1,965	-12	**3,323**	7,000	**12,473**	184	**12,657**
⊕ Capital increase	-	1,000	-	-	-	-	-	**1,000**	-	**1,000**	9	**1,009**
⊖ Capital decrease	-	-	-	-	-	-	-	**-**	-	**-**	-3	**-3**
⊖ Dividend payment	-	-	-	-	-	-	-	**-**	-600	**-600**	-12	**-612**
± Other changes	-	-	-	-	-	-	0	**0**	-35	**-35**	-25	**-60**
± Comprehensive income	-	-	-167	0	47	610	-	**490**	745	**1,235**	12	**1,247**
thereof net profit for the year	-	-	-	-	-	-	-	-	745	**745**	20	**765**
thereof currency effects	-	-	-167	-	-	-	-	**-167**	-	**-167**	-8	**-175**
thereof deferred taxes	-	-	-	-	-4	-41	-	**-45**	-	**-45**	-	**-45**
thereof market valuation	-	-	-	-	51	-	-	**51**	-	**51**	-	**51**
thereof revaluation of defined benefit plans	-	-	-	-	-	651	-	**651**	-	**651**	-	**651**
thereof share of items not recognized in the income statement from investments accounted for using the equity method	-	-	-	-	-	-	-	**-**	-	**-**	-	**-**
As of Dec 31, 2017	**2,150**	**6,310**	**-9**	**0**	**-121**	**-1,355**	**-12**	**4,813**	**7,110**	**14,073**	**165**	**14,238**

[1] Figures as of December 31, 2016 adjusted due to the effects of the retrospective application of the change in method in accounting for pension obligations in the DB Arriva segment.

Notes to the consolidated financial statements

Segment information according to segments

	DB Long-Distance		DB Regional		DB Arriva		DB Cargo		DB Schenker	
Jan 1 through Dec 31 or respectively as of Dec 31 (€ million)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
External revenues	4,193	4,012	8,629	8,529	5,338	5,085	4,209	4,230	16,345	15,059
Internal revenues	154	147	105	124	7	8	319	330	85	69
Total revenues	4,347	4,159	8,734	8,653	5,345	5,093	4,528	4,560	16,430	15,128
Other external income	167	175	234	295	256	231	269	301	304	227
Other internal income	81	56	151	98	0	4	76	46	7	7
Inventory changes and internally produced and capitalized assets	8	12	63	61	0	2	41	44	7	8
Total income	4,603	4,402	9,182	9,107	5,601	5,330	4,914	4,951	16,748	15,370
Cost of materials	-2,495	-2,552	-5,383	-5,289	-1,606	-1,478	-2,513	-2,474	-10,906	-9,810
Personnel expenses	-946	-927	-1,968	-1,900	-2,393	-2,212	-1,618	-1,646	-3,142	-3,008
Other operating expenses	-551	-504	-675	-646	-1,033	-1,115	-653	-723	-2,024	-1,953
EBITDA	611	419	1,156	1,272	569	525	130	108	676	599
Scheduled depreciation [2]	-230	-246	-645	-633	-265	-245	-215	-187	-198	-189
Impairment losses recognized/reversed [2]	0	0	-3	-3	-3	0	-5	-2	-1	0
EBIT (operating profit)	381	173	508	636	301	280	-90	-81	477	410
Net operating interest [3]	4	-1	-48	-54	-39	-27	-51	-60	-38	-44
Operating income after interest [3]	385	172	460	582	262	253	-141	-141	439	366
Property, plant and equipment	2,837	2,014	6,738	6,759	2,203	2,116	2,291	2,243	1,451	1,451
+ Intangible assets	8	5	22	21	1,711	1,773 [4]	161	119	1,417	1,490
thereof goodwill	0	0	5	6	1,387	1,412	1	0	1,131	1,183
+ Inventories	85	84	177	170	97	86	107	85	68	66
+ Trade receivables	180	173	630	469	322	316	503	506	2,527	2,198
+ Receivables and other assets	658	1,212	592	642	597	613 [4]	356	327	1,047	852
− Receivables from financing	-621	-1,167	-323	-400	-185	-260	-264	-246	-519	-332
+ Income tax receivables	-	-	0	0	23	27	3	1	18	18
+ Available-for-sale assets	-	-	-	-	0	-	0	0	-	-
− Trade liabilities	-377	-367	-667	-802	-559	-589	-591	-511	-2,036	-1,902
− Miscellaneous and other liabilities	-295	-284	-344	-376	-420	-450	-393	-415	-851	-874
− Income tax liabilities	0	0	-1	0	-83	-80	0	-4	-63	-67
− Other provisions	-60	-74	-1,349	-1,150	-137	-158	-198	-301	-458	-413
− Deferred items	-386	-332	-161	-166	-126	-271 [4]	-6	-7	-13	-15
Capital employed [5]	2,029	1,264	5,314	5,167	3,443	3,123 [4]	1,969	1,797	2,588	2,472
Net financial debt	-258	-998	2,885	2,839	890	708	1,356	1,375	909	860
Investments accounted for using the equity method	0	0	4	5	124	134	28	27	13	13
Result from investments accounted for using the equity method	0	0	0	1	4	24	4	2	2	0
Gross capital expenditures	1,060	416	674	693	374	359	328	304	246	209
Investment grants received	-	0	-46	-61	-2	-1	-4	-1	-	-
Net capital expenditures	1,060	416	628	632	372	358	324	303	246	209
Additions due to changes in the scope of consolidation	-	-	-	-	66	41	3	0	5	17
Employees [6]	15,993	16,326	35,651	36,008	54,650	54,150	28,257	29,671	71,888	68,388

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

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

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

[4] Adjusted due to the effects of the retrospective application of the change in method in accounting for pension obligations in the DB Arriva segment.

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

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

DB Netze Track		DB Netze Stations		DB Netze Energy		Subsidiaries/ Other		Sum of segments		Consolidation		DB Group adjusted		Reconciliation [1]		DB Group	
2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	**2016**	**2017**	2016	**2017**	**2016**	**2017**	2016	**2017**	**2016**
1,522	1,408	540	519	1,301	1,194	627	540	**42,704**	**40,576**	-	-	**42,704**	**40,576**	-11	-19	**42,693**	**40,557**
3,842	3,820	725	714	1,493	1,585	4,227	4,048	**10,957**	**10,845**	-10,957	-10,845	**-**	-	-	-	**-**	**-**
5,364	5,228	1,265	1,233	2,794	2,779	4,854	4,588	**53,661**	**51,421**	-10,957	-10,845	**42,704**	**40,576**	-11	-19	**42,693**	**40,557**
735	752	134	122	127	22	572	525	**2,798**	**2,650**	4	-	**2,802**	**2,650**	152	184	**2,954**	**2,834**
255	215	22	21	-72	30	1,082	1,105	**1,602**	**1,582**	-1,602	-1,582	**-**	-	-	-	**-**	**-**
890	828	40	36	19	18	722	739	**1,790**	**1,748**	1,110	993	**2,900**	**2,741**	-	-	**2,900**	**2,741**
7,244	7,023	1,461	1,412	2,868	2,849	7,230	6,957	**59,851**	**57,401**	-11,445	-11,434	**48,406**	**45,967**	141	165	**48,547**	**46,132**
-1,870	-1,810	-539	-554	-2,457	-2,384	-2,826	-2,688	**-30,595**	**-29,039**	9,154	9,181	**-21,441**	**-19,858**	-16	-243	**-21,457**	**-20,101**
-2,764	-2,596	-313	-285	-120	-116	-3,099	-2,982	**-16,363**	**-15,672**	0	3	**-16,363**	**-15,669**	-302	-207	**-16,665**	**-15,876**
-1,126	-1,133	-237	-214	-150	-152	-1,441	-1,406	**-7,890**	**-7,846**	2,218	2,203	**-5,672**	**-5,643**	-218	-34	**-5,890**	**-5,677**
1,484	1,484	372	359	141	197	-136	-119	**5,003**	**4,844**	-73	-47	**4,930**	**4,797**	-395	-319	**4,535**	**4,478**
-839	-879	-139	-138	-69	-69	-255	-258	**-2,855**	**-2,844**	48	44	**-2,807**	**-2,800**	-73	-98	**-2,880**	**-2,898**
42	-44	0	0	0	-2	-1	0	**29**	**-51**	-	-	**29**	**-51**	4	-68	**33**	**-119**
687	561	233	221	72	126	-392	-377	**2,177**	**1,949**	-25	-3	**2,152**	**1,946**	-464	-485	**1,688**	**1,461**
-245	-250	-34	-38	-16	-16	-215	-228	**-682**	**-718**	-	-3	**-682**	**-721**	-	-	**-**	**-**
442	311	199	183	56	110	-607	-605	**1,495**	**1,231**	-25	-6	**1,470**	**1,225**	-	-	**-**	**-**
19,544	19,690	3,145	3,182	977	984	1,158	1,167	**40,344**	**39,606**	-736	-722	**39,608**	**38,884**	-	-	**39,608**	**38,884**
138	148	13	6	32	51	111	67	**3,613**	**3,680** [4]	-14	11	**3,599**	**3,691** [4]	-	-	**3,599**	**3,691** [4]
-	0	0	0	-	0	15	14	**2,539**	**2,615**	-	21	**2,539**	**2,636**	-	-	**2,539**	**2,636**
168	148	0	0	86	37	382	395	**1,170**	**1,071**	-19	-9	**1,151**	**1,062**	-	-	**1,151**	**1,062**
301	339	81	59	368	283	755	751	**5,667**	**5,094**	-1,096	-1,120	**4,571**	**3,974**	-	-	**4,571**	**3,974**
106	125	19	31	-142	-22	19,833	20,735	**23,066**	**24,515** [4]	-21,144	-22,763	**1,922**	**1,752** [4]	-	-	**1,922**	**1,752** [4]
-2	-1	-16	-28	164	58	-19,105	-20,073	**-20,871**	**-22,449**	20,740	22,315	**-131**	**-134**	-	-	**-131**	**-134**
0	0	-	-	0	0	8	8	**52**	**54**	-	-	**52**	**54**	-	-	**52**	**54**
-	-	-	-	-	-	-	-	**0**	**0**	-	-	**0**	**0**	-	-	**0**	**0**
-699	-760	-129	-155	-294	-368	-902	-765	**-6,254**	**-6,219**	1,097	1,119	**-5,157**	**-5,100**	-	-	**-5,157**	**-5,100**
-685	-717	-160	-129	-48	-61	-841	-906	**-4,037**	**-4,212**	405	449	**-3,632**	**-3,763**	-	-	**-3,632**	**-3,763**
-	-	0	-1	-	-	-18	-13	**-165**	**-165**	15	15	**-150**	**-150**	-	-	**-150**	**-150**
-342	-344	-56	-49	-59	-81	-2,446	-2,737	**-5,105**	**-5,307**	-12	-27	**-5,117**	**-5,334**	-	-	**-5,117**	**-5,334**
-663	-807	-131	-139	-3	-3	-135	-131	**-1,624**	**-1,871** [4]	1	1	**-1,623**	**-1,870** [4]	-	-	**-1,623**	**-1,870** [4]
17,866	17,821	2,766	2,777	1,081	878	-1,200	-1,502	**35,856**	**33,797** [4]	-763	-731	**35,093**	**33,066** [4]	-	-	**35,093**	**33,066** [4]
9,386	10,396	1,268	1,257	630	390	1,557	797	**18,623**	**17,624**	-	-	**18,623**	**17,624**	-	-	**18,623**	**17,624**
1	1	-	-	0	-	330	354	**500**	**534**	-	-	**500**	**534**	-	-	**500**	**534**
0	0	-	-	-	-	4	6	**14**	**33**	-	-	**14**	**33**	-	-	**14**	**33**
6,601	6,226	709	584	177	174	358	589	**10,527**	**9,554**	-63	-44	**10,464**	**9,510**	-	-	**10,464**	**9,510**
-5,941	-5,538	-606	-467	-124	-122	-1	0	**-6,724**	**-6,190**	-	-	**-6,724**	**-6,190**	-	-	**-6,724**	**-6,190**
660	688	103	117	53	52	357	589	**3,803**	**3,364**	-63	-44	**3,740**	**3,320**	-	-	**3,740**	**3,320**
-	-	-	0	-	-	1	7	**75**	**65**	-	-	**75**	**65**	-	-	**75**	**65**
45,375	43,974	5,463	5,093	1,721	1,736	51,937	51,022	**310,935**	**306,368**	-	-	**310,935**	**306,368**	-	-	**310,935**	**306,368**

Segment information according to segments —— 170
Information by regions —— 172
Basic principles and methods —— 172
Notes to the statement of income —— 179
Notes to the balance sheet —— 186
Notes to the statement of cash flows —— 210
Notes to the segment information —— 211
Risk management and derivative financial instruments —— 212
Other disclosures —— 216

Information by regions

	External revenues		Non-current assets [1]		Capital employed [1]		Gross capital expenditures		Net capital expenditures		Employees [1]	
Jan 1 to Dec 31 (€ million)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Germany	24,093	23,200	36,961	36,213	29,330	27,791	9,906	8,956	3.184	2,768	189,423	187,395
Europe (excluding Germany)	13,318	12,723	6,030	6,064 [2]	5,340	4,982 [2]	546	543	544	541	93,655	92,694
Asia/Pacific	2,935	2,587	793	820	824	746	61	40	61	40	15,971	15,016
North America	1,801	1,577	192	224	339	283	9	10	9	10	8,921	8,556
Rest of world	557	489	28	28	39	32	5	5	5	5	2,965	2,707
Consolidation	–	–	–749	–733	–779	–768	–63	–44	–63	–44	–	–
DB Group adjusted	**42,704**	**40,576**	**43,255**	42,616 [2]	**35,093**	33,066 [2]	**10,464**	**9,510**	**3,740**	**3,320**	**310,935**	**306,368**
Reconciliation	–11	–19	–	–	–	–	–	–	–	–	–	–
DB Group	**42,693**	**40,557**	**43,255**	42,616 [2]	**35,093**	33,066 [2]	**10,464**	**9,510**	**3,740**	**3,320**	**310,935**	**306,368**

[1] As of the balance sheet date.

[2] Figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

Basic principles and methods

Fundamental information

Deutsche Bahn AG (DB AG) and its subsidiaries (together "DB Group") provide services in the fields of passenger transport as well as freight transport and logistics, and operate an extensive rail infrastructure which is also available to non-Group users on a non-discriminatory basis. Whereas rail infrastructure activities are conducted primarily in the company's domestic market of Germany, business activities in passenger transport are conducted on a Europe-wide basis and freight transport and logistics activities are conducted on a worldwide basis.

DB AG, Potsdamer Platz 2, 10785 Berlin is an Aktiengesellschaft (joint stock corporation); its shares are held entirely by the Federal Republic of Germany (Federal Government). The company is maintained under the number HRB 50000 in the commercial register of the Amtsgericht (local court) Berlin-Charlottenburg. DB Group has issued securities in accordance with section 2 (1) clause 1 of the Securities Trading Act (Wertpapierhandelsgesetz; WpHG); these securities are traded on organized markets in accordance with section 2 (5) WpHG.

These consolidated financial statements have been prepared by the Management Board, and will be submitted to the Supervisory Board for the Supervisory Board meeting on March 21, 2018.

Principles of preparing financial statements

The consolidated financial statements are prepared on the basis of section 315e German Commercial Code (Handelsgesetzbuch; HGB) and in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU and their interpretation by the IFRS Interpretations Committee. The accounting standards have been consistently applied throughout the entire reporting period with no changes compared with the previous year.

The financial year of DB AG and its incorporated subsidiaries is the same as the calendar year. The consolidated financial statements are prepared in euros. Unless otherwise specified, all figures are stated in million euros (€ million).

a) Standards, revisions of standards and interpretations which are the subject of mandatory first-time adoption for reporting periods from January 1, 2017 onwards

In the year under review, the consolidated financial statements took account of all new and revised standards and interpretations which are the subject of mandatory first-time adoption starting as of January 1, 2017, which are also relevant for DB Group and which have not been the subject of early adoption in previous periods. The changes to the standards have been recognized in accordance with the transitional regulations. Initial adoption of these new regulations has not had any material impact on the consolidated financial statements. The relevant new standards and interpretations which are significant for DB Group are as follows:

- **IAS 7: "Statement of Cash Flows/Disclosure Inititiative" (published January 2016; applicable for reporting periods starting on or after January 1, 2017)**

According to these changes, disclosures are to be provided regarding the change in financial liabilities for which the cash flows are to be shown in the statement of cash flows as cash flows from financing activities.

b) Standards, revisions of standards and interpretations which had been adopted as of the reporting date but which are not yet the subject of mandatory adoption and early adoption

Standard	Subject	Published	Applicable starting	Effects
IFRS 9	Financial Instruments	July 2014	2018	Effects on the recognition of financial instruments
IFRS 15	Revenue from Contracts with Customers	May 2014	2018	Effects on the consolidated financial statements
IFRS 16	Leases	January 2016	2019	Effects on the consolidated financial statements

The first-time adoption of IFRS 9 (Financial Instruments) has resulted in a change in the method of calculating expected credit losses. We are anticipating a one-off changeover effect from the first-time changeover in a mid-range double-digit millions amount; this will be reflected positively in shareholders' equity. In addition, all participations will in future be classified "at fair value."

We expect that the application of IFRS 15 (Revenue from Contracts with Customers) will in particular result in effects of extended disclosures in the notes. The clarifications to IFRS 15 contain additional details regarding the identification of performance obligations, principal agent considerations and licenses, as well as regarding the application of transitional relief. The amendments do not have any impact on the consolidated financial statements.

IFRS 16 which was adopted in 2016 governs the way in which leases are recognized. IAS 17 which is applicable until December 31, 2018 distinguishes between operating leases and finance leases and provides for the capitalization of property, plant and equipment and the recognition of financial debt as liabilities only in the case of finance leases. Starting January 1, 2019, under IFRS 16, a right to use an asset has to be capitalized for every lease, and the obligation to pay leasing instalments has to be shown as a liability. In consequence, fixed assets and thus the capital employed as well as financial debt will increase considerably. There will also be shifts within the income statement, particularly between amortization/depreciation and the other operating expenses, resulting in an increase in EBITDA. For the first-time adoption of IFRS 16, DB Group has initiated a group-wide project in which all leases are collated, inventorized and evaluated in an in-house software.

Structure of the balance sheet and the income statement

Assets and liabilities are stated in the balance sheet either as current or non-current items. Assets and liabilities are classified as current if they are realized or due within 12 months after the end of the reporting period. The structure of the balance sheet takes account of the requirements of the ordinance relating to the structure of the financial statements of transport companies. The income statement uses the structure of the cost summary method.

Principles underlying the consolidated financial statements

Comparability with the previous year

After due consideration is given to the following issues, the financial information presented for the year under review is comparable with the financial information for the previous year:

Changes in the scope of consolidation

The changes in the scope of consolidation which are not significant have resulted in financial information in the balance sheet, the income statement, the cash flow statement as well as segment reporting which is not directly comparable with that of the previous period. Detailed information relating to these acquisitions as well as explanations concerning the other transactions are set out in the section "Changes in DB Group."

Changes in segment allocation

As of January 1, 2017, two companies which previously had been allocated to the Subsidiaries/Other segment were allocated to the DB Cargo segment. There were no major changes with regard to the income statement and the capital employed. With regard to the net financial debt, there was a positive effect of € 87 million in the Subsidiaries/Other segment and an opposite effect in the DB Cargo segment.

Two further companies which previously had been allocated to the DB Schenker segment were allocated to the Subsidiaries/Other segment as of January 1, 2017. The previous year figures have not been adjusted due to their insignificance.

Change of method regarding the recognition of pension obligations in the DB Arriva segment

In Great Britain, some transport contracts are operated as franchises, for the duration of which DB Group pays contributions into the British Railway Pension Scheme for the employees deployed in such arrangements. As was the case in the previous year, the obligations to these employees as well as the plan assets are completely disclosed after deduction of the element financed by the employees (40%).

The process of recognizing the effect of franchise agreements included until now also that part of the shortfall or surplus cover which will probably not be financed by DB Group. Personnel expenses also include the service cost resulting from the application of the projected unit credit method.

As a result of the lower level of interest rates, DB Group has established that these two valuation rules no longer provide a true and fair view of the net assets and results of operations. The actually paid current contributions are now disclosed as personnel expenses. After taking account of the effect of franchise agreements, there will in future only be the obligations resulting from the payment of contributions for reducing any deficit in the pension scheme during the current franchise. If such an obligation exists at the time at which a franchise transport agreement commenced, this is capitalized in the amount of an intangible assets which is written down over the duration of the franchise.

The following table shows the impact on the consolidated financial statements as of December 31, 2017 and the published consolidated financial statements as of December 31, 2016 and also as of January 1, 2016 resulting from the retrospective application.

Balance sheet items (€ million)	**Adjusted method**	**Previous method**	**Change, absolute**
AS OF DEC 31, 2017			
Intangible assets	3,599	3,591	+8
Receivables and other assets (non-current)	302	609	-307
Reserves	4,813	4,931	-118
Retained earnings	7,110	7,110	-
Pension obligations	3,940	3,931	+9
Deferred items (non-current)	785	945	-160
Deferred tax liabilities	121	124	-3
Deferred items (current)	838	865	-27
AS OF DEC 31, 2016			
Intangible assets	3,691	3,682	+9
Receivables and other assets (non-current)	319	627	-308
Reserves	3,323	3,388	-65
Retained earnings	7,000	7,022	-22
Pension obligations	4,522	4,510	+12
Deferred items (non-current)	937	1,131	-194
Deferred tax liabilities	128	130	-2
Deferred items (current)	933	961	-28
AS OF JAN 1, 2016			
Receivables and other assets (non-current)	128	175	-47
Reserves	3,880	3,924	-44
Retained earnings	7,181	7,185	-4
Pension obligations	3,691	3,688	+3
Deferred tax liabilities	163	165	-2

In the items of the income statement, there have not been any major changes in any period.

As a result of the change in method, earnings per share for 2017 have improved by € 0.05 per share.

In the segment information according to segments and also the information by regions, the figures of the previous year period have been adjusted accordingly.

Consolidation methods

a) Consolidation principles

DB AG and all companies (subsidiaries) whose financial and business policy can be determined by DB AG are fully consolidated in the consolidated financial statements of DB AG. They are incorporated in the consolidated financial statements at the point at which DB AG acquires the possibility of control in accordance with IFRS 10.

For the purpose of uniform accounting, the affiliated companies have applied the accounting guidelines of the parent company.

Capital is consolidated in accordance with the acquisition method in line with IFRS 3.

The equity attributable to Group shareholders is shown separately from the non-controlling interests in the equity of subsidiaries. The amount of the share is based on the ratio between the non-controlling interests at the time of the initial consolidation and the changes in equity attributable to this interest after that time.

Group-internal liabilities as well as expenses and income and intercompany results between fully consolidated companies are completely eliminated.

b) Business combinations

All subsidiaries acquired after December 31, 2002 have been consolidated using the acquisition method under IFRS 3.

Any difference between the purchase costs of the business combination and the acquired assets valued at fair value is shown as goodwill. If the purchase price is lower than the fair value of the acquired assets, the difference, following a further assessment, is shown immediately in the income statement.

Non-controlling interests are calculated on a pro rata basis from the assets, liabilities and contingent obligations valued with their fair value.

The acquisition and sale of shares in an already fully consolidated company which does not result in a change of control is shown directly in equity. There have accordingly been no changes to the carrying amounts of the assets and liabilities recognized from such transactions.

c) Joint ventures, joint operations and associated companies

Joint ventures are defined as companies which are managed by DB AG jointly with another party either directly or indirectly, and in which the partners own rights to the net assets of the company.

A joint operation is defined as agreements which are managed by DB AG jointly with another party either directly or indirectly, and in which the parties involved in the joint operation have rights relating to the assets and obligations or their liabilities attributable to the agreement.

Associated companies are defined as equity participations for which DB Group is able to exercise a major influence on the financial and business policy. Major influence is normally defined as a situation in which DB AG directly or indirectly holds 20 to 50 % of the voting rights in these companies and the related assumption of association is not refuted.

In exceptional cases, companies in which DB Group holds fewer than 20 % of the voting rights are also classified as associates. Despite such a low shareholding, a major influence is deemed to exist in such cases, for instance as a result of various rights of co-determination in major issues of business policy or because members of management are appointed by DB Group.

Joint ventures and associated companies are accounted for using the equity method in accordance with IAS 28 (Investments in Associates and Joint Ventures). Alternatively, they are valued in accordance with IFRS 5 if the shares are classified as held-for-sale.

Intercompany results attributable to transactions with associated companies or joint ventures are eliminated on a pro rata basis.

In the case of joint operations, the assets, liabilities, income and expenditures have to be recognized on a pro rata basis.

Changes in DB Group

a) Subsidiaries

According to IFRS 3, the acquirer shall measure the cost of a business combination as the aggregate of the fair values, at the date of the transaction, of assets given, liabilities incurred or assumed. The acquired identifiable assets, liabilities and contingent obligations are valued under IFRS 3 with their fair value at the date of acquisition, irrespective of any non-controlling interests. Alternatively, acquired non-current assets or groups of assets which are classified as held-for-sale in accordance with IFRS 5 are shown with their fair value less costs to sell.

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

(Number)	German 2017	Foreign 2017	Total 2017	Total 2016
FULLY CONSOLIDATED SUBSIDIARIES				
As of Jan 1	128	490	**618**	**632**
Additions	4	14	**18**	**28**
Additions due to changes in type of incorporation	2	0	**2**	**0**
Disposals	8	52	**60**	**42**
Disposals due to changes in type of incorporation	0	0	**0**	**0**
As of Dec 31	**126**	**452**	**578**	**618**

As of September 1, 2017, Deutsche Bahn Finance B.V., Amsterdam/the Netherlands, was relocated from Amsterdam to Berlin within the framework of a change of registered offices and legal form (whilst maintaining identity), and was renamed Deutsche Bahn Finance GmbH (DB Finance), Berlin. This transaction is shown in the additions (Germany) and the disposals (foreign). As was the case in the previous year, all subsidiaries are consolidated.

Additions of companies and parts of companies

Overall, a total of € 37 million was spent on company acquisitions according to IFRS 3 in the year under review (previous year: net € 51 million). From the portfolio point of view of DB Group, none of the acquisitions was significant. The relevant companies are detailed in the following:

Company	Activities	Segment	Date of inclusion in the consolidated financial statements
Overseas Cargo LLC (Overseas), Doha/Qatar, now trading as Schenker Logistics W.L.L.	International freight services	DB Schenker	Jan 1, 2017
Operations in Spain (acquisition of buses, concessions and licenses as well as assumption of staff)	Bus services	DB Arriva	Jun 1, 2017
Trans-Eurasia-Logistics GmbH (TEL), Berlin (acquisition of a further 20 %)	Rail freight transport	DB Cargo	Sep 30, 2017
S.B. International Freight Limited (Intern. Freight), Christchurch Airport/New Zealand	International freight services	DB Schenker	Sep 1, 2017
Autotrans d.o.o. (Autotrans), Cres/Croatia (acquisition of 78.45 %)	Operation of bus services	DB Arriva	Sep 1, 2017
LogCap CR s.r.o. (Log Cap), Prague/Czech Republic	Operation of a warehouse in the Czech Republic	DB Schenker Logistics	Nov 1, 2017
Innovationszentrum für Mobilität und gesellschaftlichen Wandel (InnoZ) GmbH, Berlin (acquisition of 26.783 %)	Research of innovation processes in the field of mobility and transport	Subsidiaries/ Other	Dec 1, 2017

The goodwill resulting from the acquisitions is calculated as follows:

(€ million)	2017	thereof Overseas Cargo	thereof Operations in Spain	thereof TEL	thereof International Freight	thereof Autotrans	thereof LogCap	thereof InnoZ
PURCHASE PRICE								
Payments made	32	0	7	0	3	20	2	0
+ Outstanding purchase price payments	5	–	–	1	–	4	–	–
Total compensation	**37**	**0**	**7**	**1**	**3**	**24**	**2**	**0**
+ Fair value of the amount of equity held before the acquisitions	2	–	–	2	–	–	–	0
− Fair value of net assets acquired	29	0	4	2	2	20	2	–1
Goodwill	**10**	**0**	**3**	**1**	**1**	**4**	**0**	**1**

The acquired net assets of the most significant addition (Autotrans) is detailed in the following:

(€ million)	Carrying amount	Adjustment	Fair value
Property, plant and equipment	36	2	38
Intangible assets	0	15	15
Inventories	1	-	1
Receivables from financing	1	-	1
Trade receivables	4	0	4
Other receivables and other assets	4	-	4
Cash and cash equivalents	1	-	1
Deferred tax assets	-	0	0
Assets	**47**	**17**	**64**
Financial debt	19	-	19
Liabilities	13	-	13
Other provisions	0	2	2
Deferred tax liabilities	-	3	3
Liabilities	**32**	**5**	**37**
thereof recognized contingent liabilities in accordance with IFRS 3	-	-	-
Non-controlling interests	4	3	7
Net assets acquired	**11**	**9**	**20**
Purchase price paid in cash and cash equivalents	24	-	24
Cash and cash equivalents acquired	1	-	1
Outflow of cash and cash equivalents due to transactions	**23**	-	**23**

The fair value of the trade receivables is € 4 million, including impairments of € 1 million.

If Autotrans had been included in the consolidated financial statements as of January 1, 2017, DB Group would have reported additional revenues of € 29 million and an additional net profit of € 1 million.

After being initially consolidated, Autotrans has generated revenues of € 19 million and a net profit of € 1 million.

Disposals of companies and parts of companies

The disposals from the scope of consolidation relate to 19 mergers, 39 liquidations and one sale. The sale has generated a cash inflow of € 4 million.

As was the case in the previous year, there were no major effects on results due to the loss of control in the year under review.

The results are shown in the other operating expenses or income.

Effects on the consolidated income statement

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

(€ million)	DB Group Jan 1 to Dec 31, 2017	Thereof due to additions to the scope of consolidation	Amounts due to disposals from scope of consolidation
Revenues	42,693	78	-24
Inventory changes and internally produced and capitalized assets	2,900	-1	0
Overall performance	45,593	77	-24
Other operating income	2,954	3	-1
Cost of materials	-21,457	-43	7
Personnel expenses	-16,665	-20	11
Depreciation and impairments	-2,847	-5	1
Other operating expenses	-5,890	-11	2
Operating profit (EBIT)	**1,688**	**1**	**-4**
Result from investments accounted for using the equity method	14	-	-
Net interest income	-704	1	0
Other financial result	-30	0	0
Financial result	**-720**	**1**	**0**
Profits before taxes on income	**968**	**2**	**-4**
Taxes on income	-203	0	0
Net profit for the year	**765**	**2**	**-4**

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

	Revenues due to	
Jan 1 to Dec 31 (€ million)	Additions to scope of consolidation	Disposals from scope of consolidation
Autotrans	19	-
Overseas Cargo LLC (now trading as Schenker Logistics W.L.L.) Doha/Qatar	18	-
CSAD MHD Kladno a.s., Kladno/Czech Republic, and KD SERVIS a.s., Kladno/Czech Republic [1]	15	-
TEL	9	-
SAVDA Autoservizi Valle d'Aosta S.p.A., Aosta/Italy [1]	6	-
S.B. International Freight Limited, Christchurch Airport/New Zealand	5	-
Redhead [1]	4	-
Autos Carballo, S.L., San Vicente de A Bana/Spain [1]	1	-
InnoZ	1	-
Regionalverkehr Dresden GmbH [1]	-	24
Total	**78**	**24**

[1] Acquired/sold during the previous year.

b) Joint ventures and associated companies

(Number)	German 2017	Foreign 2017	Total 2017	Total 2016
JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD				
As of Jan 1	13	17	**30**	**31**
Additions	1	1	**2**	**0**
Additions due to changes in type of incorporation	0	0	**0**	**0**
Disposals	0	1	**1**	**1**
Disposals due to changes in type of incorporation	1	0	**1**	**0**
As of Dec 31	**13**	**17**	**30**	**30**
ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD				
As of Jan 1	52	48	**100**	**95**
Additions	1	1	**2**	**8**
Additions due to changes in type of incorporation	0	0	**0**	**0**
Disposals	1	5	**6**	**3**
Disposals due to changes in type of incorporation	2	0	**2**	**0**
As of Dec 31	**50**	**44**	**94**	**100**

From the perspective of DB Group, no joint venture and associated company is significant, either individually or when viewed together.

Currency translation

Currency translation uses the concept of functional currency according to IAS 21 (The Effects of Changes in Foreign Exchange Rates) or IAS 29 (Financial Reporting in Hyperinflationary Economies) for annual financial statements of subsidiaries which are based in a hyperinflationary country. The functional currency of all subsidiaries included in the consolidated financial statements of DB AG is the relevant local currency.

No major subsidiary was domiciled in a hyperinflationary economy in the reporting and comparison period.

The consolidated financial statements are prepared in euros (reporting currency); in accordance with IAS 21, the financial statements of subsidiaries whose functional currency is not the euro are converted into the reporting currency.

The following exchange rates are some of the rates used for currency translation purposes:

	Closing rates as of Dec 31		Average rates	
(€ 1 equivalent to)	**2017**	2016	**2017**	2016
Australian Dollar (AUD)	1.53460	1.45960	1.47317	1.48828
Canadian Dollar (CAD)	1.50390	1.41880	1.46472	1.46588
Swiss Franc (CHF)	1.17020	1.07390	1.11167	1.09016
Renminbi Yuan (CNY)	7.80440	7.32020	7.62900	7.35222
Danish Krone (DKK)	7.44490	7.43440	7.43863	7.44519
Pound Sterling (GBP)	0.88723	0.85618	0.87667	0.81948
Hong Kong Dollar (HKD)	9.37200	8.17510	8.80451	8.59219
Japanese Yen (JPY)	135.01000	123.40000	126.71118	120.19665
Norwegian Krone (NOK)	9.84030	9.08630	9.32704	9.29060
Polish Zloty (PLN)	4.17700	4.41030	4.25701	4.36321
Swedish Krona (SEK)	9.84380	9.55250	9.63509	9.46890
Singapore Dollar (SGD)	1.60240	1.52340	1.55882	1.52754
US Dollar (USD)	1.19930	1.05410	1.12968	1.10690

Capital management in DB Group (in accordance with IAS 1 "Presentation of Financial Statements")

The purpose of financial management of DB Group is not only to achieve sustainable growth in the enterprise value and but also to comply with a capital structure which is adequate for maintaining a very good rating.

The capital structure is managed on the basis of the gearing figure. Gearing is defined as the ratio between net financial debt (financial debt less effects from currency hedges, receivables from financing and cash and cash equivalents) and shareholders' equity. The main instruments for managing the capital structure are: scheduled repayment of financial debt as well as strengthening of the capital base by way of retained earnings.

The aim is to achieve gearing of 100 % and thus parity between debt and equity. This objective is unchanged compared with the previous year. Gearing has developed as follows:

			Change	
As of Dec 31 (€ million)	**2017**	2016	absolute	%
Financial debt	22,076	22,481	−405	−1.8
− Effects from currency hedges	75	−273	+348	−127.5
− Receivables from financing	−131	−134	+3	−2.2
− Cash and cash equivalents	−3,397	−4,450	+1,053	−23.7
Net financial debt	**18,623**	**17,624**	**+999**	**+5.7**
/ Equity [1]	14,238	12,657	+1,581	+12.5
Gearing (%) [1]	**131**	**139**	**–**	**–**

[1] Previous year figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the segment DB Arriva.

Gearing has improved compared with the previous year as the increase in shareholders' equity was considerably higher than the increase in net financial debt. The main reasons for the increase in shareholders' equity were a capital increase, an increase in the net profit as well as a decline in the pension provisions due to a higher level of interest rates (present value effect, see CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 169 F. and NOTE (28) 197 FF.

Based on adjusted EBIT, return on capital employed (ROCE) is calculated as a further parameter as a key component of the value management concept. The capital employed represents the use of capital provided by shareholders and providers of debt which is tied up in DB Group and which is associated with yield expectations. The parameter is derived on the basis of the closing balance sheet for the year under review. The following table shows the process of calculating capital employed, using the asset and liability items shown in the balance sheet.

As of Dec 31 (€ million)	2017	2016	Change absolute	Change %
Property, plant and equipment	39,608	38,884	+724	+1.9
+ Intangible assets/goodwill [1]	3,599	3,691	-92	-2.5
+ Inventories	1,151	1,062	+89	+8.4
+ Trade receivables	4,571	3,974	+597	+15.0
+ Receivables and other assets [1]	1,922	1,752	+170	+9.7
− Receivables from financing	-131	-134	+3	-2.2
+ Income tax receivables	52	54	-2	-3.7
+ Assets held for sale	0	0	0	-
− Trade liabilities	-5,157	-5,100	-57	+1.1
− Miscellaneous and other liabilities	-3,632	-3,763	+131	-3.5
− Income tax liabilities	-150	-150	0	-
− Other provisions	-5,117	-5,334	+217	-4.1
− Deferred items [1]	-1,623	-1,870	+247	-13.2
Capital employed [1]	**35,093**	**33,066**	**+2,027**	**+6.1**

[1] Previous year figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

For further calculation, the adjusted EBIT and EBITDA in the following table is derived from the operating result (EBIT) shown in the income statement. The corresponding details at the segment level have been calculated using the same method.

(€ million)	2017	2016	Change absolute	Change %
Operating profit (EBIT)	1,688	1,461	+227	+15.5
Income from the disposal of financial instruments	-20	-1	-19	-
Expenses from the disposal of financial instruments	1	6	-5	-83.3
Addition to GKN provision in connection with nuclear energy fund	15	224	-209	-93.3
Restructuring/contract obligations (personnel)	224	223	+1	+0.4
Impairments in superstructure (DB Netz AG)	125	-	+125	-
Reassessment of ecological burdens/properties	60	-	+60	-
Other	-14	-58	+44	-75.9
Operating profit (EBIT) adjusted by special items	**2,079**	**1,855**	**+224**	**+12.1**
PPA amortization customer contracts (depreciation)	73	91	-18	-19.8
EBIT adjusted	**2,152**	**1,946**	**+206**	**+10.6**
Depreciation	2,847	3,017	-170	-5.6
PPA amortization customer contracts (depreciation)	-73	-91	+18	+19.8
Impairments and recoveries in value	4	-75	+79	-
EBITDA adjusted	**4,930**	**4,797**	**+133**	**+2.8**

Special items totaling € 391 million were adjusted in EBIT in the year under review. These are mainly attributable to the creation of provisions for restructurings and for obligation surpluses relating to employment agreements (segment Subsidiaries/Other). The addition for restructurings relates mainly to the restructuring program "Boost" in the DB Schenker segment. The revaluation of ecological burdens/property comprises provisions and recoveries in value. In addition, the amortization of customer and franchise agreements has been reclassified from EBIT; these will be written down over the remaining term of the respective agreements as a result of being capitalized as intangible assets as part of the process of purchase price allocations (PPA) (€ 73 million). This amount is mainly attributable to DB Arriva.

The capital employed and the adjusted EBIT have resulted in the following figures for return on capital employed (ROCE):

(€ million)	2017	2016	Change absolute	Change %
EBIT adjusted	2,152	1,946	+206	+10.6
/ Capital employed [1] as of Dec 31	35,093	33,066	+2,027	+6.1
ROCE (%)	**6.1**	**5.9**	**-**	**-**

[1] Previous year figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

Critical assessments and appraisals

The consolidated financial statements are based on assessments and assumptions relating to the future. Based on past experience and reasonable expectations of future events, the estimates and assessments which are derived are continuously reviewed and adjusted where appropriate. Nevertheless, the assessments will not always correspond to subsequent actual circumstances.

The assessments and assumptions which may involve a significant risk during the next reporting year in the form of major adjustments to the carrying amounts of assets and liabilities are discussed under the relevant items.

Notes to the statement of income

Revenues generated in DB Group relate to the provision of passenger transport, freight transport and logistics services, the provision of rail infrastructure, the sale of goods and other services related particularly to rail operations, less turnover tax, discounts and any price deductions. They are recognized with their fair value.

Services provided by DB Group are normally completed within a few hours/days. Exceptions in this respect are the segments DB Regional and DB Arriva, where order processing in the form of long-term transport contracts concluded with the clients comprising the ordering organizations of the Federal states in Germany and the franchisors in other European countries are very important for the development of overall business. Contractual relations with clients covering several years also exist in Contract Logistics/Supply Chain Management in the DB Schenker segment, which accounts for about 6% of Group revenues. Revenues resulting from the provision of services are therefore recognized as soon as the service has been provided, the extent of the revenues and the costs is reliably measurable and the economic benefit will probably accrue to the Group.

All expense and income items are normally recognized without being netted, unless the accounting principles under IFRS permit or require netting.

Expenses are recognized in the income statement at the point at which the service is used or at the point at which the expenses are incurred.

The special items detailed at income and expenses ("Total") are issues which are considered to be unusual either in terms of the amount involved or the actual reason behind the issue. Irrespective of the amount involved, this item is used for disclosing book profits and losses arising from transactions with investments/financial investments as well as depreciation on long-term customer agreements, which have been capitalized as part of the purchase price allocation process in connection with company acquisitions. In addition, the special items recognize individual issues if they are of an exceptional nature, if they are definable for accounting purposes, if they can be measured and if the amount involved is material. In addition to the special items, effects from changes in the scope of consolidation and effects from changes in exchange rates are also disclosed separately. The item "Total – comparable" does not involve IFRS figures; instead, it involves additional disclosures in accordance with internal reporting.

(1) Revenues

(€ million)	2017	2016
Revenues from freight and passenger transport services	38,293	36,457
thereof concession fees for rail transport	4,761	4,739
Revenues from operating infrastructure	1,704	1,585
Revenues from letting and leasing	432	442
Revenues from sales of products	1,339	1,238
Other revenues	1,004	903
Revenue reductions	-79	-68
Total	**42,693**	**40,557**
± Special items	11	19
± Effects from changes in scope of consolidation	-78	-24
± Effects from changes in exchange rates	415	-
Total - comparable	**43,041**	**40,552**

In the year under review, revenues increased by € 2,136 million (+5.3%) to € 42,693 million. This revenue growth compared with the previous year is mainly attributable to DB Schenker, DB Arriva and DB Long-Distance. DB Schenker reflects the impact of higher transport volumes as well as higher freight rates on the procurement side. These cost increases have to a certain extent been passed on to customers, and have therefore had the impact of boosting revenues. DB Arriva reflects the positive impact of the services of Arriva Rail North, Arriva Rail London and Limburg which commenced in 2016 and which were included in the previous year only on a pro rata basis. This is opposed by negative exchange rate effects resulting from the weakness of the British pound. The higher revenues of DB Long-Distance are attributable to higher transport services as well as a higher specific revenue rate. Revenues generated at DB Cargo have declined compared with the previous year level. This is due mainly to lower revenues at DB Cargo (UK) Limited (DB Cargo UK), Doncaster/Great Britain (€ −38 million), Euro Cargo Rail SAS (ECR), Paris/France (€ −22 million) and Transfesa Rail S.A., Madrid/Spain (€ 16 million) as well as negative exchange rate effects.

The development in revenues was affected mainly by the closure of the Rheintalbahn line as a result of tunnel damage as well as adverse weather.

Revenues include negative exchange rate effects of € 415 million, mainly affecting DB Arriva and DB Schenker. These negative exchange rate effects are mainly attributable to the weakness of the British pound.

Even when adjusted by special items, effects from changes in the scope of consolidation and exchange rates, revenues are higher than the previous year figure (€ +2,489 million).

Movements in revenues broken down according to business segments and regions are set out in segment reporting.

(2) Inventory changes and internally produced and capitalized assets

(€ million)	2017	2016
Inventory changes	-36	11
Other internally produced and capitalized assets	2,936	2,730
Total	**2,900**	**2,741**
± Special items	-	-
± Effects from changes in scope of consolidation	1	0
± Effects from changes in exchange rates	2	-
Total - comparable	**2,903**	**2,741**

Own investments relate mainly to construction and project business in rail infrastructure and also the modernization of rolling stock as well as the processing of appropriate spare parts. The increase compared with the previous year is attributable to a higher construction volume in rail infrastructure.

(3) Other operating income

(€ million)	2017	2016
SERVICES FOR THIRD PARTIES AND SALE OF MATERIALS		
Income from maintenance and repair	20	11
Sale of materials and energy	112	82
Other services for third parties	530	504
	662	**597**
Leasing and rental income	182	194
Income from claims for damages and cost refunds	268	258
INCOME FROM FEDERAL GRANTS		
Federal compensation payments	92	91
Other investment grants	1	1
Income from release of deferred items	144	144
Other Federal grants	161	166
	398	**402**
Income from the disposal of property, plant and equipment and intangible assets	257	273
Income from the disposal of non-current financial instruments	20	1
Income from reversal of provisions	336	361
OTHER INCOME		
Income from third-party fees	51	48
Income from remediation of ecological burdens	47	54
Utilization of provisions for potential losses	55	87
Miscellaneous other income	678	559
	831	**748**
Total	**2,954**	**2,834**
± Special items	-152	-184
± Effects from changes in scope of consolidation	-3	-1
± Effects from changes in exchange rates	14	-
Total - comparable	**2,813**	**2,649**

Adjusted by special items, effects from changes in scope of consolidation and in exchange rates, other operating income corresponds to the previous year level (€ +164 million). The increase is mainly attributable to the refund of nuclear fuel tax (€ 104 million). This had been declared by the Federal Constitutional Court to be inconsistent with the German Constitution.

(4) Cost of materials

(€ million)	2017	2016
EXPENSES FOR RAW MATERIALS AND SUPPLIES AND OF PURCHASED GOODS		
Energy expenses		
Electricity	1,771	1,874
Electricity tax	156	163
Diesel, other fuel	1,052	988
Other energies	205	196
Energy price derivatives	51	125
	3,235	**3,346**
Other supplies and purchased goods	552	559
Price and value adjustment for materials	-91	-104
	3,696	**3,801**
EXPENSES FOR PURCHASED SERVICES		
Purchased transport services	11,660	10,534
Cleaning, security, disposal, winter service	359	358
Commissions	161	154
Expenses for utilization of infrastructure		
Train-path usage	359	335
Station usage	76	62
	435	**397**
Other purchased services	953	794
	13,568	**12,237**
Expenses for maintenance and production	4.193	4,063
Total	**21,457**	**20,101**
± Special items	-16	-243
± Effects from changes in scope of consolidation	-43	-7
± Effects from changes in exchange rates	191	-
Total - comparable	**21,589**	**19,851**

Impairments on inventories recognized in cost of materials amount to € 24 million in the year under review (previous year: € 19 million).

Compared with the previous year, the cost of materials has risen by € 1,356 million (+6.8%).

Electricity expenses have declined compared with the previous year, as the previous year figure reflected the creation of a provision for the intermediate and ultimate storage of radioactive waste. Adjusted by this factor, electricity expenses have increased slightly as a result of higher volumes for non-Group business with stationary energy. On the other hand, traction current volumes have declined as a result of higher energy efficiency.

Expenses for purchased services have increased considerably compared with the previous year (+10.9%). This increase is attributable to higher expenses for procured transport services at DB Schenker resulting from higher transport volumes as well as higher freight rates.

Expenses for utilization of infrastructure have increased by € 38 million compared with the previous year. This increase is attributable to a higher transport volume at DB Arriva as a result of the services of Arriva Rail North, Arriva Rail London and Limburg which commenced in 2016 and which were included in the previous year only on a pro rata basis.

Expenses for maintenance and carrying out construction measures and processing spare sparts increased by 3.2% in the year under review.

(5) Personnel expenses and employees

(€ million)	2017	2016
WAGES AND SALARIES		
Employees	12,324	11,752
Civil servants assigned	1,058	1,065
	13,382	**12,817**
SOCIAL SECURITY EXPENSES		
Employees	2,268	2,150
Civil servants assigned	238	241
Expenses for adjusting staffing levels	282	273
Retirement benefit expenses	495	395
	3,283	**3,059**
Total	**16,665**	**15,876**
± Special items	-302	-207
± Effects from changes in scope of consolidation	-20	-11
± Effects from changes in exchange rates	135	-
Total - comparable	**16,478**	**15,658**

The figure stated for personnel expenses (social security contributions) includes expenses of € 1,121 million for defined contribution plans (previous year: € 1,033 million).

The amount shown for adjusting staffing levels mainly comprises expenses for restructuring costs, obligation surpluses relating to employment agreements as well as costs of severance payment and semi-retirement agreements.

The retirement benefit expenses relate to active persons as well as persons who are no longer employed in DB Group or their surviving dependants. They are attributable primarily to service costs, employers' contributions to the company top-up benefit scheme as well as the contributions to Pensions-Sicherungs-Verein aG (pension backing association). The interest expense resulting from compounding the pension obligations and the expected income from plan assets is shown in financial result. For detailed explanations regarding the development of pension obligations, please refer to NOTE (32) 203 FF.

The activities of civil servants in DB Group are based on statutory allocation within the framework of the German Rail Restructuring Act (Eisenbahnneuordnungsgesetz; ENeuOG), Art. 2 § 12. For the work of the assigned civil servants, DB AG reimburses to the Federal Railway Fund (Bundeseisenbahnvermögen; BEV) those costs which would be incurred if an employee covered by collective bargaining arrangements were to be employed instead of the assigned civil servant (pro forma calculation).

The increase in wages and salaries reflects the collective bargaining agreement with the Railway and Transport Workers Union (Eisenbahn- und Verkehrsgewerkschaft; EVG) in December 2016 as well as the results of arbitration with the German Train Drivers' Union (Gewerkschaft Deutscher Lokomotivführer; GDL) in March 2017. A one-off payment has been agreed for the period October 2016 to March 2017, and has been recognized on a pro rata basis in 2017 in personnel expenses. Wages and salaries were increased by 2.5% starting April 1, 2017.

In addition, the increase in the number of employees has also resulted in a considerable rise in personnel expenses.

The development in the number of employees in DB Group, converted to full-time employees (FTE) in each case, is shown in the following:

	As of Dec 31		Annual average	
(FTE)	2017	2016	2017	2016
Employees	288,565	282,590	284,459	276,586
Civil servants	22,370	23,778	24,212	25,618
Employees	**310,935**	**306,368**	**308,671**	**302,204**
Trainees and dual degree students	10,983	11,070	9,857	10,068
Total	**321,918**	**317,438**	**318,528**	**312,272**

In the event of changes in the scope of consolidation, the employees are included on a pro rata basis up to the time of deconsolidation or after the date of initial consolidation.

At the end of the year, the number of persons employed in DB Group was higher than at the end of the previous year. At the level of the segments, the number of persons employed at DB Schenker increased as a result of the continued growth in contract logistics, and the number of persons employed at DB Netze Track increased mainly as a result of the higher number of employees in the maintenance and construction project area of DB Netz AG.

The development in the number of employees, based on the number of natural persons (NP), is shown in the following:

	As of Dec 31	
(NP)	2017	2016
Employees	300,391	293,898
Civil servants	22,990	24,434
Employees	**323,381**	**318,332**
Trainees and dual degree students	10,983	11,070
Total	**334,364**	**329,402**

(6) Depreciation and impairments

For property, plant and equipment, depreciation is taken to the income statement on a straight-line basis over the expected service life of the asset. The following useful service lives for the main groups of property, plant and equipment are taken as a basis:

	Years
Permanent way structures, tunnels, bridges, railway crossings	15 - 90
Track infrastructure	13 - 26
Buildings, halls, roofs	10 - 75
Other structures	8 - 60
Signaling equipment	10 - 40
Telecommunications equipment	5 - 20
Traction current installations	10 - 40
Rolling stock	10 - 30
Other technical equipment, machinery and vehicles	5 - 40
Fixtures and fittings	3 - 15

The appropriateness of the chosen depreciation method and the service lives is subject to an annual review. Our expectations regarding the residual value are also updated annually.

Intangible assets are depreciated using the straight-line method. The following useful lives are used as the basis for depreciation:

	Years
Franchises, rights, etc.	Duration of contract
Trademarks	Economic life
Brand names	Economic life
Customer base	Economic life
Purchased software	3 - 10
Software produced in-house	3 - 15

Goodwill arises as a positive difference between the costs of purchasing the shares and the fair values of the individually acquired assets, absorbed liabilities and contingent liabilities. It is not depreciated; instead, it is subject to an annual impairment test. Impairment losses in relation to goodwill are not reversed.

The adequacy of the depreciation method and the service life are subject to an annual review.

Impairments of assets

IAS 36 governs the impairment test for property, plant and equipment and intangible assets with a certain economic life, 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. In addition, according to IAS 36, goodwill as well as intangible assets with an indefinite service life have to be subjected at least once a year to an impairment test.

Definition of cash-generating units

Goodwill impairment tests have to be carried out at the level of individual assets as part of the asset impairment test. If it is not possible to determine future cash flows, which are to a large extent independent, for an individual asset, so-called cash-generating units (CGUs) have to be formed as an aggregation of assets whose future cash flows depend on each other. Since the beginning of the 2016 financial year, the CGU structure is fully in line with the planning and reporting structure of DB Group, so that since January 1, 2016 the CGUs correspond to the operating segments. In the 2017 financial year, no adjustments were made to the CGU structure.

Due to the congruence between management structure and legal structure, the identified CGUs also always consist of at least one legal unit. This means that the data necessary for the asset impairment test can be derived from annual financial statements and planning data.

The impairment test for goodwill is carried out at the level of the CGU to which the goodwill has been allocated. Significant goodwill currently exists in the CGUs DB Arriva and DB Schenker. With regard to the recognition of goodwill for each CGU, please also refer to the segment information according to business segments.

Method

In the impairment test in accordance with IAS 36, the carrying amount of an asset or a CGU has to be compared with the corresponding recoverable amount. If the positive carrying amount is no longer covered by the recoverable amount, this results in a corresponding impairment requirement.

The carrying amount of a CGU is established by adding the carrying amounts of the assets less the liabilities which are related to the relevant assets (net position). In addition, for determining the carrying amount of a CGU, it is also necessary to recognize corporate assets and corporate liabilities jointly used by several CGUs, and the working capital necessary for the corresponding CGU must also be taken into consideration.

The recoverable amount is defined as the higher of the fair value less costs of disposal and the value in use. In the impairment tests carried out in DB Group, the recoverable amount is represented by the value in use. The value in use is established as the present value of the free cash flows before interest and after tax attributable to the continuation of a CGU. A global tax rate of 30.5% has again been used in relation to EBIT (unchanged compared with the previous year). The forecast of cash flows reflects previous experience, and takes account of management expectations with regard to future market developments. These cash flow forecasts are based on the mid-term planning adopted by the Group Management Board of DB AG and which covers a planning horizon of five years. If cash flow forecasts are necessary beyond the five-year planning horizon, a sustainable free cash flow is derived from the forecast and is extrapolated on the basis of a growth rate related to the specific market development. As in the previous year, an average growth rate of 1% p. a. has been assumed, and an average growth rate of 2% p. a. has been assumed for the CGU DB Arriva.

A weighted average cost of capital is used for discounting the free cash flows; this reflects the expectation of return on the capital market for providing debt capital and shareholders' equity to DB Group. Because free cash flow after taxes has been calculated, a cost-of-capital rate after tax has also been used. Risks of free cash flows are recognized by a risk-equivalent capitalization rate.

Compared with the previous year, the cost of capital of DB Group has declined from 5.1% to 4.8%. Taking account of the typical tax rate of 30.5% in relation to EBIT, this is equivalent to a corresponding capitalization rate before tax of 7.0% (previous year: 7.3%).

A specific cost of capital rate is determined for passenger transport, freight transport and logistics as well as infrastructure.

The WACCs of the CGUs of the various segments which are applicable for the 2016 and 2017 annual financial statements are detailed in the following table:

	2017		2016	
(%)	**Before taxes**	**After taxes**	Before taxes	After taxes
Passenger transport	7.3	5.1	7.4	5.1
Freight transport and logistics	8.6	6.0	9.2	6.4
Infrastructure	6.0	4.2	6.7	4.6
DB Group	7.0	4.8	7.3	5.1

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

Asset impairment test

Processes which comply with the specific requirements of IAS 36 have been implemented in order to carry out the asset impairment test. The service lives of the individual CGUs used for the asset impairment test are based on the service life of the asset or a group of homogenous assets which is (are) most significant for the particular CGU.

In addition, the process of establishing the service life disregards assets or future cash flows which result from major structural changes, disinvestment measures or extension investments. Resultant adjustments to the original plans relate mainly to the major new and expansion infrastructure projects, where it is assumed that the construction process will be completed beyond the mid-term (beyond 2022) and for which most of the company's planned own funds have not yet been invested. The cash flow forecasts take account of internal transfer prices within the Group

on the basis of arm's length assessments of the companies involved. The published infrastructure prices are applicable for goods and services exchanged between transport and infrastructure segments; price increases in the period covered by the forecast have also been taken into consideration.

After the mid-term planning has been completed, a regular check is carried out to determine whether impairments are necessary at the CGU level. In addition to this annual cycle, a test is also performed if current issues arising from the development in business or changes in assumptions indicate that there has been a major deterioration in the value in use.

The impairment tests carried out in the period under review identified surplus cover for all CGUs.

Independently of the impairment tests carried out in relation to the CGUs, impairments are recognized in relation to individual assets which are no longer capable of being used fully. These impairments are shown under the disclosures for the respective balance sheet item.

Goodwill impairment test

A goodwill impairment test must be carried out annually for all CGUs to which goodwill can be allocated. Because the goodwill which arises in DB Group as a result of acquisitions is always clearly allocated to a CGU, this goodwill impairment test is an integral part of the asset impairment test which is always carried out annually for all CGUs.

The goodwill impairment tests carried out for the segments which are carrying goodwill did not identify any impairment requirement for the CGUs.

The respective recoverable amount is represented by the value in use of the CGU, which in turn has been derived from the mid-term planning of the relevant segments. The details relating to methods presented above are thus applicable correspondingly. At DB Arriva and DB Schenker it also has to be borne in mind that separate assumptions relating to the development of the economy, market and competition as well as currency relations have been made for the relevant international markets. These assumptions have been based on the external and internal expert assessments available at the time of the planning.

Critical assessments and appraisals

Impairment of CGUs

With 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.

DB Cargo is still facing major challenges from the market and the competition. Sustainable stabilization of the profits situation continues to be expected starting in the year 2018 and in subsequent years (unchanged compared with previous year's mid-term planning). The CGU DB Cargo as well as all other segments are intensively working on achieving this stabilization in profits within the framework of the Group program Railway of the Future.

Also infrastructure CGUs are still exposed to risks relating to the extent of long-term investment grants for replacement capital expenditures in the existing network and the related extent of own funds at the infrastructure companies. The investment grants included in the mid-term planning are based on the performance and financing agreement (Leistungs- und Finanzierungsvereinbarung; LuFV) II which has since been signed by the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur; BMVI) and DB Group.

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 at DB Cargo of € 515 million; this means that the value-in-use for this CGU no longer provides adequate cover for the carrying amount of the capital employed. In scenarios in which the EBIT margin is reduced, the CGU DB Cargo is robust up to reduction of 2.8%. All other CGUs report stable 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 (DB Arriva 2%, all other CGUs 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 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: DB Group 4.8%, passenger transport 5.1%, freight transport and logistics 6.0%, infrastructure 4.2%. In this scenario, the CGU DB Cargo has identified an impairment requirement of € 181 million. The CGU DB Cargo will be able to withstand an increase in weighted costs of capital of up to 5.0%. All other CGUs also report stable surplus cover in conjunction with an increase of 10% in the weighted costs of capital.

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. All CGUs also showed surplus cover in this scenario.

(€ million)	2017	2016
Depreciation	2,880	2,898
Recognized impairments	165	138
Recognized recoveries in value	-198	-19
Total	**2,847**	**3,017**
± Special items	-69	-166
± Effects from changes in scope of consolidation	-5	-1
± Effects from changes in exchange rates	13	-
Total - comparable	**2,786**	**2,850**

In the year under review, depreciation was lower than the previous year figure, and relates mainly to the property, plant and equipment used as rail infrastructure as well as the rolling stock. It is shown in the income statement less any recovery in value recognized in the reporting period. Of the figure shown for the increase in the recognized recoveries in value, € 120 million is attributable to write-ups in relation to properties at DB Netz AG.

For further explanations, please refer to the details concerning the development in property, plant and equipment or intangible assets under NOTES (13) 186 FF. and (14) 188 F.

(7) Other operating expenses

(€ million)	2017	2016
EXPENSES FROM LEASING, RENTS AND LEASES		
Operating lease expenses	1,768	1,668
Conditional leasing expenses	2	2
	1,770	**1,670**
Legal, consultancy and audit fees	345	309
Fees and contributions	249	242
Insurance expenses	179	164
Advertising and sales promotion expenses	188	178
Printing and stationery expenses	73	71
Travel and representation expenses	311	299
Research and non-capitalized development costs	23	25
OTHER PURCHASED SERVICES		
Purchased IT services	435	381
Other communication services	55	55
Other services	745	750
	1,235	**1,186**
Expenses from claims for damages	164	159
Impairments recognized in relation to receivables and other assets [1]	36	36
Losses from disposal of property, plant and equipment and intangible assets	136	184
Expenses from disposal of non-current financial instruments	1	6
Other operating taxes	66	85
OTHER EXPENSES		
Grants for third-party facilities	81	71
Concession fees for passenger transport	111	307
Other personnel-related expenses	213	197
Miscellaneous other expenses	709	488
	1,114	**1,063**
Total	**5,890**	**5,677**
± Special items	-218	-34
± Effects from changes in scope of consolidation	-11	-2
± Effects from changes in exchange rates	72	-
Total - comparable	**5,733**	**5,641**

[1] Including payments for receivables written down in the previous year.

The other operating expenses have increased by € 213 million (+3.8%) compared to the previous year.

The increase in expenses from leasing, rents and leases is attributable to DB Arriva and DB Schenker. At DB Arriva, this is due to the new services which commenced in 2016; at DB Schenker, this is due to an increase in storage areas resulting from the expansion of business in contract logistics.

The increase in miscellaneous other expenses is essentially attributable to the addition to the provision for ecological burdens. On the other hand, the concession costs for passenger transport has declined as a result of lower franchise payments for the CrossCountry franchise of DB Arriva in Great Britain.

The legal, consultancy and audit fees comprise fees of € 20.2 million for the auditor of the consolidated financial statements (previous year: € 21.1 million); this figure comprises auditing services of € 8.1 million (previous year: € 11.5 million), other certification services of € 4.2 million (previous year: € 3.6 million), tax advice services of € 0.6 million (previous year: € 0.6 million) as well as other services of € 7.3 million (previous year: € 5.4 million).

(8) Result from investments accounted for using the equity method

The following contributions to profits are recognized in the income statement as a result of shares in companies over which significant influence can be exercised or which are managed as joint ventures.

(€ million)	2017	2016
JOINT VENTURES		
London Overground Rail Operations Limited, London/Great Britain	-2	11
VT-ARRIVA Személyszállíto es Szolgáltató Kft., Székesfehérvár/Hungary	6	7
Trieste Trasporti S.P.A., Trieste/Italy	3	5
Other	6	2
	13	**25**
ASSOCIATED COMPANIES		
EUROFIMA European Company for the Financing of Railroad Rolling Stock (EUROFIMA), Basel/Switzerland	3	4
Other	-2	4
	1	**8**
Total	**14**	**33**

(9) Net interest income

(€ million)	2017	2016
INTEREST INCOME		
Net interest income from pension provisions	4	12
Other interest and similar income	43	26
Income from securities	1	1
Operating interest income	**48**	**39**
Interest income from the reversal of deferred items and other interest income	5	2
	53	**41**
INTEREST EXPENSES		
Other interest and similar expenses	-624	-643
Net interest expenses for pension provisions	-82	-91
Interest expenses from finance leases	-27	-29
Operating interest expenses	**-733**	**-763**
Compounding of long-term provisions and liabilities	-24	-50
	-757	**-813**
Total	**-704**	**-772**
± Special items	3	0
± Effects from changes in scope of consolidation	-1	0
± Effects from changes in exchange rates	-4	-
Total - comparable	**-706**	**-772**
For information only:		
Net operating interest income	-685	-724

Of the figure shown for the increase in income from other interest and similar income, € 17 million is attributable to the refund of the nuclear fuel tax.

The expenses from other interest and similar expenses have declined as a result of lower financial debt (on average for the year) as well as lower interest rates for new financing arrangements.

(10) Other financial result

(€ million)	2017	2016
Result from equity investment	0	1
Result from currency exchange gains	324	-62
Result from currency-related derivatives	-343	68
Result from other derivatives	5	-7
Result from disposal of financial instruments	-	-
Impairments on financial instruments	0	-2
Other financial result	-16	-14
Total	**-30**	**-16**
± Special items	-	-
± Effects from changes in scope of consolidation	0	0
± Effects from changes in exchange rates	-2	-
Total - comparable	**-32**	**-16**

Dividend income is recognized at the point at which the right to receive the payment arises. Interest income is recognized in the income statement using the effective interest method in the period in which the income arises.

The result from exchange rate effects is attributable to the conversion of foreign currency liabilities and receivables with an impact on the income statement using the spot rate applicable on the reference date (IAS 21). The result from exchange rate effects has to be netted with the result from currency-related derivatives. The significant exchange rate fluctuations in the year under review are due to the exchange rate between the euro and most other currencies, and in particular the Swiss franc. The moderate exchange rate fluctuations in the previous year are mainly attributable to the development of the exchange between the euro and British pound and also the exchange rate between the euro and the Japanese yen. The result from currency-related derivatives comprises reclassifications of currency-related changes in the market value of cash flow hedges recognized under shareholders' equity with no impact on the income statement. The result from other derivatives relates to the development in the market value of derivatives which are not classified as effective hedges in accordance with IAS 39 (Financial Instruments: Recognition and Measurement).

(11) Taxes on income

(€ million)	2017	2016
Actual tax expense	-202	-171
Income due to lapsing of tax obligations	22	14
Actual taxes on income	**-180**	**-157**
Deferred tax expenses (-)/deferred tax income (+)	-23	167
Taxes on income	**-203**	**10**

The actual taxes on income continued to be incurred mainly at foreign Group companies. The increase compared with the previous year is due particularly to an additional payment in Germany for completed tax audits for previous years. An expense was recognized in the year under review in relation to deferred taxes, whereas income was recorded in the previous year. The deferred tax income attributable to Germany is more than offset by the expense abroad. The change in Germany is attributable particularly to much lower income from the increase in the expected future utilization of tax loss carry-forwards compared with the previous year. The change abroad is mainly attributable to the reduction of temporary differences and tax loss carry-forwards in the year under review as well as the change in tax rates (for instance in the USA).

Starting with the net profit of DB Group before taxes on income and the theoretical taxes on income calculated using a theoretical tax rate of 30.5%, the following reconciles the calculated taxes with the actual taxes on income:

(€ million)	2017	2016
Profits before taxes on income	968	706
Group tax rate (%)	30.5	30.5
Expected tax expense (-)	**-295**	**-215**
Adjustment of the expected future use of loss carry-forwards and new temporary differences which have arisen and loss carry-forwards	-3	166
Impact of tax rate changes	-15	0
Income not subject to tax	28	26
Tax effects related to IAS 12.33	59	68
Expenses not deductible for tax purposes	-7	-18
Differences in tax rates for foreign companies	48	36
Other effects	-18	-53
Taxes on income as reported	**-203**	**10**
Effective tax rate (%)	21.0	-1.4

The reconciliation amount as detailed in IAS 12.33 relates exclusively to additional tax write-downs resulting from the fact that tax-free grants in the IFRS financial statements have been deducted directly from the costs of purchasing the assets. It is not permissible for deferred taxes to be created in relation to these temporary differences.

In the year under review, the other effects include in particular effects attributable to the difference in the assessment bases of different income tax bases, local additional taxes and the impact of withholding taxes.

(12) Earnings per share

Under IAS 33 (Earnings per Share), undiluted earnings per share are calculated by dividing the net profit of DB Group attributable to the shareholders of DB AG by the weighted average number of shares in issue during the year under review. Undiluted earnings per share correspond to diluted earnings per share.

(€ million)	2017	2016
Net profit for the year	765	716
thereof attributable to non-controlling interests	20	21
thereof due to shareholders of DB AG	745	695
Number of issued shares as of Dec 31	430,000,000	430,000,000
Earnings per share (€ per share)		
undiluted	1.73	1.62
diluted	1.73	1.62

Notes to the balance sheet

(13) Property, plant and equipment

Property, plant and equipment is measured at cost in accordance with IAS 16 (Property, Plant and Equipment). The cost of production comprises individual costs as well as overhead costs which are directly allocatable.

If at least two years are required for manufacturing an asset in order to place it in its intended state in which it is capable of being used or sold, any directly attributable borrowing costs are capitalized as costs of production of the asset. If a direct link cannot be established, the average borrowing cost rate of the year under review is used. Turnover tax incurred in connection with the purchase or production of property, plant and equipment is only capitalized if input tax is not permitted to be deducted.

Subsequent costs are capitalized if the expenses enhance the economic benefit of the property, plant and equipment and if the costs can be reliably measured. On the other hand, all other repairs or maintenance are expensed.

Components of property, plant and equipment which are significant in relation to the total costs of purchase and costs of production are recognized separately and written down over their useful lives using the straight-line method.

Investment grants are deducted directly from the cost of purchase or cost of production of the assets for which the grants have been given.

Finance lease assets

Rented and leased assets where the underlying leases are classified as finance leases under IAS 17 (Leases) are capitalized with the lower of fair value or the present value of minimum lease payments at the start of the lease, and are depreciated using the straight-line method over the financial service life of the asset or the shorter duration of the lease.

Property, plant and equipment (€ million)	**Land**	**Commercial, operating and other buildings**	**Permanent way structures**	**Track infrastructure, signaling and control equipment**	**Rolling stock for passenger and freight transport**	**Technical equipment and machinery**	**Other equipment, operational and office equipment**	**Advance payments and assets under construction**	**Total**
COST OF PURCHASE AND COST OF PRODUCTION									
As of Jan 1, 2017	4,194	7,517	14,984	16,869	30,286	1,762	4,976	3,623	**84,211**
Changes in the scope of consolidation	9	22	-	-	36	3	2	0	**72**
thereof additions	11	28	-	-	52	3	3	-	**97**
thereof disposals	-2	-6	-	-	-16	0	-1	-	**-25**
Additions	23	257	740	1,338	1,468	87	497	5,796	**10,206**
Addition borrowing costs	-	-	-	-	-	-	-	38	**38**
Investment grants	0	-108	-653	-1,222	-49	-12	-58	-4,594	**-6,696**
Transfers	3	126	150	127	200	49	104	-763	**-4**
Transfers related to held-for-sale assets	-	-	-	-	-	-	1	-	**1**
Changes with no impact on the income statement	-	0	-	-	-	-	0	-	**0**
Disposals	-67	-76	-10	-191	-578	-42	-380	9	**-1,335**
Currency translation differences	-12	-31	-1	0	-46	-5	-35	-1	**-131**
As of Dec 31, 2017	**4,150**	**7,707**	**15,210**	**16,921**	**31,317**	**1,842**	**5,107**	**4,108**	**86,362**
ACCUMULATED DEPRECIATION									
As of Jan 1, 2017	-819	-3,306	-5,038	-12,160	-19,395	-1,254	-3,349	-6	**-45,327**
Changes in the scope of consolidation	-1	-10	-	-	-23	-3	-3	-	**-40**
thereof additions	-1	-12	-	-	-34	-3	-3	-	**-53**
thereof disposals	-	2	-	-	11	0	0	-	**13**
Depreciation	-8	-247	-223	-521	-1,197	-86	-394	-	**-2,676**
Impairments	0	-5	-1	-127	-8	-1	0	-	**-142**
Recoveries in value	120	0	-	48	30	0	0	-	**198**
Transfers	0	1	0	0	-1	5	-6	1	**0**
Disposals	23	63	8	177	521	40	328	0	**1,160**
Currency translation differences	4	15	1	0	24	4	25	0	**73**
As of Dec 31, 2017	**-681**	**-3,489**	**-5,253**	**-12,583**	**-20,049**	**-1,295**	**-3,399**	**-5**	**-46,754**
Carrying amount as of Dec 31, 2017	**3,469**	**4,218**	**9,957**	**4,338**	**11,268**	**547**	**1,708**	**4,103**	**39,608**
Carrying amount as of Dec 31, 2016	3,375	4,211	9,946	4,709	10,891	508	1,627	3,617	**38,884**

Property, plant and equipment (€ million)	Land	Commercial, operating and other buildings	Permanent way structures	Track infrastructure, signaling and control equipment	Rolling stock for passenger and freight transport	Technical equipment and machinery	Other equipment, operational and office equipment	Advance payments and assets under construction	**Total**
COST OF PURCHASE AND COST OF PRODUCTION									
As of Jan 1, 2016	4,265	7,184	14,652	16,843	30,069	1,743	4,844	3,596	**83,196**
Changes in the scope of consolidation	7	10	–	–	36	1	1	2	**57**
thereof additions	8	10	–	–	36	1	1	2	**58**
thereof disposals	–1	–	–	–	0	0	0	–	**–1**
Additions	26	457	537	1,380	1,106	73	502	5,175	**9,256**
Addition borrowing costs	–	–	–	–	–	–	–	34	**34**
Investment grants	0	–92	–455	–1,269	–56	–13	–46	–4,257	**–6,188**
Transfers	–6	124	271	124	130	44	153	–848	**–8**
Transfers related to held-for-sale assets	–	–	–	–	–	–	–	–	**0**
Changes with no impact on the income statement	–	1	–	–	–	–	0	–	**1**
Disposals	–70	–129	–14	–209	–708	–65	–440	–74	**–1,709**
Currency translation differences	–28	–38	–7	0	–291	–21	–38	–5	**–428**
As of Dec 31, 2016	**4,194**	**7,517**	**14,984**	**16,869**	**30,286**	**1,762**	**4,976**	**3,623**	**84,211**
ACCUMULATED DEPRECIATION									
As of Jan 1, 2016	–839	–3,159	–4,834	–11,731	–18,958	–1,242	–3,362	–12	**–44,137**
Changes in the scope of consolidation	–1	–4	–	–	–28	0	–1	–	**–34**
thereof additions	–2	–4	–	–	–28	0	–1	–	**–35**
thereof disposals	1	–	–	–	0	0	0	–	**1**
Depreciation	–9	–227	–220	–572	–1,198	–86	–389	–1	**–2,702**
Impairments	–4	–26	–1	–60	–14	–4	–29	–	**–138**
Recoveries in value	–	0	0	17	–	1	1	–	**19**
Transfers	2	–7	0	0	–4	–2	13	4	**6**
Disposals	26	105	10	186	660	61	393	3	**1,444**
Currency translation differences	6	12	7	0	147	18	25	0	**215**
As of Dec 31, 2016	**–819**	**–3,306**	**–5,038**	**–12,160**	**–19,395**	**–1,254**	**–3,349**	**–6**	**–45,327**
Carrying amount as of Dec 31, 2016	**3,375**	**4,211**	**9,946**	**4,709**	**10,891**	**508**	**1,627**	**3,617**	**38,884**
Carrying amount as of Dec 31, 2015	3,426	4,025	9,818	5,112	11,111	501	1,482	3,584	**39,059**

The additions to the borrowing costs include an average borrowing cost rate of 2.77% (previous year: 2.95%).

Impairments of € 142 million (previous year: € 138 million) relate mainly to track infrastructure, signaling and control equipment of DB Netz AG (€ 127 million).

Recoveries in value of € 198 million (previous year: € 19 million) relate mainly to land, track infrastructure, signaling and control equipment of DB Netz AG as well as rolling stock for passenger transport of DB Regio AG.

In the year under review, the carrying amount disposals for assets under construction included carrying amount disposals of € 18 million (previous year: € 8 million). These are attributable to the repayment of investment grants which had been received in previous years and deducted from assets.

Restrictions to rights of disposal in relation to property, plant and equipment existed to the extent of € 37 million (as of December 31, 2016: € 54 million) mainly at S.I.A. Societa Italiana Autoservizi S.P.A., Brescia/Italy and S.A.B. Autoservizi S.R.L., Bergamo/Italy.

Property, plant and equipment includes rented assets which are shown separately in the following overview. The rented property, plant and equipment comprises assets which are substantially but not legally owned by DB Group, so that the underlying lease agreements have to be classified as finance leases.

Leased assets (€ million)	**Land**	**Commercial, operating and other buildings**	**Rolling stock for passenger and freight transport**	**Other operational and office equipment**	**Total**
ASSETS LEASED FROM THIRD PARTIES UNDER FINANCE LEASE					
Cost of purchase and cost of production	20	646	171	0	**837**
Accumulated depreciation	–5	–219	–63	0	**–287**
Carrying amount as of Dec 31, 2017	**15**	**427**	**108**	**0**	**550**
Cost of purchase and cost of production	20	643	195	1	**859**
Accumulated depreciation	–4	–190	–72	0	**–266**
Carrying amount as of Dec 31, 2016	**16**	**453**	**123**	**1**	**593**

The figure shown for the commercial, operating and other buildings under leased assets also relates to real estate of DB AG, concourse buildings of DB Station&Service AG and energy installations of DB Energie GmbH. The figure shown under rolling stock for passenger and freight transport relates mainly to rolling stock used by the transport companies of DB Group (locomotives, freight wagons and buses). The additions in the year under review relate mainly to commercial and operating buildings as well as rolling stock for passenger and freight transport.

The assets which are leased by way of an operating lease and which in certain cases have been calculated on the basis of retrospective calculations and on the basis of our own analyses are shown with a residual carrying amount of € 1,049 million and cumulative depreciation of € 469 million in the case of land and buildings as of December 31, 2017 (as of December 31, 2016: residual carrying amount of € 1,085 million and cumulative depreciation of € 460 million). In the case of mobile assets (mainly rolling stock), the residual carrying amount was € 1,259 million and the cumulative depreciation was € 4,522 million as of December 31, 2017 (as of December 31, 2016: residual carrying amount of € 1,218 million and cumulative depreciation of € 4,475 million). The residual carrying amounts and cumulative depreciation for the properties (land and buildings) and also the mobile assets are in line with the previous year figures. The increased leasing of new vehicles or vehicles with higher cost of purchase or cost of production compared with the previous year was one of the factors resulting in slightly higher residual carrying amounts as well as a slight increase in the scheduled depreciation. Rental and leasing income resulting from the rental and leasing of these assets are expected to be received in future years as detailed in the following:

	Residual maturity							
Expected rental and leasing payments (nominal values) (€ million)	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total more than 1 year**	**Total**
AS OF DEC 31, 2017								
Minimum lease payments	377	228	177	127	104	434	**1,070**	**1,447**
AS OF DEC 31, 2016								
Minimum lease payments	378	249	189	163	114	473	**1,188**	**1,566**

(14) Intangible assets

Purchased intangible assets are shown with their cost of purchase in accordance with IAS 38 (Intangible Assets). Intangible assets manufactured in-house are recognized with their cost of production, and consist mainly of software. Processes involving international invitations to tender may result in order and mobilization costs which are associated with future operations within the framework of a transport contract. If it is very likely that the contract will indeed come into being, and if the costs are capable of being invoiced, such costs are capitalized and written down over the probable life of the contract.

Costs of production comprise mainly costs for materials and services, wage and salary costs as well as relevant overhead costs.

Intangible assets (excluding goodwill and the Arriva brand) are subsequently valued at cost of purchase or cost of production less depreciation and impairments plus any recoveries in value.

Intangible assets (€ million)	Capitalized development costs – products in use		Capitalized development costs – products under development		Purchased intangible assets		Goodwill		Intangible assets with indefinite useful life		Advance payments		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	**2016**
COST OF PURCHASE AND COST OF PRODUCTION														
As of Jan 1	108	54	239	172	2,270	2,223	3,120	3,266	5	5	0	1	**5,742**	**5,721**
Adjustment opening balance: change of method for pension obligations in the DB Arriva segment	–	–	–	–	11	–	–	–	–	–	–	–	**11**	–
As of Jan 1 adjusted	**108**	**54**	**239**	**172**	**2,281**	**2,223**	**3,120**	**3,266**	**5**	**5**	**0**	**1**	**5,753**	**5,721**
Changes in the scope of consolidation	–	0	–	0	20	26	9	17	–	0	–	0	**29**	**43**
thereof additions	–	–	–	0	21	26	10	17	–	–	0	–	**31**	**43**
thereof disposals	–	–	–	–	–1	0	–1	–	–	–	–	–	**–2**	**0**
Additions	60	58	143	97	55	99	0	0	0	–	–	0	**258**	**254**
Investment grants	–1	–	–26	–	–1	–2	–	–	–	–	–	–	**–28**	**–2**
Transfers	13	0	–154	–27	145	47 1)	–	–	0	–	0	0	**4**	**20 1)**
Changes with no impact on the income statement	–	–	–	–	–10	–2	–	–	–	–	–	–	**–10**	**–2**
Disposals	–4	–	–15	0	–11	–34	0	0	–	0	–	–1	**–30**	**–35**
Currency translation differences	–1	–4	–1	–3	–24	–76	–103	–163	0	0	–	–	**–129**	**–246**
As of Dec 31	**175**	**108**	**186**	**239**	**2,455**	2,281 1)	**3,026**	**3,120**	**5**	**5**	**0**	**0**	**5,847**	**5,753 1)**
ACCUMULATED DEPRECIATION														
As of Jan 1	–30	–24	–2	–2	–1,544	–1,434	–484	–499	0	0	–	–	**–2,060**	**–1,959**
Adjustment opening balance: change of method for pension obligations in the DB Arriva segment	–	–	–	–	–2	–	–	–	–	–	–	–	**–2**	–
As of Jan 1 adjusted	**–30**	**–24**	**–2**	**–2**	**–1,546**	**–1,434**	**–484**	**–499**	**0**	**0**	**–**	**–**	**–2,062**	**–1,959**
Changes in the scope of consolidation	–	–	–	–	0	–1	–	–	–	0	–	–	**0**	**–1**
thereof additions	–	–	–	0	0	–1	–	–	–	–	–	–	**0**	**–1**
thereof disposals	–	–	–	–	0	0	–	–	–	–	–	–	**0**	**0**
Depreciation	–14	–7	–	–	–190	–189	–	–	–	–	–	–	**–204**	**–196**
Impairments	–	–	–6	–	–17	0	–	0	–	–	–	–	**–23**	**0**
Recoveries in value	–	–	–	–	–	0	–	–	–	–	–	–	**–**	**0**
Transfers	–	0	0	0	0	–8 1)	–	–	0	–	–	–	**0**	**–8 1)**
Disposals	4	–	6	–	16	34	–	0	0	–	–	–	**26**	**34**
Currency translation differences	0	1	0	0	18	52	–3	15	0	–	–	–	**15**	**68**
As of Dec 31	**–40**	**–30**	**–2**	**–2**	**–1,719**	**–1,546 1)**	**–487**	**–484**	**0**	**0**	**–**	**–**	**–2,248**	**–2,062 1)**
Carrying amount as of Dec 31	**135**	**78**	**184**	**237**	**736**	**735 1)**	**2,539**	**2,636**	**5**	**5**	**0**	**0**	**3,599**	**3,691 1)**
Carrying amount as of Dec 31 of previous year	78	30	237	170	735	789	2,636	2,767	5	5	0	1	**3,691**	**3,762**

1) Figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

The acquired intangible assets mainly comprise software (about € 276 million carrying amount), franchises and rights (about € 193 million carrying amount) and acquired customer and franchise agreements (about € 174 million carrying amount).

There are no other legal, regulatory, contractual, competition-related, economic or other factors which limit the useful life of the acquired Arriva brand (carrying amount € 32 million).

Impairments of about € 23 million (previous year: 0) were recognized essentially at DB Netz AG and Schenker AG.

Segment reporting shows the allocation of reported goodwill to the various segments.

(15) Investments accounted for using the equity method

Shares in associated companies and joint ventures are accounted for using the equity method. The carrying amount, based on the Group costs of purchase at the time of the purchase, is updated according to the DB Group share of changes in the equity position of the company accounted for using the equity method.

(€ million)	**2017**	2016
As of Jan 1	534	518
Additions	0	0
Disposals	–1	0
Share of DB Group in profits	14	33
Capital increase	0	–
Dividends received	–19	–17
Impairments	–	–2
Currency translation differences	–28	3
Other valuation	0	–1
As of Dec 31	**500**	**534**

The figure shown in the balance sheet as of December 31, 2017 is mainly attributable to the shares held in the associated companies EUROFIMA European Company for the Financing of Railroad Rolling Stock (EUROFIMA), Basel/Switzerland and Barraqueiro SGPS SA, Lisbon/Portugal. The shares in EUROFIMA are subject to restrictions in terms of being sold; new shareholders must be railway administration entities which additionally require a guarantee of their respective country guaranteeing their obligations.

(16) Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 (Income Taxes).

The theoretical income tax rate for corporations for domestic companies used as the basis for calculating deferred taxes is 30.5%. The income tax rate comprises the corporation tax rate plus solidarity surcharge and an average trade tax rate. Foreign subsidiaries use their relevant local tax rates for calculating deferred taxes.

A deferred tax asset is recognized in accordance with IAS 12.24 or IAS 12.34 if, after corresponding deferred tax liabilities have been deducted, it is likely that adequate taxable income is available. The mid-term planning is used as the basis in this respect. Deferred tax assets relating to income which can be generated after the mid-term period are not recognized, on the grounds that they cannot be reliably determined.

Deferred taxes are established on the basis of the tax rates which can be expected for the period in which the deferred tax is realized on the basis of existing laws or laws which have in essence been adopted.

Critical assessments and appraisals

The calculation of deferred tax assets is generally based on the mid-term planning. If the sum of net profits planned for the mid-term planning period were to decline by 10% in conjunction with otherwise unchanged tax parameters, deferred tax assets would have to be reduced by € 142 million (previous year: € 115 million).

As of Dec 31 (€ million)	**2017**	2016
Deferred tax assets in respect of temporary differences	652	769
Deferred tax assets in respect of losses carried forward	764	742
Total	**1,416**	**1,511**

No deferred tax assets have been created in relation to the following losses carried forward and temporary differences:

As of Dec 31 (€ million)	**2017**	2016
Tax loss carry-forwards for which no deferred tax asset has been created	13,564	14,062
Temporary differences for which no deferred tax asset has been created	3,917	4,515
Temporary differences which are not permitted to be recognized in accordance with IAS 12.24b in conjunction with 12.33	2,465	2,661
Total	**19,946**	**21,238**

The losses carried forward are mainly attributable to the tax law treatment of Federal Government grants paid in the past to DB AG in accordance with section 21 (5) and section 22 (1) Deutsche Bahn Establishment Act (Deutsche Bahn Gründungsgesetz; DBGrG) as a contribution.

On the basis of current law, the domestic losses carried forward are fully allowable in accordance with current legislation (in terms of the actual amount and justification).

The temporary differences which are not permitted to be recognized in accordance with IAS 12.33 relate exclusively to additional tax depreciation from previously received tax-free investment grants.

The following deferred tax assets and deferred tax liabilities shown in the balance sheet are due to statement and valuation differences for the individual balance sheet items and tax losses carried forward:

	Deferred tax assets		**Deferred tax liabilities**	
As of Dec 31 (€ million)	**2017**	2016	**2017**	2016
NON-CURRENT ASSETS				
Property, plant and equipment	186	179	145	145
Intangible assets	2	2	42	64
Shares in companies accounted for using the equity method	1	1	1	0
Other financial assets	5	3	2	8
CURRENT ASSETS				
Inventories	3	1	1	3
Trade receivables	9	13	1	1
Other financial assets	5	6	12	6
NON-CURRENT LIABILITIES				
Financial debt	71	97	3	1
Other liabilities	45	56	7	1
Derivative financial instruments	7	8	0	0
Pension obligations	172	223	3	1[1]
Other provisions	138	165	1	1
CURRENT LIABILITIES				
Financial debt	23	1	1	4
Other liabilities	41	46	20	18
Other provisions	72	104	10	11
Losses carried forward	764	742	0	0
Total	**1,544**	**1,647**	**249**	**264**[1]
Netting[2]	-128	-136	-128	-136
Amount stated in the balance sheet	**1,416**	**1,511**	**121**	**128**[1]

[1] Figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

[2] To the extent permitted by IAS 12 (Income Taxes).

Tax assets and liabilities are netted if they exist in relation to the same tax authority, if they are of identical maturity and if they relate to the same tax subject.

Of the deferred tax assets of € 1,544 million (as of December 31, 2016: € 1,647 million), a figure of € 153 million (as of December 31, 2016: € 171 million) will probably be realized in the course of the next 12 months. Of the deferred tax liabilities of € 249 million (as of December 31, 2016: € 266 million), a figure of € 45 million (as of December 31, 2016: € 43 million) will probably be realized in the course of the next 12 months.

Deferred tax assets recognized directly in equity (€ 77 million; as of December 31, 2016: € 117 million) are shown in the figure disclosed in the balance sheet for deferred taxes.

(17) Available-for-sale financial assets

Available-for-sale financial assets are normally recognized with their fair value less costs to sell. For financial instruments traded on an active market, the fair value is derived from the market price as of the balance sheet date. If the fair value of equity instruments is not reliably measurable, the available-for-sale financial assets are recognized at cost of purchase less any impairment.

Other participations are considered to be available-for-sale financial assets. They are normally shown with their cost of purchase because the future cash flows for determining the market value of the shares cannot be reliably established.

Available-for-sale long- or short-term securities are recognized with their market values as of the reporting date – where such values exist. Changes in fair value are recognized with no impact on the income statement in the reserve attributable to the marking-to-market of securities.

	Other investments		Securities		Total	
(€ million)	**2017**	2016	**2017**	2016	**2017**	**2016**
As of Jan 1	10	9	3	3	**13**	**12**
Currency translation differences	0	0	0	0	**0**	**0**
Changes in scope of consolidation	0	1	–	–	**0**	**1**
Additions	28	0	0	0	**28**	**0**
Disposals through sale	0	0	0	0	**0**	**0**
Fair value changes	–	–	0	0	**0**	**0**
Reclassifications	0	–	–	–	**0**	**0**
Impairment losses	–	0	–	–	**0**	**0**
Other	0	0	–	–	**0**	**0**
As of Dec 31	**38**	**10**	**3**	**3**	**41**	**13**
thereof at cost/cost of purchase	38	10	0	0	**38**	**10**
thereof fair value (recognized directly in equity)	–	–	3	2	**3**	**2**
Non-current portion	38	10	2	2	**40**	**12**
Current portion	–	0	1	1	**1**	**1**

Of the figure shown for the additions to the other investments, € 24 million is attributable to the acquired uShip Inc., Austin/USA.

(18) Inventories

All costs which are directly related to the procurement process are capitalized as the costs of purchase of the inventories. The average method is used as the basis for establishing the cost of purchase of fungible and homogeneous raw materials and supplies. The costs of production comprise the individual costs and also the directly attributable overheads; borrowing costs and idle costs are not capitalized, and instead are recognized as expense in the period in which they are incurred.

As of the balance sheet date, inventories are measured with the lower of cost or net realizable value.

As of Dec 31 (€ million)	**2017**	2016
Raw materials, consumables and supplies	1,253	1,154
Unfinished products, unfinished services	136	173
Finished products and goods	93	78
Advance payments	41	11
Impairments	–372	–354
Total	**1,151**	**1,062**

(19) Receivables and other assets

In general, receivables and other financial assets are measured at amortized cost of purchase (IAS 39). Finance lease receivables, advance payments made and plan assets in accordance with IAS 19 (Employee Benefits) are not allocated to any category of IAS 39.

Receivables for which there are substantial objective indications of an impairment are adjusted appropriately. Portfolio-based allowances are also recognized in relation to groups of assets; in particular, historical default rates are taken into consideration.

Some transport contracts include a provision specifying that the deployed assets owned by DB Group have to be handed over at the end of the contract. Other transport contracts include a provision for the deployed assets to be leased by the contracting organization or for capital service guarantees to be provided by the contracting organization for leasing from independent financial service providers. In accordance with IFRIC 12 (Service Concession Arrangements), the corresponding capital expenditures are capitalized as receivables from transport concession arrangements at the end of the contract, with the guaranteed residual values being separated. The receivables are redeemed out of the concession fees, which means that not all of the concession fees result in revenues. The residual value receivables are disclosed at their present value under the financing receivables.

Critical assessments and appraisals

The impairment of doubtful receivables to a considerable extent comprises assessments and appraisals of individual receivables which are based on the creditworthiness of the particular customer, current economic developments as well as an analysis of historical bad debts at the portfolio level. If the impairment is derived on the basis of historical default rates at the portfolio level, any decline in the overall volume of receivables results in a corresponding reduction of such provisions (and vice versa).

(€ million)	Trade receivables	Receivables from financing	Receivables from transport concessions	Advance payments	Other assets	Total
AS OF DEC 31, 2017						
Gross value	4,791	137	126	243	1,442	**6,739**
Impairments	-181	-6	-	-	-59	**-246**
Net value	**4,610**	**131**	**126**	**243**	**1,383**	**6,493**
thereof due from related parties	41	14	-	0	276	**331**
AS OF DEC 31, 2016						
Gross value	4,224	137	132	225	1,264 [1]	**5,982** [1]
Impairments	-206	-3	-	-	-47	**-256**
Net value	**4,018**	**134**	**132**	**225**	**1,217** [1]	**5,726** [1]
thereof due from related parties	37	15	-	0	217	**269**

[1] Figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

DB Group concluded factoring agreements with a bank; according to the terms of this agreement, the bank is obliged to purchase on a revolving basis short-term euro-denominated trade accounts receivable up to a maximum volume of € 550 million. The agreement has been concluded for an indefinite period of time. DB Group will continue to be responsible for sales ledger accounting and the dunning system on behalf of the bank until further notice. The risks relating to the receivables which are sold and which are relevant for the risk assessment are the credit risk and the risk of late payment. The purchase price is equivalent to the nominal amount. DB Group bears bad debt related to credit risks from the various tranches as well as late-payment risks up to a maximum amount of € 125 million. The other bad debts related to the credit risk are borne by the bank. Virtually none of the opportunities and risks associated with the receivables have been transferred or retained (breakdown of major risks between DB Group and bank). For some of the receivables, the right of disposal over the receivables which have been sold has been transferred to the bank as the bank has the actual ability to sell on the receivables. These receivables have been completely derecognized. As of December 31, 2017, outstanding receivables with a volume of € 500 million had been sold; of this figure, an amount of € 200 million had been entirely derecognized and an amount of € 300 million had been derecognized to the extent of the transferred risk. Purchase price payments received by the bank increased the cash flow from operating activities.

The figure shown for trade receivables includes an amount of € 21 million for work-in-progress relating to long-term production (percentage-of-completion method used for realizing profits).

The receivables from financing include residual values of € 36 million agreed with the public transport authorities for transport contracts. These residual value receivables mainly relate to rolling stock which are sold for a fixed price at the end of the transport contract to the public transport authority or to a third party designated by the public transport authority.

The impairments for the financial instruments classified in accordance with IFRS 7 have developed as follows (IFRS 7.16):

(€ million)	Trade receivables	Receivables from financing	Receivables from transport concessions	Other assets	Total
As of Jan 1, 2017	-206	-3	-	-47	**-256**
Additions	-15	-3	-	-18	**-36**
Reversals	32	-	-	5	**37**
Amounts used	7	0	-	1	**8**
Changes in the scope of consolidation	-2	0	-	0	**-2**
Currency translation differences	3	0	-	0	**3**
As of Dec 31, 2017	**-181**	**-6**	**-**	**-59**	**-246**
As of Jan 1, 2016	-219	-4	-	-45	**-268**
Additions	-21	0	-	-4	**-25**
Reversals	27	-	-	1	**28**
Amounts used	6	1	-	1	**8**
Changes in the scope of consolidation	0	0	-	0	**0**
Currency translation differences	1	0	-	0	**1**
As of Dec 31, 2016	**-206**	**-3**	**-**	**-47**	**-256**

Individual allowances are created in relation to receivables if there are objective indications of an impairment. In the case of identical receivables (portfolios of receivables) which cannot be identified as impaired individually, global allowances (based on experience) are recognized on the basis of the age structure of such receivables. Any impairments which are recognized are deducted from financial assets on the assets side of the balance sheet. Previous impairments are reversed if the reasons for the original impairments are no longer applicable.

Expenses of € 50 million were incurred for the complete derecognition of receivables and other assets (previous year: € 46 million).

Income of € 5 million was reported for amounts received in relation to previously derecognized receivables and other assets (previous year: € 6 million).

The following overview shows the maturity structure of the receivables for the financial instruments classified in accordance with IFRS 7 and the advance payments which have been made:

(€ million)	Residual maturity							Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total more than 1 year	
AS OF DEC 31, 2017								
Trade receivables	4,571	17	14	7	1	0	**39**	**4,610**
Receivables from financing	77	7	3	1	1	42	**54**	**131**
Receivables from transport concessions	13	10	10	10	10	73	**113**	**126**
Advance payments	196	47	–	–	–	–	**47**	**243**
Other assets	1,334	30	11	0	0	8	**49**	**1,383**
Total	**6,191**	**111**	**38**	**18**	**12**	**123**	**302**	**6,493**
thereof non-financial assets	513	47	–	–	–	6	**53**	**566**
AS OF DEC 31, 2016								
Trade receivables	3,974	14	9	9	8	4	**44**	**4,018**
Receivables from financing	86	2	6	1	2	37	**48**	**134**
Receivables from transport concessions	11	10	10	10	10	81	**121**	**132**
Advance payments	184	41	–	–	–	–	**41**	**225**
Other assets	1,152	34	22	4	0	5 [1]	**65** [1]	**1,217** [1]
Total	**5,407**	**101**	**47**	**24**	**20**	127 [1]	**319** [1]	**5,726** [1]
thereof non-financial assets	441	41	–	–	–	3 [1]	**44** [1]	**485** [1]

[1] Figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

The significant increase in trade receivables compared with the previous year was essentially attributable to the DB Schenker segment. An opposite development was evident in the DB Long-Distance segment. The current other assets also comprise the customs receivables of the DB Schenker segment. Relevant increases resulted in the Subsidiaries/Other and DB Arriva segments. The increase in the other assets was attributable mainly to the higher receivables in connection with the changed billing procedure of the German Social Security Statute (Sozialgesetzbuch; SGB) IX as well as receivables relating to other taxes.

As a result of the large number of customers in the various operating segments, there is no evidence of any concentration of credit risks with trade receivables.

The fair values of the balance sheet items receivables and other assets, trade receivables as well as other receivables and assets essentially correspond to the carrying amounts.

The maximum default risk is essentially equivalent to the carrying amount in each case. No collateral is normally held.

The gross amounts of the individually adjusted receivables as well as the age structure in accordance with IFRS 7.37a are shown in the following:

(€ million)	Gross figure adjusted	Neither impaired nor overdue	Not impaired but overdue within the following period of time (days)					
			Less than 29	30 to 59	60 to 89	90 to 179	180 to 359	More than 359
AS OF DEC 31, 2017								
Trade receivables	250	3,228	883	184	80	65	44	57
Receivables from financing	8	104	9	7	0	0	7	2
Receivables from transport concessions	–	126	–	–	–	–	–	–
Other assets	60	879	115	19	8	10	11	13
Total	**318**	**4,337**	**1,007**	**210**	**88**	**75**	**62**	**72**
AS OF DEC 31, 2016								
Trade receivables	229	2,932	739	142	55	57	33	37
Receivables from financing	6	95	10	1	0	1	7	17
Receivables from transport concessions	–	132	–	–	–	–	–	–
Other assets	46	403 [1]	138	6	6	40	11	15
Total	**281**	3,562 [1]	**887**	**149**	**61**	**98**	**51**	**69**

[1] Figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

As of the closing date, there are no indications that debtors of the receivables which are neither impaired nor overdue will not meet their payment obligations.

(20) Income tax receivables

The income tax receivables relate to advance payments which have been made as well as allowable withholding taxes.

(21) Derivative financial instruments

Upon conclusion of a contract, derivative financial instruments are generally classified as hedging instruments for hedging the cash flows from contractual obligations or anticipated transactions (cash flow hedge).

Cash flow hedges

Cash flow hedges are used to provide protection against fluctuations in the cash flows of financial assets or liabilities or anticipated transactions. When future cash flows are hedged, the hedging instruments are also recognized with their fair value. Changes in value are initially recognized in shareholders' equity with no impact on the income statement, and are only recognized in the income statement at the point at which the corresponding losses or profits from the underlying have an impact on the income statement or the transactions expire.

Derivative financial instruments which do not satisfy the requirements for recognizing hedges in accordance with IAS 39

If hedges which in economic terms are used for interest, currency or price hedging do not satisfy the requirements of IAS 39 for being recognized as a hedge, the changes in value are immediately recognized in the income statement.

Calculation of the fair value

The fair value of financial instruments which are traded in an active market is derived from the market price applicable on the balance sheet date. Common valuation methods such as option price or present-value models are used for determining the fair value of financial instruments which are not traded in an active market. If valuation-relevant parameters are not directly observable on the market, forecasts are used based on comparable financial instruments which are traded in an active market; these forecasts are then adjusted by premiums or discounts on the basis of historical data. The mean value of bid and offer rates are used. Trades for which no premium has been paid have a fair value of zero upon conclusion. DB AG operates with long-dated financial derivatives on a hedged basis, and does not perform any credit risk adjustment for the present value for hedged transactions. For considerations of materiality, no credit risk adjustment is used for short-term derivatives. If credit risk adjustment is used, the relevant discounts are derived from the credit default swap (CDS) figures observable on the market.

All derivatives used in DB Group are measured using common methods such as option price or present value models, because their fair values are not traded on an active market. No parameters from non-observable markets are used for measurement purposes.

The volume of hedges which have been taken out is shown in the following overview of nominal values:

As of Dec 31 (€ million)	**2017**	2016
INTEREST-BASED CONTRACTS		
Interest swaps	100	107
	100	**107**
CURRENCY-BASED CONTRACTS		
Currency swaps	925	938
Currency forwards	1,471	1,018
Cross-currency swaps	5,545	4,639
	7,941	**6,595**

As of Dec 31, volumes specified in designated volume unit	**2017**	2016
OTHER CONTRACTS		
Diesel (1,000 tons)	1,117	1,366
Hard coal (1,000 tons)	60	300

The volume of interest rate swaps declined to € 100 million; no new business was transacted. As a result of higher hedging activities of the subsidiaries, the volume of currency forwards has increased by € 453 million to € 1,471 million. In the year under review, the nominal value of the cross-currency swaps increased by € 906 million to € 5,545 million, because the year under review saw the issue of foreign currency bonds whose cash flows were swapped into euros.

The volume of diesel hedges declined by 0.2 million t to 1.1 million t as the new transactions exceeded the volume of the expiring transactions. The volume of coal hedges has declined by about 0.2 million t to 0.1 million t.

All derivative financial instruments are marked-to-market on the reporting date. The following overview shows the structure of the item stated in the balance sheet depending on the type of underlying hedge:

	Assets		**Liabilities**	
As of Dec 31 (€ million)	**2017**	2016	**2017**	2016
INTEREST-BASED CONTRACTS				
Interest swaps	–	–	11	20
Interest forwards	–	0	–	–
	–	**0**	**11**	**20**
CURRENCY-BASED CONTRACTS				
Currency swaps	1	15	3	2
Currency forwards	5	7	5	12
Cross-currency swaps	126	314	316	201
thereof effects of currency hedges	119	342	194	69
	132	**336**	**324**	**215**
OTHER CONTRACTS				
Energy price derivatives	47	63	47	84
	47	**63**	**47**	**84**
Total	**179**	**399**	**382**	**319**
Interest-based contracts	–	–	11	20
Currency-based contracts	113	276	296	202
Other contracts	47	63	34	60
Non-current portion	**160**	**339**	**341**	**282**
Current portion	19	60	41	37

Cash flow hedges

In order to minimize the interest rate and exchange rate risk, foreign currency issues as well as internal foreign currency loans within the Group are translated into euros, and floating-rate financial liabilities are converted into fixed-income financial liabilities. Energy price hedging was intended to reduce price fluctuations attributable to energy sourcing.

The negative valuation of the interest rate swaps is still due to a continuous decline in the level of interest rates since the transactions were concluded. The development in value of the cross-currency swaps is mainly attributable to the expiry of transactions with a positive market value and the strengthening of the euro, in particular in relation to the Swiss franc, the Japanese yen and the Norwegian krone.

The positive market valuation of energy price derivatives is due to the increase in prices on the energy markets.

The market values of the cash flow hedges are shown as follows under assets and liabilities:

	Assets		Liabilities	
As of Dec 31 (€ million)	**2017**	2016	**2017**	2016
INTEREST-BASED CONTRACTS				
Interest swaps	–	–	11	20
	–	**–**	**11**	**20**
CURRENCY-BASED CONTRACTS				
Currency swaps	1	15	3	2
Cross-currency swaps	126	314	277	157
	127	**329**	**280**	**159**
OTHER CONTRACTS				
Energy price derivatives	47	63	47	84
	47	**63**	**47**	**84**
Total	**174**	**392**	**338**	**263**
Interest-based contracts	–	–	11	20
Currency-based contracts	113	274	256	157
Other contracts	47	63	34	60
Non-current portion	**160**	**337**	**301**	**237**
Current portion	14	55	37	26

Cash flow hedges are not classified under any category of IAS 39.

The hedged cash flows of the underlyings will probably materialize, and have an impact on the income statement, in the years 2018 to 2032 (interest payments and payments of principal) or in the years 2018 to 2025 (payments for energy).

In the case of interest and cross-currency hedges, the effectiveness of the hedge is assessed prospectively using the critical terms match method. This method is used because the major valuation parameters of the underlying and hedges are identical. The retrospective effectiveness measurement is carried out as of every balance sheet date by means of the hypothetical derivative method. In this method, the development in value of the hedge which is actually taken out is compared with the development in value of a theoretical hedge in which all valuation-relevant parameters are identical to those of the underlying. In the case of energy price derivatives, the effectiveness of the hedge is assessed prospectively using the linear regression. The retrospective effectiveness measurement is carried out as of every balance sheet date by means of linear regression. The ineffectiveness is calculated using the dollar-offset method. Under this method, the changes in the market values of the underlying are compared with the changes in the market value of the hedging instrument. The resultant quotient determines the inefficiency.

The inefficiencies of cash flow hedges of the energy price derivatives recognized in the income statement amounted to € 0 million in the year under review (previous year: € 0 million).

Non-hedge derivatives

Currency forwards taken out to hedge operations are normally classified as non-hedge derivatives.

The market values of the non-hedge derivatives are shown under assets and liabilities as follows:

	Assets		Liabilities	
As of Dec 31 (€ million)	**2017**	2016	**2017**	2016
INTEREST-BASED CONTRACTS				
Interest forwards	–	0	–	–
	–	**0**	**–**	**–**
CURRENCY-BASED CONTRACTS				
Currency forwards	5	7	5	12
Cross-currency swaps	–	–	39	44
	5	**7**	**44**	**56**
OTHER CONTRACTS				
Energy price derivatives	0	0	–	–
	0	**0**	**–**	**–**
Total	**5**	**7**	**44**	**56**
Currency-based contracts	0	2	40	45
Non-current portion	**0**	**2**	**40**	**45**
Current portion	5	5	4	11

The cross-currency swaps are based on a redesignation of hedges as a result of the transfer of transactions between banks. The conditions including the cash flows of the derivatives were unchanged and the economic hedge is thus still in place. The slight decline is attributable to the reversal of the redesignated amounts in line with the remaining maturities of the swaps.

The non-hedge derivatives are classified under the category held-for-trading of IAS 39.

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

(€ million)	December 31, 2017 Level 1	Level 2	Level 3	Total	December 31, 2016 Level 1	Level 2	Level 3	Total
ASSETS								
Available-for-sale financial assets (securities at fair value)	2	–	–	**2**	2	–	–	**2**
Derivatives – non-hedging	–	5	–	**5**	–	7	–	**7**
Derivatives – hedging	–	174	–	**174**	–	392	–	**392**
Total	**2**	**179**	**–**	**181**	**2**	**399**	**–**	**401**
LIABILITIES								
Derivatives – non-hedging	–	44	–	**44**	–	56	–	**56**
Derivatives – hedging	–	338	–	**338**	–	263	–	**263**
Total	**–**	**382**	**–**	**382**	**–**	**319**	**–**	**319**

The other available-for-sale financial assets shown in the balance sheet (a total of € 39 million; as of December 31, 2016: € 11 million) comprise other investments and securities which are recognized at cost, because there is no corresponding price listed on an active market and because the fair value cannot be reliably determined. At present, there is essentially no intention to sell.

There have been no reclassifications between the valuation levels in the year under review.

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

No significant held-to-maturity securities are shown as of the balance sheet date.

(22) Cash and cash equivalents

This item comprises cash in hand and checks, deposits at banks which are due on sight, as well as cash equivalents. Cash at banks comprises overnight money as well as time deposits (including repurchase agreements (repos)) due within three months.

Liquid assets are recognized with their nominal value (at amortized cost).

As of Dec 31 (€ million)	2017	2016
Cash in hand and cash at banks	3,396	4,449
Cash equivalents	1	1
Total	**3,397**	**4,450**
Effective interest rate on short-term bank deposits (%)	– 0.16	– 0.07
Average term of short-term bank deposits (months)	0.4	0.2

The interest rates for current bank deposits were in a range of between – 0.55 % and 0.18 % (previous year: between – 0.55 % to 0.17 %) and relate to investments in euros. The maturities of the investments are between one day and three months.

With regard to cash and cash equivalents, please refer to section NOTES TO THE STATEMENT OF CASH FLOWS 210.

(23) Held-for-sale assets

Under IFRS 5, non-current assets are classified as held-for-sale non-current assets if their carrying amount is to be realized by way of sale and not by way of continued use. This can be an individual asset, a disposal group or part of a company. Non-current held-for-sale assets are stated with the lower of carrying amount or market value less costs which are incurred.

There were only insignificant items.

(24) Subscribed capital

The share capital of DB AG is € 2,150 million. It consists of 430,000,000 no-par-value bearer shares. All shares are held by the Federal Republic of Germany.

(25) Reserves

a) Capital reserves

Capital reserves comprise reserves which have not been part of profits. The payment into the capital reserve of € 1 billion which had been envisaged by the Federal Government was implemented as planned in August 2017.

b) Reserve resulting from valuation with no impact on profit or loss

Reserve for currency translation differences

The currency translation differences resulting from the method of functional currency (IAS 21) are shown separately as part of consolidated shareholders' equity.

Reserve for market valuation of securities

The reserve includes the market value changes of financial instruments which have been classified as "available-for-sale financial assets" and which have to be recognized with no impact on profit or loss. The reserve has to be reversed to the income statement or eliminated when a financial instrument is sold or in the event of a permanent reduction in the market value of a financial instrument.

In the year under review, the measurement of financial instruments directly in equity has not resulted in the creation of any deferred tax assets (as of December 31, 2016: € 1 million).

Reserve attributable to the market valuation of cash flow hedges

The development in the reserve is shown in the following:

(€ million)	2017	2016
As of Jan 1	-168	-396
Change in market value	-368	180
Reclassifications		
Financial result	344	-68
Net interest income	24	25
Cost of materials	51	125
Changes in deferred taxes	-4	-34
As of Dec 31	**-121**	**-168**

Reserve for the revaluation of pensions

The effects resulting from the revaluation of defined benefit plans in accordance with IAS 19 (Employee Benefits) are recognized directly in equity.

Other changes in the reserves

This item mainly shows amounts resulting from transactions in relation to reductions or increases in non-controlling interests between the shareholders of DB AG and the non-controlling interests.

(26) Retained earnings

The generated shareholders' equity comprises the entire net profits generated since January 1, 1994 less the goodwill offset under HGB up to December 31, 2002 as well as the dividends paid to the shareholder.

This item also shows the impact on shareholders' equity attributable to the first-time adoption of IFRS if they are not included in the reserves attributable to valuation with no impact on the income statement.

(27) Non-controlling interests

Non-controlling interests comprise the share of third parties in the net assets of consolidated subsidiaries. Third-party interests in the currency reserve amount to € – 6 million (as of December 31, 2016: € 1 million).

(28) Financial debt

Liabilities are normally recognized in accordance with IAS 39 with their nominal amount, which corresponds to the fair value at the point at which the liability is initially recognized and the amortized costs of purchase up to the date at which the liability is settled. Financial debt and other non-current liabilities, when initially recognized, are stated with the amount which corresponds to the fair value of the received assets, where appropriate less transaction costs. Subsequently, they are stated using amortized costs of purchase using the effective interest method. The differences between the amount paid out less transaction costs and the amount repaid are recognized in the income statement over the life of the liability.

Interest-free loans which are related to infrastructure capital expenditures are recognized with the present value of the amounts to be repaid, and are adjusted to their nominal repayment amount over their life. The difference between the nominal amount of the loan and the present value is recognized as an interest benefit under accruals. The income from pro rata reversal of these accruals is shown as other operating income.

Liabilities arising from leases which are classified as finance leases in accordance with the allocation criteria of IAS 17 are recognized at the lower of fair value and the present value of minimum leasing payments at the beginning of the lease, and are subsequently stated under financial debt in the amount of amortized cost of purchase. The leasing installments are broken down into an interest component and a repayment component. The interest component of the leasing installment is recognized in the income statement. Liabilities arising from finance leases are not classified under any category of IAS 39.

Some transport contracts comprise the leasing particularly of rail vehicles from the public sector or from independent financial service providers, whereby the latter receive a capital service guarantee, a redeployment guarantee or similar from the public transport authority. The present value of these payment obligations is shown under the financing liabilities from transport concessions.

The financial debt item comprises all interest-bearing liabilities including the interest-free loans stated with their present values. The maturity structure of financial debt is as follows:

	Residual maturity							
(€ million)	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total more than 1 year	Total
AS OF DEC 31, 2017								
Interest-free loans	200	167	146	134	128	239	**814**	**1,014**
Bonds	1,900	1,940	2,085	1,809	1,547	10,335	**17,716**	**19,616**
Bank borrowings	121	5	2	2	400	1	**410**	**531**
EUROFIMA loan	–	–	–	200	–	–	**200**	**200**
Finance lease liabilities	75	33	33	42	28	290	**426**	**501**
Finance liabilities from transport concessions	6	6	6	6	7	21	**46**	**52**
Other financial liabilities	58	102	0	1	0	1	**104**	**162**
Total	**2,360**	**2,253**	**2,272**	**2,194**	**2,110**	**10,887**	**19,716**	**22,076**
thereof due to related companies	208	167	146	335	128	239	**1,015**	**1,223**
AS OF DEC 31, 2016								
Interest-free loans	201	191	159	140	129	352	**971**	**1,172**
Bonds	1,838	1,898	1,977	2,173	1,813	10,041	**17,902**	**19,740**
Bank borrowings	313	6	3	2	3	402	**416**	**729**
EUROFIMA loan	–	–	–	–	200	–	**200**	**200**
Finance lease liabilities	35	74	29	29	42	324	**498**	**533**
Finance liabilities from transport concessions	6	7	6	6	7	26	**52**	**58**
Other financial liabilities	46	0	0	0	1	2	**3**	**49**
Total	**2,439**	**2,176**	**2,174**	**2,350**	**2,195**	**11,147**	**20,042**	**22,481**
thereof due to related companies	207	191	159	140	329	352	**1,171**	**1,378**

The following fair values are summarized compared with the carrying amounts:

	2017		2016	
As of Dec 31 (€ million)	Carrying amount	Market	Carrying amount	Market
Interest-free loans	1,014	1,152	1,172	1,356
Bonds	19,616	20,921	19,740	21,414
Bank borrowings	531	532	729	730
EUROFIMA loan	200	229	200	241
Finance lease liabilities	501	647	533	706
Financing liabilities from transport concessions	52	53	58	60
Other financial liabilities	162	172	49	49
Total	**22,076**	**23,706**	**22,481**	**24,556**

The differences between the carrying amounts and the fair values of the financial debt are due to the usually changed market interest rates for financial debt with a comparable risk profile. In view of the short maturities involved and also in view of the fact that interest charged is closely linked to market rates, there are no significant differences between the carrying amounts and the fair values of other financial liabilities.

Interest-free loans are attributable almost exclusively to financing provided by the Federal Government for capital expenditures in expanding and replacing track infrastructure. This is based on the responsibility for the transport needs of the public which is anchored in section 87e (4) of the Basic Law (Grundgesetz) and specified in the Federal Track Expansion Act (Bundesschienenwegeausbaugesetz; BSWAG).

The arrangements for repaying the loans are detailed in individual and collective financing agreements. In general, the loans are repaid in equal annual installments, which are based on the corresponding annual depreciation applicable for the financed assets.

Interest-free loans have developed as follows:

(€ million)	2017	2016
As of Jan 1	1,172	1,337
Redemption	-206	-220
Reclassifications	–	–
Compounding	48	55
As of Dec 31	**1,014**	**1,172**

The issued bonds consist of the following transactions:

Bonds as of Dec 31 (€ million)	Issue volume	Issue currency	Residual maturity (years)	Effective interest rate (%)	**Carrying amount 2017**	**Fair value 2017**	Carrying amount 2016	Fair value 2016
UNLISTED BONDS								
DB Finance	747	AUD, JPY, EUR	1.8–14.8		731	784	251	300
					731	**784**	**251**	**300**
LISTED BONDS OF DB FINANCE								
Bond 2003–2018	1,000	EUR	0.2	5.000	1,000	1,010	998	1,059
Bond 2004–2018	300	EUR	0.2	4.850	300	303	300	318
Bond 2006–2018	300	EUR	0.2	4.510	300	303	301	318
Bond 2006–2017	500	EUR	0.0	4.116	–	–	500	501
Bond 2007–2019	600	EUR	1.6	5.110	599	649	598	679
Bond 2009–2019	1,000	EUR	1.2	4.923	999	1,061	998	1,111
Bond 2009–2021	600	EUR	3.7	4.445	599	697	598	722
Bond 2009–2017	500	EUR	0.0	3.774	–	–	499	515
Bond 2010–2020	500	EUR	2.4	3.572	499	545	499	563
Bond 2010–2025	500	EUR	7.5	3.870	496	618	496	638
Bond 2010–2020	410	JPY	2.8	1.150	349	358	381	396
Bond 2010–2022	500	EUR	4.8	3.464	498	578	498	593
Bond 2010–2020	567	CHF	2.4	1.924	638	675	695	753
Bond 2011–2021	700	EUR	3.4	3.797	699	791	699	816
Bond 2011–2017	323	CHF	0.0	1.566	–	–	349	356
Bond 2012–2017	124	CHF	0.0	0.799	–	–	140	141
Bond 2012–2017	372	GBP	0.0	1.456	–	–	350	353
Bond 2012–2022	496	GBP	4.5	2.821	449	482	465	506
Bond 2012–2023	400	EUR	5.1	2.116	398	436	397	445
Bond 2012–2024	83	CHF	6.1	1.586	85	93	93	102
Bond 2012–2024	500	EUR	6.2	3.119	497	580	496	599
Bond 2012–2072	75	GBP	54.9	4.524	67	110	70	112
Bond 2013–2018	300	EUR	0.1	FRN	300	300	300	300
Bond 2013–2028	50	EUR	10.1	2.707	50	58	50	59
Bond 2013–2025	202	NOK	7.2	4.017	152	172	165	186
Bond 2013–2023	386	CHF	5.6	1.425	405	439	441	483
Bond 2013–2026	497	GBP	8.6	3.351	471	534	487	551
Bond 2013–2023	500	EUR	5.7	2.578	498	560	498	575
Bond 2013–2020	300	EUR	2.8	1.899	298	316	298	322
Bond 2013–2019	186	USD	1.2	FRN	208	208	237	236
Bond 2014–2024	59	AUD	6.1	5.395	59	64	62	66
Bond 2014–2021	142	SEK	3.1	2,940	127	135	131	142
Bond 2014–2021	40	SEK	3.1	FRN	36	36	37	36
Bond 2014–2019	73	SGD	1.1	2.338	78	78	82	83
Bond 2014–2024	246	CHF	6.7	1.522	256	282	279	308
Bond 2014–2029	500	EUR	11.2	2.886	493	588	493	597
Bond 2014–2020	300	EUR	2.6	FRN	300	302	300	301
Bond 2014–2022	300	EUR	4.7	FRN	300	304	299	301
Bond 2014–2022	300	EUR	4.1	FRN	300	303	299	300
Bond 2015–2023	600	EUR	5.8	FRN	599	610	599	605
Bond 2015–2025	600	EUR	7.8	1.391	594	630	593	637
Bond 2015–2030	366	NOK	12.8	2.760	345	350	373	380
Bond 2015–2025	115	AUD	7.8	3.864	116	120	122	122
Bond 2015–2030	650	EUR	12.8	1.707	644	685	643	683
Bond 2015–2025	161	CHF	7.9	0.143	149	150	162	163
Bond 2016–2026	500	EUR	8.2	0.880	495	509	494	506
Bond 2016–2031	750	EUR	13.5	0.964	742	713	741	704
Bond 2016–2021	350	EUR	3.5	0.040	350	349	349	351
Bond 2016–2028	500	EUR	10.7	0.765	493	487	492	481
Bond 2016–2024	41	HKD	6.2	2.100	37	36	43	40
Bond 2017–2032	79	NOK	14.1	2.514	71	71	–	–
Bond 2017–2032	500	EUR	14.9	1.541	497	510	–	–
Bond 2017–2025	341	GBP	7.5	1.437	337	335	–	–
Bond 2017–2032	55	SEK	14.6	2.226	54	52	–	–
Bond 2017–2030	261	CHF	12.9	0.463	256	257	–	–
Bond 2017–2024	300	EUR	6.9	FRN	303	305	–	–
					18,885	**20,137**	**19,489**	**21,114**
Total					**19,616**	**20,921**	**19,740**	**21,414**

In the year under review, five listed bonds (€ 1,819 million) of DB Finance were repaid on schedule.

In addition, DB Finance has issued nine listed bonds with a total value of € 2,038 million. These comprise eight fixed-income bonds for NOK 700 million (€ 79 million), € 500 million, GBP 300 million (€ 341 million), SEK 530 million (€ 55 million), AUD 425 million (€ 285 million), AUD 175 million (€ 117 million), CHF 300 million (€ 261 million) and AUD 150 million (€ 100 million) as well as a variable-income bond of € 300 million.

Bank borrowings are detailed in the following table:

Bank borrowings as of Dec 31 (€ million)	Currency	Residual maturity (years)	Nominal interest rate (%)	2017		2016	
				Carrying amount	**Fair value**	Carrying amount	Fair value
Bank loan 2002–2022	EUR	4.7	FRN	200	200	200	200
Bank loan 2003–2022	EUR	4.7	FRN	200	200	200	200
Other				131	132	329	330
Total				**531**	**532**	**729**	**730**

The decline in other bank borrowings is mainly attributable to a reduction in short-term collateral (€ 61 million; previous year: € 259 million) resulting from collateral agreements within the framework of derivative transactions.

Liabilities are not secured in DB Group in principle.

As of December 31, 2017, guaranteed credit facilities with a total volume of € 4,292 million (as of December 31, 2016: € 4,317 million) were available to DB Group. Of this figure, € 2,080 million (as of December 31, 2016: € 2,080 million) was attributable to back-up lines for the € 2.0 billion commercial paper program of DB AG and DB Finance. None of these back-up lines had been drawn down as of December 31, 2017. Global credit facilities totaling € 2,212 million (as of December 31, 2016: € 2,237 million) are used for working capital and surety for payment financing of subsidiaries with worldwide operations, primarily in the segments DB Schenker and DB Arriva.

The liabilities due to EUROFIMA are detailed in the following:

Liabilities due to EUROFIMA as of Dec 31 (€ million)	Currency	Residual maturity (years)	Nominal interest rate (%)	2017		2016	
				Carrying amount	**Fair value**	Carrying amount	Fair value
Loan 2010–2021	EUR	3.8	4.050	200	229	200	241
Total				**200**	**229**	**200**	**241**

No new EUROFIMA loans were raised. The liabilities due to EUROFIMA are secured by way of transfer of ownership of rolling stock in view of the statutes of EUROFIMA.

Of the figure stated for liabilities attributable to finance leases, € 22 million (as of December 31, 2016: € 24 million) relates to a real estate leasing agreement for concourse buildings of DB Station&Service AG; a further figure of € 44 million (as of December 31, 2016: € 45 million) relates to a leasing agreement for rail cars. These agreements have been concluded mainly as sale-and-leaseback transactions for achieving advantageous financing conditions with German lessors.

The following table provides information concerning the main finance leases:

As of Dec 31 (€ million)	Nominal volume	Currency	Residual maturity (years)	Nominal interest rate (%)	2017		2016	
					Carrying amount	**Fair value**	Carrying amount	Fair value
FINANCE LEASES MOBILE ASSETS								
Diesel rail cars for regional transport (2009)	55	EUR	1.0	8.34	44	47	45	53
					44	**47**	**45**	**53**
FINANCE LEASES REAL ESTATE								
Concourse buildings (1998)	497	DEM	4.0	5.550	22	24	24	29
					22	**24**	**24**	**29**
Other					435	576	464	624
Total					**501**	**647**	**533**	**706**

The financing lease for rail cars detailed above cannot be terminated in the course of a fixed basic lease period, and has a maximum remaining term of one year.

The declines in finance leasing for mobile assets and real estate are attributable to scheduled redemption payments.

The finance lease agreement for the concourse building of DB Station&Service AG has a remaining term of four years, and cannot be terminated during the fixed lease. At the end of the lease, the lessee is able to buy the assets for a fixed price. If this option is not exercised, the lease is extended for a second period, at the end of which the lessor has a put option for the property with regard to DB Station&Service AG.

In addition, liabilities attributable to finance leases (see NOTE (13) 186 FF.) are secured by rights of the lessors in relation to the leased assets. The leased assets have a carrying amount of € 550 million (as of December 31, 2016: € 593 million).

The position Other comprises numerous Europe-wide leases for buses and trains at DB Arriva and the carrying amount of a power procurement agreement of DB Energie GmbH worth € 67 million (as of December 31, 2016: € 79 million) as well as the carrying amount of an inverter agreement of DB Energie GmbH in the amount of € 32 million (as of December 31, 2016: € 36 million). Both agreements are classified as embedded financial leases as a result of the fact that the power is procured primarily by DB Energie GmbH and also in view of the underlying agreement duration in accordance with IFRIC 4 in conjunction with IAS 17.

In the subsequent years, the following payments have to be made in connection with finance leases:

	Residual maturity							
Liabilities from finance leases (€ million)	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total more than 1 year**	**Total**
AS OF DEC 31, 2017								
Minimum lease payments (nominal)	96	50	48	56	40	450	**644**	**740**
Less future interest charges	21	17	15	14	12	160	**218**	**239**
Total	**75**	**33**	**33**	**42**	**28**	**290**	**426**	**501**
AS OF DEC 31, 2016								
Minimum lease payments (nominal)	58	96	46	45	56	491	**734**	**792**
Less future interest charges	23	22	17	16	14	167	**236**	**259**
Total	**35**	**74**	**29**	**29**	**42**	**324**	**498**	**533**

The finance liabilities from transport concessions in accordance with IFRIC 12 are detailed in the following:

				2017		2016	
Finance liabilities from transport concessions as of Dec 31 (€ million)	Currency	Residual maturity (years)	Nominal interest rate (%)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Freight locomotives (2016)	EUR	8.0	1.06	42	43	47	48
Rail cars (2016)	EUR	8.0	1.06	10	10	11	12
Total				52	53	58	60

In order to enable the company to meet its obligations with regard to providing regional rail passenger transport services in the Schleswig-Holstein network, various locomotives and rail cars were leased by the relevant contracting organization over the entire term of the transport contract of nine years. The finance liabilities from transport concessions are opposed by receivables from transport concessions (see NOTE (19) 191 FF.).

The fair values of the non-current financial debt are allocated to the following valuation categories:

	Dec 31, 2017				Dec 31, 2016			
(€ million)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	**Total**
NON-CURRENT FINANCIAL DEBT								
Interest-free loans	–	952	–	**952**	–	1,155	–	**1,155**
Bonds	1,902	17,104	–	**19,006**	2,042	17,506	–	**19,548**
Bank borrowings	–	411	–	**411**	–	417	–	**417**
EUROFIMA loan	–	229	–	**229**	–	241	–	**241**
Finance lease liabilities	–	572	–	**572**	–	671	–	**671**
Finance liabilities from transport concessions	–	47	–	**47**	–	54	–	**54**
Other financial liabilities	–	114	–	**114**	–	3	–	**3**
Total	**1,902**	**19,429**	**–**	**21,331**	**2,042**	**20,047**	**–**	**22,089**

The interest-free loans shown at amortized cost are established by discounting the nominal values of the interest-free loans broken down into maturity buckets using the DB interest curve (market interest curve plus current DB spread; source: Thomson Reuters or Bloomberg) and a term until 2024.

Market prices from an active market, multiplied by the foreign currency rates applicable on the balance sheet date, are used for bonds of DB Finance which are classified as level 1. Various sources are used for these prices, including Thomson Reuters and Bloomberg. The bonds for which the market activity does not comply with the requirements of an active market have been allocated to level 2. For establishing the market prices of these bonds, binding offers were used from various sources, including Reuters and Bloomberg; these have been verified on the basis of the valuation models using the parameters which are observable on the market, such as interest rate curves and exchange rates.

Theoretical refinancing via bonds of DB Finance are assumed for assessing the market value of outstanding EUROFIMA loans. A discounted cash flow method is used for calculation purposes. The reference interest rate which is used is established by interpolation of the yields for matching maturities of bonds of DB Finance.

The fair value of the finance leases as well as finance liabilities from transport concessions is calculated by discounting the outstanding leasing payments using the DB interest curve (market interest curve plus current DB spread; source: Thomson Reuters or Bloomberg).

(29) Other liabilities

Current liabilities are in accordance with IAS 39 normally recognized with their nominal amount, which corresponds to the fair value at the point at which the liability is initially recognized and the amortized costs of purchase up to the date at which the liability is settled, where appropriate less the transaction costs. Subsequently, non-current liabilities are stated using amortized costs of purchase using the effective interest method. The differences between the amount paid out less transaction costs and the amount repaid are recognized in the income statement over the life of the liability.

The fair values of the balance sheet items other liabilities, trade liabilities and other liabilities essentially correspond to the carrying amounts.

Severance package obligations for agreements agreed as of the balance sheet reporting date are recognized as other liabilities and – if they are not yet included in individual agreements and if they are part of a restructuring obligation in accordance with IAS 37 – are stated as other provisions.

	Residual maturity							
Other liabilities (€ million)	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total more than 1 year**	**Total**
AS OF DEC 31, 2017								
Trade liabilities including deposits received	5,157	59	57	13	10	20	**159**	**5,316**
Miscellaneous/other liabilities	3,399	13	9	6	7	39	**74**	**3,473**
Total	**8,556**	**72**	**66**	**19**	**17**	**59**	**233**	**8,789**
thereof non-financial liabilities	1,998	30	24	2	1	12	**69**	**2,067**
thereof deposits received	177	30	24	2	1	12	**69**	**246**
thereof due to related parties	222	0	0	0	0	0	**0**	**222**
AS OF DEC 31, 2016								
Trade liabilities including deposits received	5,100	51	47	49	10	27	**184**	**5,284**
Miscellaneous/other liabilities	3,511	12	12	10	7	27	**68**	**3,579**
Total	**8,611**	**63**	**59**	**59**	**17**	**54**	**252**	**8,863**
thereof non-financial liabilities	2,015	30	31	41	2	13	**117**	**2,132**
thereof deposits received	174	30	31	41	2	13	**117**	**291**
thereof due to related parties	284	0	0	0	0	0	**0**	**284**

Non-financial liabilities and deposits are not classified under any category of IAS 39.

The miscellaneous/other liabilities comprise the following:

As of Dec 31 (€ million)	**2017**	2016
PERSONNEL-RELATED LIABILITIES		
Unused holiday entitlements	339	329
Outstanding overtime	248	237
Social security	115	111
Severance payments	25	29
Christmas bonuses	6	5
Holiday pay	17	20
Other personnel obligations	741	788
OTHER TAXES		
Value-added tax	56	56
Payroll and church taxes, solidarity surcharge	148	143
Miscellaneous other taxes	125	123
Interest payable	257	273
Revenue reductions	114	91
Deferred construction grants	185	183
Liabilities due to Railway Crossings Act	2	3
Reconveyance obligations	4	3
Miscellaneous/other liabilities	1,091	1,185
Total	**3,473**	**3,579**

The other personnel obligations also include bonus obligations.

As of December 31, 2017, other liabilities were secured in an amount of € 0 million (as of December 31, 2016: € 0 million).

The miscellaneous/other liabilities including existing risks for factoring agreements.

(30) Income tax liabilities

The income tax liabilities as of December 31, 2017 related mainly to obligations to the fiscal authorities in Great Britain, Germany and France.

(31) Additional disclosures relating to the financial instruments

If covered by the scope of IAS 39, the financial assets and liabilities are categorized and measured in accordance with IAS 39. Financial assets and liabilities which are not covered by the scope of IAS 39 are measured in accordance with the relevant standards and not categorized under any measurement category according to IAS 39.

The carrying amounts as well as the net result per valuation category of IAS 39 are set out in the following. The fair values and information regarding individual classes of financial instruments are detailed in the notes to the respective balance sheet items.

In DB Group, financial assets which are allocated to a valuation category according to IAS 39 mainly comprise trade receivables and cash and cash equivalents.

In DB Group, financial liabilities which are allocated to a valuation category according to IAS 39 mainly comprise interest-free loans, bonds, EUROFIMA loans, bank borrowings, trade payables and other liabilities.

	Held for trading		Held to maturity		Available for sale		Loans and receivables		Other liabilities	
(€ million)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
CARRYING AMOUNT AS OF DEC 31										
Non-current financial assets	0	2	-	-	40	12	244	236	-	-
Current financial assets	5	5	0	0	1	1	9,050	9,383	-	-
Non-current financial liabilities	40	45	-	-	-	-	-	-	19,454	19,680
Current financial liabilities	4	11	-	-	-	-	-	-	8,843	9,001
Net result	6	-7	-	-	20	-3	-16	-4	-616	-633

The net result according to valuation categories in particular includes interest income of € 34 million (previous year: € 23 million) as well as interest expenses of € 595 million (previous year: € 617 million) relating to the financial assets and liabilities which are measured at fair value and not recognized in the income statement.

(32) Pension obligations

DB Group grants post-employment benefits to its employees in numerous countries. The form of the pension commitments depends on the legal, economic and tax conditions applicable in the particular country.

In DB Group, there are defined benefit as well as defined contribution retirement pension schemes. The defined benefit commitments are accounted for in accordance with IAS 19. Major pension obligations exist only in Germany and in Great Britain. For this reason, only these pension obligations are described in greater detail in the following.

Germany

Pension obligations of DB Group in Germany comprise pension obligations for civil servants and also for employees.

After they retire, civil servants assigned to the companies of DB Group receive pensions from the Federal Railroad Fund under the Civil Servants Benefits Act (Beamtenversorgungsgesetz).

Only while the assigned civil servants are actively working for DB Group are payments made to the Federal Railroad Fund as part of a pro forma settlement in the same way as for newly recruited employees (section 21 (1) DBGrG). This also includes theoretical amounts for contributions to statutory pension insurance schemes as well as theoretical costs in accordance with the collective bargaining agreement regarding the additional company pension scheme for employees of DB AG (ZVersTV). The payments made to the Federal Railroad Fund for retirement pensions and supplementary benefits of civil servants are defined contribution retirement schemes.

The pension obligations with regard to employees mainly relate to the following:

a) Employees who were employed by DB AG before the company was established (January 1, 1994) enjoy supplementary benefits in view of their former membership of the public sector. The employees are entitled to benefits from this additional pension insurance from Deutsche Rentenversicherung Knappschaft-Bahn-See (KBS). As an official authority, KBS has not only assumed responsibility for managing and paying the statutory pension for DB Group employees; it also continues the additional pension insurance for the transferred employees who are beneficiaries.

The Federal Railroad Fund bears the costs of these additional benefits, less the contribution made by the employees themselves (section 14 (2) DBGrG). Accordingly, DB AG does not set aside any provisions for these public sector benefits.

b) Employees of the former Deutsche Reichsbahn and the employees who have been recruited after January 1, 1994 receive an additional company pension from DB AG within the framework of the ZVersTV. This supplementary company pension is a defined benefit scheme, which is linked to salary and length of service. The current pension benefits are adjusted every year in line with the regulations of the Company Pensions Act (Betriebsrentengesetz). Retirement benefits, invalidity benefits and benefits to surviving dependants are provided in the form of a lifetime pension. No plan assets are created for this scheme.

c) Various defined benefit pension obligations exist with regard to senior executives in DB Group who were granted a senior executive commitment before January 1, 2007. The extent of the benefits depend on the length of service and the salary of the beneficiary. In general, retirement benefits, invalidity benefits and benefits to surviving dependants are provided in the form of a lifetime pension. Apart from a small number of reinsurance policies, there are no plan assets.

d) Senior executives of DB Group who were granted a senior executive commitment after December 31, 2006, are provided with a retirement benefit scheme in the form of a defined contribution commitment. For this purpose, a benefit module is calculated in each year of service, depending on the salary and age of the beneficiary. These benefits are financed by way of a contractual trust arrangement (CTA), namely Deutsche Bahn Pension Trust e. V. The extent of the benefits depends on the yield of the CTA, whereby a minimum return is guaranteed. To avoid longevity risks, the benefits are granted in the form of a five-year installment. The assets of the CTA are classified as plan assets. The pension obligation is covered by the plan assets on the assumption that the CTA produces a corresponding performance, thus minimizing investment risks. There are no legal or regulatory obligations requiring Deutsche Bahn Pension Trust e. V. to make minimum payments into the scheme. The contributions are invested in line with the fundamental assumption that the benefit commitment is guaranteed by a corresponding guarantee element. For each payment relating to the individual beneficiary, an age-related amount is invested in prime zero bonds. The investment amount remaining after the payment has been made into the guarantee element is mainly invested in passively managed European equity and bond funds (or equivalent products) with the aim of optimizing returns.

e) Senior executives are able to participate in a deferred compensation program. This employee-financed form of company pension scheme constitutes a defined benefit obligation.

Great Britain

a) The company pension scheme of DB Cargo (UK) Holdings Limited is essentially a defined benefit pension scheme (linked to salary and length of service) within the British Railway Pension Scheme. The plan assets are managed by an independent trustee. The process of collating the data of members in the plan for the purpose of compliance with legal requirements in relation to the members of the plan is generally carried out every three years, most recently as of December 31, 2016. As of the intermediate valuation dates, the obligations in the plan are measured on the basis of the correspondingly updated data. The pension scheme is based on final salary, and lifetime pensions are provided as benefits. The pension obligations are essentially covered by plan assets. Capital is invested by the trustee of the plan assets following liaison with DB Group.

b) Within DB Arriva, there are mainly defined benefit retirement benefit commitments. Important defined benefit plans (related to salary and length of service) relate to employees of DB Arriva within the Railway Pension Scheme in Great Britain. These are sections other than the DB Cargo UK scheme within the railway pension scheme. The costs of the pension schemes are shared between the employer and the employee in the ratio 60:40 and accordingly recognized in the balance sheet. The pension schemes are based on final salary, and life-long pensions are provided as benefits. The corresponding pension obligations are to a large extent covered by fund assets. Capital is invested by the trustee of the plan assets following liaison with DB Group.

Some companies pay contributions within the framework of a franchise agreement to the British Railway Pension Scheme for employees employed for the duration of the agreement (franchise period). The obligations to these employees as well as the plan assets are completely disclosed after deduction of the element financed by the employees (40%). Within the framework of recognizing the effect of franchise agreements, the present value of the contributions payable for the duration of the franchise agreements for reducing a scheme deficit remains as a net liability recognized in the balance sheet. The current contributions to the benefit scheme are shown as personnel expenses.

In addition, individual companies of DB Arriva also issued defined contribution retirement benefit commitments to their employees. Under such arrangements, the employer does not enter into any obligations apart from paying contributions to an external benefit scheme. The extent of the future pension benefits depends exclusively on the amount of contributions paid to the external benefit scheme, including the income generated by investing these contributions.

In addition, some contributions have also been paid to social pension funds within the context of statutory regulations (government schemes).

Critical assessments and appraisals

In the case of the defined benefit pension obligations in Germany and abroad, the actuarial risks are borne by DB Group. Actuarial methods have been used for measuring defined benefit pension commitments as well as benefit commitments which are similar to pensions and the resultant costs and income. The valuations are based on actuarial assumptions. There are the following actuarial risks which are considered to be typical for companies with defined benefit schemes.

- *Interest risk: The discount factors which are used reflect the interest rates (giving due consideration to the duration of the underlying obligation) which are achieved on the balance sheet date for high-quality fixed-income bonds with a corresponding term. A change in the discount rate results in a change in the present value of the total obligation (DBO).*
- *Inflation risk: Part of the pension obligations, particularly as a result of adjustments to current pensions, is linked to the development of inflation.*
- *Longevity risk: A longevity risk may occur in the form of extended periods in which pensions are paid out as a result of an increase in life expectancy in future.*
- *Investment risk: In the case of externally financed pension plans, the values of the corresponding plan assets or the refund claims are based on the market values as of the balance sheet date. The capital investment is exposed to numerous risks, which may have an impact on the present value recognized for the plan assets. In the case of pension schemes with an obligation to pay into the scheme, the amount of future contributions may be affected by the investment risk.*

Key assumptions for expenses and income attributable to pension commitments and benefit commitments similar to pensions are to some extent based on current market conditions. Expenses and income relating to pension commitments and benefit commitments similar to pensions may change as a result of changes to these underlying key assumptions.

The figures stated for pension provisions in the balance sheet are detailed in the following:

As of Dec 31 (€ million)	Germany 2017	Germany 2016	Europe (excluding Germany) 2017	Europe (excluding Germany) 2016	Rest of world 2017	Rest of world 2016	Total 2017	Total 2016
Funded obligations	268	275	6,932	6,854	54	72	**7,254**	**7,201**
Unfunded obligations	3,008	3,442	269	308	7	6	**3,284**	**3,756**
Total obligations	**3,276**	**3,717**	**7,201**	**7,162**	**61**	**78**	**10,538**	**10,957**
Fair value of plan assets	-200	-191	-5,060	-4,791	-38	-41	**-5,298**	**-5,023**
Effects due to cost sharing	-	-	-526	-653	-	-	**-526**	**-653**
Effects due to franchise agreements	-	-	-779	-762 [1]	-	-	**-779**	**-762** [1]
Amount not recognized as an asset as a result of the restriction of IAS 19.58	-	-	0	- [1]	-	-	**0**	**-** [1]
Assets recognized in the balance sheet as pension assets	-	-	5	3 [1]	-	-	**5**	**3** [1]
Net liability recognized in the balance sheet	**3,076**	**3,526**	**841**	959 [1]	**23**	**37**	**3,940**	**4,522** [1]

[1] Figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

The figures stated for pension provisions in the balance sheet are detailed in the following:

(€ million)	Germany 2017	Germany 2016	Europe (excluding Germany) 2017	Europe (excluding Germany) 2016	Rest of world 2017	Rest of world 2016	Total 2017	Total 2016
Obligations as of Jan 1	3,717	3,195	7,162	4,878	78	66	**10,957**	**8,139**
Service cost, excluding employee contributions	126	112	84	106	3	2	**213**	**220**
Employee contributions	2	2	47	50	0	0	**49**	**52**
Interest expense	59	71	113	116	1	2	**173**	**189**
Payments	-74	-78	-185	-173	-3	-5	**-262**	**-256**
thereof pensions	-74	-78	-185	-171	-3	-3	**-262**	**-252**
thereof payments for settlements	-	0	-	-2	-	-2	**-**	**-4**
Past service costs and profit or losses from settlements	1	5	-2	-96	0	0	**-1**	**-91**
Transfers	6	21	6	1,643	1	0	**13**	**1,664**
Changes in scope of consolidation	-	0	-	1	-	0	**-**	**1**
thereof additions	-	-	-	1	-	-	**-**	**1**
thereof disposals	-	-	-	-	-	-	**-**	**-**
Actuarial gains (-) or losses (+)	-561	389	232	1,409	-14	9	**-343**	**1,807**
Revaluations based on experience	-47	-31	128	19	-9	0	**72**	**-12**
Due to change in demographic assumptions	-1	-14	-95	144	-	0	**-96**	**130**
Due to change in financial assumptions	-513	434	199	1,246	-5	9	**-319**	**1,689**
Currency effects	-	-	-256	-772	-5	4	**-261**	**-768**
Obligations as of Dec 31	**3,276**	**3,717**	**7,201**	**7,162**	**61**	**78**	**10,538**	**10,957**

The amounts in the above and following tables shown under transfers in the previous year mainly relate to additions resulting from the takeover of franchise agreements (Arriva Rail London, Arriva Rail North).

In the previous year, various plan changes and payments for settlement were carried out, resulting in total income of € 91 million. Of this figure, € 63 million is attributable to agreements relating to pension schemes in Great Britain which provide the beneficiaries with a greater degree of flexibility with regard to payouts and for conversion into defined contribution plans. The so-called flexible retirement offer is accompanied by independent advice, which is free for the beneficiary, concerning financial retirement issues. In addition, adjustments have been carried out for some benefit schemes, in connection with the adjustment made to the statutory retirement benefit scheme in Great Britain. The corresponding income in the year under review is stated as € 25 million. A plan amendment resulting from the restructuring at DB Cargo in Great Britain has resulted in additional income of € 8 million.

The development of the plan assets is detailed in the following:

(€ million)	Germany 2017	Germany 2016	Europe (excluding Germany) 2017	Europe (excluding Germany) 2016	Rest of world 2017	Rest of world 2016	Total 2017	Total 2016
Fair value of plan assets as of Jan 1	191	163	4,791	3,741	41	37	**5,023**	**3,941**
Employer contributions	20	22	113	88	2	3	**135**	**113**
Employee contributions	0	1	47	50	0	0	**47**	**51**
Expected return from plan assets	3	3	92	106	0	1	**95**	**110**
Payments	-5	-6	-173	-162	-3	-5	**-181**	**-173**
thereof pensions	-5	-6	-173	-160	-3	-5	**-181**	**-171**
thereof payments for settlements	-	0	-	-2	-	-	**-**	**-2**
Transfers	1	0	4	1,085	-	-	**5**	**1,085**
Revaluation	-10	8	377	478	1	3	**368**	**489**
Administrative costs: costs of pension assurance	-	-	-13	-7	0	0	**-13**	**-7**
Currency effects	-	-	-178	-588	-3	2	**-181**	**-586**
Fair value of plan assets as of Dec 31	**200**	**191**	**5,060**	**4,791**	**38**	**41**	**5,298**	**5,023**

The reported plan assets are broken down as follows:

As of Dec 31 (€ million)	Germany 2017	Germany 2016	Europe (excluding Germany) 2017	Europe (excluding Germany) 2016	Rest of world 2017	Rest of world 2016	Total 2017	Total 2016
Stocks and other securities	6	5	3,606	3,323	15	15	**3,627**	**3,343**
thereof with market price listing	6	5	3,606	3,323	15	15	**3,627**	**3,343**
Interest-bearing securities	113	101	823	808	19	21	**955**	**930**
thereof with market price listing	113	101	823	808	19	21	**955**	**930**
Reinsurance	80	85	23	23	0	0	**103**	**108**
thereof with market price listing	80	85	1	1	–	–	**81**	**86**
thereof without market price listing	–	–	22	22	–	–	**22**	**22**
Private equity	–	0	337	374	–	0	**337**	**374**
thereof without market price listing	–	–	337	374	–	–	**337**	**374**
Investments in infrastructure	–	0	181	210	–	0	**181**	**210**
thereof with market price listing	–	–	110	93	–	–	**110**	**93**
thereof without market price listing	–	–	71	117	–	–	**71**	**117**
Cash and other assets	1	0	90	53	4	5	**95**	**58**
thereof with market price listing	1	0	63	28	2	3	**66**	**31**
thereof without market price listing	–	–	27	25	2	2	**29**	**27**
	200	**191**	**5,060**	**4,791**	**38**	**41**	**5,298**	**5,023**
thereof assets classified as pension assets	0	0	– 5	– 3 [1]	–	–	**– 5**	**– 3 [1]**
	200	**191**	**5,055**	**4,788 [1]**	**38**	**41**	**5,293**	**5,020 [1]**

[1] Figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

Changes in the net pension provisions are detailed in the following:

(€ million)	Germany 2017	Germany 2016	Europe (excluding Germany) 2017	Europe (excluding Germany) 2016	Rest of world 2017	Rest of world 2016	Total 2017	Total 2016
Provisions as of Jan 1	3,526	3,032	959	630 [1]	37	29	**4,522**	**3,691 [1]**
Pension expenses	185	186	116	27	4	3	**305**	**216**
thereof service cost	128	113	84	106	3	2	**215**	**221**
thereof interest income and interest expenses	56	68	21	10	1	1	**78**	**79**
thereof administrative expenses	–	–	13	7	0	0	**13**	**7**
thereof past service costs and profits or losses from settlements	1	5	– 2	– 96	0	0	**– 1**	**– 91**
Employer contributions	– 20	– 22	– 113	– 88	– 2	– 3	**– 135**	**– 113**
Payments	– 69	– 72	– 12	– 11	0	0	**– 81**	**– 83**
thereof pensions	– 69	– 72	– 12	– 11	0	2	**– 81**	**– 81**
thereof payments for settlements	–	0	–	0	–	– 2	**0**	**– 2**
Transfers	5	21	2	44 [1]	1	0	**8**	**65 [1]**
Changes in scope of consolidation	–	–	–	1	–	–	**–**	**1**
thereof additions	–	–	–	1	–	–	**–**	**1**
thereof disposals	–	–	–	–	–	–	**–**	**–**
Revaluation	– 551	381	– 84	435	– 15	6	**– 650**	**822**
Revaluations based on experience	– 47	– 30	66	28	– 9	0	**10**	**– 2**
Due to change in demographic assumptions	– 1	– 14	– 75	170	–	0	**– 76**	**156**
Due to change in financial assumptions	– 513	434	227	583	– 5	9	**– 291**	**1,026**
Difference between actual income and theoretical income from plan assets	10	– 9	– 302	– 346	– 1	– 3	**– 293**	**– 358**
Currency effects	–	–	– 30	– 66	– 2	2	**– 32**	**– 64**
Change in recognized assets	–	0	3	– 13 [1]	0	–	**3**	**– 13 [1]**
Provisions as of Dec 31	**3,076**	**3,526**	**841**	**959 [1]**	**23**	**37**	**3,940**	**4,522 [1]**

[1] Figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

The effects of cost splitting and franchise agreements declined by € 61 million in the year under review as a result of revaluations (previous year: increase of € 496 million). This includes a figure of € 117 million which reduces the cost splitting effect and which resulted from the discontinuation of the assumption of cost splitting of 60:40 for the defined benefit plan of DB Cargo (UK) Holdings Limited, Doncaster/ Great Britain. The interest expense and expected income from the plan assets are recorded under net interest income.

All other items are recognized under personnel expenses.

The actuarial parameters used for assessing the value of most of the pension provision are set out in the following:

(%)	2017	2016
DISCOUNT RATE		
Germany and abroad (excluding Great Britain)	2.40	1.60
DB Cargo (Great Britain)	2.60	2.80
Great Britain	2.60	2.80
EXPECTED RATE OF WAGE AND SALARY INCREASES		
Germany and abroad (excluding Great Britain)	3.10	2.60
DB Cargo (Great Britain)	4.00	4.00
Great Britain	4.00	4.00
EXPECTED RATE OF PENSION INCREASES (DEPENDENT ON STAFF GROUP)		
Germany and abroad (excluding Great Britain)	1.75	1.75
DB Cargo (Great Britain)	2.30	2.30
Great Britain	2.30	2.30

The 2005 G mortality tables of Professor Dr. Klaus Heubeck have been used for valuing the pension obligations for the German Group companies. Country- or benefit-scheme-specific mortality tables have been used for valuing the pension obligations of the other Group companies.

Sensitivities and additional information:

As of Dec 31 (€ million)	2017	2016
Total obligation for an interest rate increased by 1 percentage point	8,716	9,027
Total obligation for an interest rate reduced by 1 percentage point	12,850	13,426
Total obligation with salary growth increased by 0.5 %	10,721	11,079
Total obligation for pensions increased by 0.5 %	11,201	11,666
Total obligation for life expectancy increased by 1 year	10,862	11,255
Total obligations	10,538	10,957
thereof active beneficiaries	5,587	6,333
thereof former employees	1,543	1,560
thereof pensioners	3,408	3,064
Payments into plan assets expected for next year	118	108
Direct pension payments for next year	99	93
Duration of benefit obligation (years)	19.8	20.1

The sensitivity figures have been established using the method which was used for calculating the extent of the obligation. One assumption was modified while the other assumptions were retained, which means that interdependencies between the individual assumptions were disregarded.

(33) Other provisions

Other provisions are set aside if there is a legal or constructive obligation resulting from a past event which is more than 50% likely to result in an outflow of resources and if the extent of the obligation can be reliably estimated (IAS 37 – Provisions, Contingent Liabilities and Contingent Assets).

Non-current provisions are discounted using market interest rates. Environmental protection provisions for the remediation of existing ecological burdens are discounted on the basis of real interest rates, which are adjusted to reflect the risk and the period until fulfillment. The difference between the nominal value of the expected outflows and the present value recognized for the environmental protection provisions of DB AG for transferred liabilities for the remediation of ecological burdens from the time previous to the foundation of DB AG is stated under deferred items, and represents the interest benefit resulting from the longer-term release of the provision. The cumulative interest expense attributable to other provisions is recognized in financial result. Provisions for potential losses are measured as the lower of the amount of the expected costs for fulfilling the agreement and the expected costs for terminating the agreement.

Critical assessments and appraisals

The process of determining all types of provisions is associated with estimates regarding the extent and/or timing of obligations.

The environmental protection provisions relate primarily to the obligation of DB AG to remedy the ecological burdens which arose before January 1, 1994 on the land of Deutsche Bundesbahn and the former Deutsche Reichsbahn. Ecological burdens are defined as contamination of soil and groundwater which requires rehabilitation and which pose risks, considerable disadvantages or considerable problems for private individuals or society at large. The legal basis for defining rehabilitation obligations are summarized in the soil and water laws of the Federal Government and the Federal states of Germany. The process of dealing with ecological burdens also comprises necessary rehabilitation measures for existing sewers, in order to avoid soil and groundwater contamination caused by leaks from the sewer system, as well as measures for shutting down old landfill sites.

The provision has been calculated on the basis of a discounting method using the present value, where rehabilitation measures are probable, the rehabilitation costs can be reliably estimated and no future benefit is expected to be derived from these measures.

The estimation of future rehabilitation costs is subject to various factors. Major drivers in this respect may be the application of innovative rehabilitation measures, changes in legal conditions and also the development in market prices for disposing of the high volumes of hazardous waste.

In order to make a realistic assessment of the rehabilitation costs in individual cases, the working programs have included adjustments to cost estimates as a result of greater knowledge and official agreements in the successive processing stages.

For the valuation of provisions as of the balance sheet date, the investigation and rehabilitation obligations which are currently known have been used as the basis for estimating the expected costs in relation to the current price level.

The provision is discounted on the basis of expected cash outflows, using a risk-adjusted rate of 0.74% (previous year: 0.74%).

(€ million)	Personnel-related provisions		Revenue reductions		Provisions for pending losses		Decommissioning provisions		Environmental protection provisions		Miscellaneous other provisions		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	**2016**
As of Jan 1	1,140	1,268	1,021	949	186	235	765	538	940	993	1,282	1,328	**5,334**	**5,311**
Currency translation differences	-2	-3	0	-1	-2	-9	0	0	-1	0	-6	-9	**-11**	**-22**
Changes in scope of consolidation	0	0	0	0	0	0	-	0	-	0	0	7	**0**	**7**
thereof additions	0	0	-	0	-	0	-	0	-	0	0	7	**0**	**7**
thereof disposals	0	0	0	0	0	0	-	0	-	0	0	0	**0**	**0**
Amounts used	-325	-326	-235	-281	-65	-101	-429	-25	-48	-50	-242	-273	**-1,344**	**-1,056**
Reversals	-148	-186	-129	-83	-31	-35	-8	0	0	-1	-160	-146	**-476**	**-451**
Reclassifications	-8	-18	4	30	0	-2	-	0	-	-6	2	-2	**-2**	**2**
Additions	436	393	505	407	103	97	4	225	170	3	379	370	**1,597**	**1,495**
Compounding and discounting	1	12	-	0	0	1	17	27	3	1	-2	7	**19**	**48**
As of Dec 31	**1,094**	**1,140**	**1,166**	**1,021**	**191**	**186**	**349**	**765**	**1,064**	**940**	**1,253**	**1,282**	**5,117**	**5,334**

The following table breaks down the other provisions into current and non-current amounts, and also details their estimated residual maturity:

	Residual maturity															
	Less than 1 year		1 to 2 years		2 to 3 years		3 to 4 years		4 to 5 years		More than 5 years		Total more than 1 year		Total	
As of Dec 31 (€ million)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	**2016**	**2017**	**2016**
Personnel-related provisions	472	513	173	166	119	120	73	76	53	57	204	208	**622**	**627**	**1,094**	**1,140**
Revenue reductions	1,166	1,021	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**1,166**	**1,021**
Provisions for pending losses	67	66	43	35	24	23	19	16	14	11	24	35	**124**	**120**	**191**	**186**
Decommissioning provisions	42	417	23	28	23	28	22	28	22	28	217	236	**307**	**348**	**349**	**765**
Environmental protection provisions	62	62	56	55	59	58	58	57	58	57	771	651	**1,002**	**878**	**1,064**	**940**
Miscellaneous other provisions	934	893	111	128	28	65	20	25	27	28	133	143	**319**	**389**	**1,253**	**1,282**
Total	**2,743**	**2,972**	**406**	**412**	**253**	**294**	**192**	**202**	**174**	**181**	**1,349**	**1,273**	**2,374**	**2,362**	**5,117**	**5,334**

Personnel-related provisions

Benefits arising on the occasion of the termination of employment agreements (severance packages) become payable if an employee is released from his/her duties under the terms of an early-retirement or semi-retirement scheme before reaching normal pensionable age (which would not involve any reduction of retirement benefits) or if an employee voluntarily terminates his/her employment contract in return for a severance package. Severance payments are recognized if there is a demonstrable obligation either to terminate the employment agreements of current employees in accordance with a detailed formal plan which cannot be reversed or to pay severance payments if the employment contract is voluntarily terminated by employees within the framework of employment contract termination agreements.

Severance package obligations for agreements agreed as of the balance sheet date are recognized as other liabilities and – if they are not yet included in individual agreements and if they are part of a restructuring obligation in accordance with IAS 37 – are stated as other provisions.

Semi-retirement agreements are based on the so-called block model. The top-up amounts paid in addition to salary by DB Group during the semi-retirement period as well as additional contributions to the statutory pension insurance scheme are collected in installments up to the end of the active phase of the semi-retirement period and are recognized as provisions in accordance with IAS 19. The compensation backlog (plus the employer's contributions to social insurance) for the additional work performed during the employment phase is also shown with the present pro rata value as another non-current employee benefit.

If certain conditions are satisfied, DB Group offers its employees the opportunity to reduce their working hours to a level below their regular working hours (special semi-retirement arrangement). In these cases, the number of working hours is reduced to 81% of the reference or regular working hours, whereby the employees' remuneration is topped up to 90%. Payments into the company pension scheme are granted on the basis of 100% of the reference or regular working hours.

As of Dec 31 (€ million)	**2017**	2016
Obligations under employment contracts	608	636
Early retirement and semi-retirement obligations	232	237
Service anniversary provisions	116	118
Other	138	149
Total	**1,094**	**1,140**

The personnel-related provisions include obligations arising from employment agreements which result from the entitlement of many employees under labor law and the willingness of DB AG not to terminate employment contracts for operational reasons. In such cases, DB Group will incur losses in the form of personnel expenses which will have to be borne until the employment contract is terminated or the employee is placed with another company; no reciprocal benefit will be provided in return for these costs (obligation surpluses relating to employment agreements). The contractual personnel obligations also include restructuring provisions.

The provision for obligation surpluses amounted to about € 435 million as of the balance sheet date (as of December 31, 2016: about € 390 million), and accounted for a considerable percentage of the personnel

provisions in DB Group. This provision recognizes the personnel-related obligations of DB Group for the employment guarantee included in the Demographic Wage Agreement (Demografietarifvertrag; DemografieTV). The increase in the provision is mainly due to a reassessment of DB AG regarding the realization of potential refund claims of DB AG vis-à-vis the Federal Government in accordance with section 21 (5) No. 2 and 6 DBGrG.

On the other hand, the previous restructuring provision for potential personnel adjustment measures at the shared service center Accounting in Germany was reversed as of the balance sheet date (as of December 31, 2016: € 44 million).

In the DB Schenker segment, € 83 million was added for the global restructuring program Boost (boosting profitability).

The provisions set aside to cover semi-retirement and early retirement obligations cover the obligations arising from collective bargaining agreements, and have mostly been calculated on the basis of actuarial reports. As a result of the current regulations of the Demographic Wage Agreement (Demografietarifvertrag), this includes an amount of € 90 million (as of December 31, 2016: € 100 million) for the entitlement of employees with many years of service and also many years of shift working to enjoy special semi-retirement benefits.

Revenue reductions

The items disclosed under revenue reductions include cuts in connection with concession fees.

Provisions for pending losses

The provisions for pending losses mainly relate to transport contracts in which obligation surpluses build up over the life of the agreements.

Decommissioning provisions

The decommissioning provisions refer to the pro rata decommissioning obligation in relation to a joint power station. The valuation of the provision is based on an unchanged discount rate of 5.0%. The utilization essentially relates to the payment to be made in the year under review to the nuclear energy fund.

Provisions for environmental protection

Of the figure stated for environmental protection provisions, € 1,055 million (as of December 31, 2016: € 930 million) relate to remedial action obligations of DB AG. An additional amount of € 169 million had been allocated to the provisions as of December 31, 2017 as a result of a reassessment of the future expenses. In order to take account of the remedial action obligations recognized in the environmental protection provisions, DB AG has set up various programs, including the following programs:

- the 4-stage soil decontamination program
- the 3-stage sewerage network program
- the 2-stage landfill shut-down program

The structured processing ensures that the procedure for recognizing, assessing the risk and taking appropriate remedial action is consistent with all legal requirements and optimized in terms of costs.

In the 4-stage soil rehabilitation program, existing soil and/or groundwater contamination is localized via historical exploration, orienting investigation and detail investigation, and is assessed on the basis of the relevant statutory testing criteria. If any negative change in soil conditions or ecological burdens is identified, implementation of the necessary remedial action is planned by way of feasibility studies and model and approval planning. The process of carrying out the remedial action is supported by a binding remedial action plan or a public-sector agreement with defined remedial action objectives. Stage 1 "Historic exploration" has been completed.

The 3-stage sewerage network program aims to remedy any contamination of soil and/or groundwater resulting from leaks. The program also involves a plan to optimize the existing sewerage network to ensure that it is capable of meeting future requirements and to ensure that the need to take remedial action can be limited to this future network. The network which is not necessary for operation will be decommissioned. The sewerage program will be carried out via the stage 1 "Recording," stage 2 "Inspection" and stage 3 "Remedial action/decommissioning." Legal requirements are set out in the Water Resources Accounting Act (Wasserhaushaltsgesetz; WHG), the Water Acts of the Federal states and the company's own control regulations.

The 2-stage program "Decommissioning of landfill sites" systematically records all legacy landfill sites operated by DB Group (stage 1). The requirements resulting from the Recycling Accounting Act (Kreislaufwirtschaftsgesetz; KrWG) and the landfill site regulation (Deponieverordnung; DepV) are used as the basis for planning and implementing the processes of decommissioning and recultivating the areas (stage 2a) and the subsequent maintenance (stage 2b).

Miscellaneous other provisions

The miscellaneous other provisions comprise provisions for litigation risks, decommissioning and demolition obligations, claims for damages, real estate risks, other tax risks, guarantee and warranty obligations, third-party obligations for maintenance, liability pensions, as well as insurance and project risks for numerous other issues which individually are of minor significance.

(34) Deferred items

DB Group receives various public-sector grants, which are provided in relation to specific assets or on the basis of a specific performance. The grants are recognized in the balance sheet as soon as it is certain that they will be provided and as soon as the conditions necessary for receiving the grants have been satisfied. The grants related to assets, and in particular investment grants, are deducted directly from the assets for which grants have been received. The interest benefit (difference between nominal value and present value) of interest-free loans is deferred on the basis of the contractual grant conditions. The income from pro rata reversal of these accruals is shown as other operating income.

Deferred profits from sale-and-lease-back agreements

If capital gains are realized in conjunction with sale-and-lease-back agreements and if the subsequent lease is classified as a finance lease, these are deferred and released with an impact on the income statement over the life of the relevant agreements.

As of Dec 31 (€ million)	2017	2016
Deferred Federal grants	699	854
Deferred revenues	584	666
Other [1]	340	350
Total [1]	**1,623**	**1,870**
Non-current portion [1]	785	937
Current portion [1]	838	933

[1] Previous year figure adjusted as a result of the effects of the retrospective application of the change in method for recognizing pension obligations in the DB Arriva segment.

The deferred Federal grants comprise mainly the interest benefit (difference between the nominal value and present value) attributable to the interest-free loans; this has developed as follows during the year under review:

(€ million)	2017	2016
As of Jan 1	643	787
Reversals	-144	-144
As of Dec 31	**499**	**643**

Of the figure shown for the reversal in the year under review, € 59 million (previous year: € 59 million) is attributable to the annual reversal of deferred items. The remainder is attributable to the release of amortized deferrals relating to premature one-off repayments at the present value in 1999, 2004 and in 2011.

Deferred revenues constitute that part of compensation which is attributable to the period after the balance sheet date.

Notes to the statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents in the year under review, and was prepared in accordance with IAS 7 (Cash Flow Statements). The indirect method has been used for showing cash flow from ordinary operations.

Interest income and interest payments, dividend income as well as tax payments are stated under standard operating activities.

Cash and cash equivalents include the cash and cash equivalents stated in the balance sheet with a residual maturity of less than three months (cash in hand, cash deposited with the Bundesbank, cash at banks and checks as well as securities). In the year under review, of the total figure stated for cash and cash equivalents, € 638 million (previous year: € 762 million) was subject to disposal restrictions mainly as a result of provisions of the rail franchises in Great Britain, external solvency requirements for DB Group's own insurance companies as well as country-specific and contractual restrictions particularly in international logistics business.

Cash and cash equivalents also include current receivables due from banks (€ 271 million; previous year: € 158 million) resulting from hedges in connection with financial futures. These receivables are repaid in the event of a positive market development, and are repaid by no later than the maturity of the financial futures.

Cash flow from operating activities

The cash flow from operating activities is calculated by adjusting the net profit for the period before taxes by items which are not cash-effective (in particular additions to and reversals of other provisions) and by adding other changes in non-current assets, liabilities (excluding financial debt) and provisions. The cash flow from operating activities is then established after due consideration is given to interest and tax payments.

The inflow of cash from operating activities declined considerably compared with the previous year. This is due mainly to higher trade receivables as well as lower other provisions.

The non-cash-effective expenses and income were virtually unchanged, and in particular comprise slightly higher expenses attributable to additions to other provisions.

Cash flow from investing activities

The cash flow from investing activities is calculated as the cash flow provided by the disposal of property, plant and equipment and intangible assets as well as by investment grants, and the cash flow used for capital expenditures in property, plant and equipment and intangible assets as well as for non-current financial assets.

Payments received from investment grants are shown under investing activities due to the close connection between investment grants received and the payments made for capital expenditures in property, plant and equipment.

The strong increase in the outflow of cash from investing activities is mainly due to the 15.5% increase in outflows for capital expenditures in property, plant and equipment in conjunction with another increase in the net inflows of investment grants (+8.5%). The outflows for the acquisition of shares in consolidated companies (year under review: € 30 million; previous year: € 42 million) have declined compared with the previous year.

Of the figure shown for outflows for investments in financial assets, € 24 million is attributable to the acquired other participation uShip Inc., Austin/USA.

When changes take place in the scope of consolidation as a result of the acquisition or sale of companies, the acquisition price which is paid (excluding any liabilities which are transferred) less the acquired or sold financial resources are stated as cash flow from investing activities.

Cash flow from financing activities

The cash flow from financing activities is due to the net inflows and outflows attributable to issued bonds, changes in bank borrowings and other loans as well as outflows for the redemption of finance lease liabilities and interest-free loans.

The cash inflow from financing activities (previous year: cash outflow) is in particular attributable to the payment of € 1 billion into the capital reserve made by the shareholder, considerably reduced net inflows from the issuing and redemption of bonds, a reduction in net outflows resulting from the repayment of debt as well as a reduction of € 250 million in the profit distribution to the Federal Government.

Information regarding the changes in financial liabilities in accordance with IAS 7

(€ million)	As of Jan 1, 2017	Cash-effective change (inflow (+)/ outflow (–))	Non-cash-effective changes: Acquisition (+)/ sale (–) of companies	Currency effects	Addition (+)/ disosal (–) of finance leases	Compounding	As of Dec 31, 2017
Receivables from financing	–134	1	–	2	–	–	–131
LIABILITIES FROM FINANCING							
Interest-free loans	1,172	–206	–	–	–	48	1,014
Bonds	19,740	219	–	–357	–	14	19,616
Commercial paper	–	–	–	–	–	–	–
Bank borrowings	729	–197	–	–1	–	–	531
EUROFIMA loan	200	–	–	–	–	–	200
Finance lease liabilities	533	–53	–	–	–6	27	501
Liabilities from transport concessions	58	–6	–	–	–	–	52
Other financial liabilities	49	93	20	0	–	–	162
	22,481	**–150**	**20**	**–358**	**–6**	**89**	**22,076**
Total	**22,347**	**–149**	**20**	**–356**	**–6**	**89**	**21,945**

Notes to the segment information

Segment reporting of DB Group has been prepared in accordance with IFRS 8 (Operating Segments). The operating segments of DB Group result from the aggregation of fully consolidated legal entities; these legal entities have been allocated to specific segments on the basis of the company-specific operational performance on a defined market. The Group Management Board takes its decisions and carries out economic analyses as well as appraisals at the level of the operating segments ("management approach").

The allocation of legal entities to operating segments in external accounting is consistent with the allocation in internal management reporting. This means that the management and legal structure of DB Group are coincident. As a result of this allocation principle, there are no partial balance sheets or partial income statements within a legal entity which are allocated to different segments.

In this connection, management reporting is addressed to the Group Management Board in its function as the primary decision maker. Management reporting in DB Group is based on the accounting principles in accordance with IFRS. With regard to reconciling the segment data with the corresponding corporate data, it is accordingly mainly necessary to take account of consolidation effects. For this reason, a consolidation column is used for reconciliation purposes. The operations of the business segments are covered in the reporting format in line with the corporate organization structure of DB Group. The main regions covered by DB Group are detailed in the segment information by regions.

DB Group uses the following primary segments:

- DB Long-Distance: The segment DB Long-Distance comprises all cross-regional transport operations and other passenger transport services. Most of these transport services are provided in Germany.
- DB Regional: The segment DB Regional combines the activities for the German transport and general services in regional rail and road local passenger transport. These activities also comprise the S-Bahn (metro) operations in Berlin and Hamburg.
- DB Arriva: All European local transport activities (rail and bus) outside Germany are pooled in the DB Arriva segment.
- DB Cargo: The segment DB Cargo pools the European activities in rail freight transport. It operates primarily in Germany, Denmark, the Netherlands, Italy, Great Britain, France, Poland and Spain.
- DB Schenker: All global logistics activities of DB Group are managed in the DB Schenker segment. These comprise the freight, transport and other services in commodity and goods transport.
- DB Netze Track: The segment DB Netze Track is responsible for installing, maintaining and operating the complete track-related rail infrastructure in Germany.
- DB Netze Stations: The segment DB Netze Stations comprises the operation, development and marketing of passenger stations and retail facilities in stations in Germany.
- DB Netze Energy: The segment DB Netze Energy provides all standard energy products in the fields of transport energy and stationary energy.
- Subsidiaries/other: DB AG with its numerous management, financing and service functions in its capacity as the management holding of DB Group is shown in this segment. This also includes the service companies which mostly render the services within DB Group in the fields of transport, logistics, information technology and telecommunications. The other subsidiaries and remaining activities are classified under Subsidiaries/Other.

The data concerning the segments are shown after intra-segment relations have been eliminated. The transactions between the segments (inter-segment relations) are eliminated in the column "Consolidation."

The income and expenses detailed on the basis of operating segments in the segment information are adjusted by issues which are of an exceptional nature in terms of the amount involved or in terms of the reason for the specific issue. A general adjustment is recognized for book profits and losses attributable to transactions with investments/financial investments and in the amount of the depreciation on long-term customer contracts, which have been capitalized as part of the purchase price allocation process of company acquisitions. In addition, an adjustment is recognized for individual issues if they are of an exceptional nature, if they are definable for accounting purposes, if they can be measured and if the amount involved is material. They are shown in the reconciliation column.

Segment reporting is based on the management key figures which are used for internal management of the operating segments. These key figures form the basis of the value-oriented management concept (see CAPITAL MANAGEMENT IN DB GROUP (IN ACCORDANCE WITH IAS 1) 177 F.).

The external revenues and other revenues consist exclusively of income generated by the segments with non-Group parties. The internal revenues and other income show the income with other segments (inter-segment income). Market prices are used for establishing the transfer prices for Group internal transactions.

EBITDA (earnings before interest, taxes, depreciation and amortization) is used for assessing the purely operational profitability of the operating segments. It does not include any costs of essential capital in the form of depreciation and interest. Accordingly, EBITDA is not influenced by segment-specific financing structures and long-term investment cycles (in particular in the infrastructure segments); consequently, depreciation is incurred sooner than the positive returns generated by these capital expenditures. EBITDA thus has the character of pre-tax cash flow.

On the other hand, EBIT additionally comprises depreciation recognized in relation to fixed assets (property, plant and equipment and intangible assets). EBIT is the result generated by operations which is available for meeting the return requirements of the providers of capital.

The financing costs which are incurred as a result of the (in certain cases) very high amounts of capital tied up in the operating segments of DB Group (particularly in the infrastructure segments) are also relevant for a long-term assessment of results. This is the reason why net operating interest is additionally taken into consideration in the key figure operating income after interest.

The essential assets which are used (capital employed) also have to be taken into consideration in addition to the above-mentioned parameters for internal management of the operating segments. The capital employed comprises the essential capital which is used by providers of equity and providers of debt and for which interest has to be paid.

Net financial debt is defined as the balance of interest-bearing external liabilities and finance lease liabilities as well as cash and cash equivalents and interest-bearing external receivables. The net financial debt of the segments also comprises the receivables and liabilities attributable to Group financing and internal finance lease.

The gross capital expenditures consist of capital expenditures in property, plant and equipment and intangible assets excluding capitalized borrowing costs. Net capital expenditures are calculated by deducting the participation of third parties in the financing of specific capital expenditure projects (essentially the investment grants of the Federal Government and the Federal states).

Additions from changes in the scope of consolidation are shown as part of segment gross capital expenditures, and comprise exclusively the capital expenditures in property, plant and equipment and intangible assets, including the goodwill acquired as part of company acquisitions or included in the consolidated financial statements for the first time.

The number of employees comprises the workforce, excluding trainees and dual degree students (students on courses combining theory and practice), at the end of the reporting period (part-time employees have been converted to full-time equivalents).

The segments are subject to the same accounting principles which are described in the section “Basic principles and methods” and which are applicable for the remainder of the consolidated financial statements. Intra-Group segment transactions are generally conducted on an arm’s length basis.

Explanations concerning the information by regions

External revenues are stated on the basis of the registered offices of the Group company providing the service.

Non-current assets are allocated on the basis of the location of the company. The non-current assets comprise intangible assets, property, plant and equipment as well as non-current receivables and other assets (excluding financial instruments, deferred tax assets, rights from insurance policies as well as assets in conjunction with benefits after termination of the employment agreement).

Information concerning major customers

In the year under review as in the previous year, no single customer accounted for more than 10 % of overall Group revenues.

Risk management and derivative financial instruments

Management of financial and energy price risks

As a mobility, transport and logistics group with international operations, DB Group is exposed to financial risks in the form of changes in interest rates and exchange rates. In addition, there are also energy price risks on the procurement side as a result of fluctuations in the prices of diesel fuel and electricity. One of the aspects of corporate policy is to actively manage and thus limit these risks by means of the use of derivative financial instruments.

DB AG is responsible for all financing and hedging transactions of DB Group with its central Group Treasury, and operates in close cooperation with the subsidiaries, where the risk positions primarily rise. Group Treasury follows the relevant regulations for risk management (minimum requirements for risk management (Mindestanforderungen an das Risikomanagement; MaRisk) and Corporate Sector Supervision and Transparency Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich; KonTraG)). Speculation is not permitted. Ongoing market and risk assessment takes place as part of risk management.

Derivative financial instruments are used exclusively for hedging interest, currency and energy price risks. All individual transactions correspond to on-balance-sheet or anticipated underlyings (for instance bonds, purchases of diesel fuel and electricity). The aim is to achieve qualification as an effective hedge in accordance with IAS 39.

Interest rate risks

The interest rate risks are attributable to borrowings raised in conjunction with variable interest rates.

In accordance with IFRS 7, the effects of theoretical changes in market interest rates on income and shareholders’ equity are investigated by means of a sensitivity analysis. For this purpose, the following financial instruments are considered:

- Derivatives designated in cash flow hedges (interest hedges and cross-currency hedges) have an impact on the hedge reserve in shareholders’ equity and are therefore taken into consideration in the sensitivity calculations relating to shareholders’ equity.

- The sensitivity calculations for net interest income include financial instruments with variable interest (cash at banks, short-term borrowings/investments, cross-currency swaps, loans, finance leases)

If the level of market interest rates for the exposure had been 100 basis points higher (lower) as of the balance sheet date, the comprehensive income would have been affected as follows:

	2017		2016	
	Changes in market level of interest rates		Changes in market level of interest rates	
(€ million)	**+100 BP [1]**	**-100 BP [1]**	+100 BP [1]	-100 BP [1]
Impact on comprehensive income	+40	-43	+21	-22
thereof net profit for the year	+8	-8	+19	-19
thereof covered directly in equity	+21	-24	+2	-3

[1] Basis points.

Foreign currency risks

The foreign currency risks are attributable to financing measures and operating activities.

In order to avoid interest rate and foreign currency risks, the foreign currency bonds issued and loans within the framework of Group financing are converted into euro liabilities and receivables by means of cross-currency swaps. However, it is not necessary for such bonds to be converted in individual cases if there is a guarantee that the bond can be serviced out of inflows of foreign currency payments.

Subsidiaries hedge all significant foreign currency positions in their functional currency via Group Treasury. In exceptional cases and to a limited extent, subsidiaries are permitted to hedge foreign currency positions with banks themselves.

The currency sensitivity analysis in accordance with IFRS 7 is based on the following assumptions:

- The cross-currency swaps which are concluded and the current currency transactions are always allocated to original underlyings.
- All major foreign currency positions arising from operating activities are always 100% hedged. If exchange rate changes are 100% hedged, they do not have any impact on profits or capital.
- Foreign currency risks can only occur if a 100% hedge does not exist in justified exceptional cases; for instance if a conservative estimate is made for hedge volumes for anticipated foreign currency cash flows in order to avoid overhedging.
- On-balance-sheet foreign currency risks may result from energy price hedging which is not denominated in the respective functional currency.

If the following foreign currencies for currency hedges had weakened (or strengthened) by 10% as of the balance sheet date, comprehensive in-come would not have been significantly affected.

	2017		2016	
	Appreciation of foreign currency by		Appreciation of foreign currency by	
(€ million)	**+10%**	**-10%**	+10%	-10%
USD	+7	-7	+7	-7
GBP	0	0	-1	+1
CHF	0	0	+1	-1
CNY	+3	-3	+2	-3
HKD	0	0	+1	-1
QAR	+1	-1	0	0
SAR	+1	-1	0	0
MXN	-1	+2	0	0
SGD	0	0	-7	+7
TRY	0	0	-1	+1

DB Group has numerous equity investments in foreign subsidiaries, whose net assets are exposed to a translation risk. This translation risk is not perceived to be a foreign currency risk for the purposes of IFRS 7, and is not hedged.

Energy price risks

The Energy Price Risk Management Committee (ERMC) is responsible for managing and minimizing energy risks; this committee is responsible for ensuring the implementation of the risk policy of DB Group specifically with regard to energy price risks (in particular for procurement of diesel and electricity). The ERMC takes decisions with regard to specific hedging strategies and measures in which financial and energy derivatives are used.

Swaps relating to the commodities underlying the price formulae (coal and heavy fuel oil) are used as hedges for the risks of price changes for sourcing electricity.

Diesel price risks are for instance limited by taking out diesel swaps (hybrid hedges of diesel price and currency risks and individual hedges of currency risks are possible in exceptional cases).

The following assumptions have been made for performing the sensitivity analyses in accordance with IFRS 7:

- In the case of energy price swaps, the effective part is recognized in shareholders' equity, and the ineffective part is recognized in the income statement.
- If options are used (collars), the intrinsic value constitutes the effective part of the hedge, so that the intrinsic value is shown in shareholders' equity. On the other hand, the fair value is not part of the hedge, and is shown in the income statement.

If the energy prices at the end of the year had been 10% lower (or higher), comprehensive income would have been affected as follows:

	2017		2016	
	Changes in market prices		Changes in market prices	
(€ million)	**+10%**	**-10%**	+10%	-10%
Impact on comprehensive income	+50	-50	+66	-66
thereof covered directly in equity	+50	-50	+66	-66
Diesel	+50	-50	+65	-65
Hard coal	0	0	+1	-1

Counterparty default risk of interest, currency and energy derivatives

The default risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.

In order to minimize the credit risk of long-term derivative transactions, DB Group has concluded credit support agreements (CSA) with its core banks. In the CSA, it was agreed that both parties would mutually provide cash securities for interest and cross-currency swaps as well as energy derivatives. Securities are exchanged daily with all relevant banks.

Related amounts which are not netted in the balance sheet:

			Related amounts which are not netted in the balance sheet:					
	Financial assets/liabilities shown in the balance sheet		Financial instruments		Cash securities received/provided		Net amounts	
As of Dec 31 (€ million)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Derivative financial instruments – assets	179	399	-111	-140	-61	-259	7	0
Derivative financial instruments – liabilities	382	319	-111	-140	-271	-158	0	21

The assets from financial derivatives and thus the maximum counterparty default risk are virtually unchanged. The significant increase in the liabilities from derivative financial instruments is essentially attributable to the significant exchange rate fluctuations of the euro against most currencies so that the cash securities which have been provided are predominant. The maximum individual risk – default risk in relation to individual contract partners – is € 33 million, and exists in relation to a bank with a Moody's rating of A1. For transactions with terms of more than one year, all contract partners which are exposed to a default risk have a Moody's rating of at least Baa2.

Liquidity risk

Liquidity management involves maintaining adequate liquid assets, constantly checking the commercial paper market for ensuring adequate market liquidity and depth and the constant availability of financial resources via guaranteed credit facilities of banks (see NOTE (28) PAGE 197 FF.).

The following table shows the contractually agreed undiscounted interest payments and redemption payments relating to the original financial liabilities as well as the derivative financial instruments with a positive and negative fair value of DB Group:

Maturity analysis of financial liabilities as of Dec 31, 2017 (€ million)	2018		2019		2020–2022		2023–2027		2028 ff.	
	Fixed/ variable interest	Redemp-tion	Fixed/ variable interest	Redemp-tion	Fixed/ variable interest	Redemp-tion	Fixed/ variable interest	Redemp-tion	Fixed/ variable interest	Redemp-tion
NON-DERIVATIVE FINANCIAL LIABILITIES										
Interest-free loans	–	204	–	178	–	476	–	311	–	–
Bonds	481	1,900	401	1,942	824	5,453	654	6,561	331	3,842
Commercial paper	–	–	–	–	–	–	–	–	–	–
Bank borrowings	0	121	0	5	1	404	–	1	–	–
EUROFIMA loan	8	–	8	–	16	200	–	–	–	–
Finance lease liabilities	21	75	16	33	41	103	45	121	114	169
Finance liabilities from transport concessions	1	6	1	6	1	19	0	21	–	–
Other financial liabilities	3	58	3	102	–	1	–	1	–	–
Trade liabilities	–	5,157	–	59	–	80	–	20	–	–
Other/miscellaneous liabilities	–	3,399	–	13	–	22	–	39	–	–
DERIVATIVE FINANCIAL LIABILITIES (NET/GROSS SETTLED)										
Cross-currency derivatives connected with cash flow hedges	58	241	53	106	116	730	85	1,143	11	261
Interest derivatives not connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	5	–	5	–	4	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	717	–	–	–	–	–	–	–	–
Currency derivatives not connected with cash flow hedges	–	886	–	7	–	–	–	–	–	–
Energy price derivatives	22	–	9	–	15	–	6	–	–	–
DERIVATIVE FINANCIAL ASSETS (GROSS SETTLED)										
Cross-currency derivatives connected with cash flow hedges	63	126	60	216	127	668	121	1,517	39	599
Interest derivatives not connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	208	–	0	–	–	–	–	–	–
Currency derivatives not connected with cash flow hedges	–	901	–	3	–	1	–	–	–	–
Energy price derivatives	–	–	–	–	–	–	–	–	–	–
VOLUNTARY INFORMATION ABOUT DERIVATIVES										
DERIVATIVE FINANCIAL ASSETS (NET SETTLED)										
Cross-currency derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives not connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives not connected with cash flow hedges	–	0	–	0	–	–	–	–	–	–
Energy price derivatives	–16	–	–11	–	–15	–	–8	–	–	–
INFLOW OF FUNDS FROM DERIVATIVE FINANCIAL INSTRUMENTS (GROSS SETTLED)										
Cross-currency derivatives connected with cash flow hedges	–115	–361	–104	–347	–262	–1,396	–260	–2,612	–67	–825
Interest derivatives not connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	–924	–	–	–	–	–	–	–	–
Currency derivatives not connected with cash flow hedges	–	–1,787	–	–10	–	–1	–	–	–	–
Energy price derivatives	–	–	–	–	–	–	–	–	–	–
FINANCIAL WARRANTIES										
Financial warranties	–	17	–	–	–	–	–	–	–	–

Maturity analysis of financial liabilities as of Dec 31, 2016 (€ million)	2017		2018		2019–2021		2022–2026		2027 ff.	
	Fixed/ variable interest	Redemp-tion	Fixed/ variable interest	Redemp-tion	Fixed/ variable interest	Redemp-tion	Fixed/ variable interest	Redemp-tion	Fixed/ variable interest	Redemp-tion
NON-DERIVATIVE FINANCIAL LIABILITIES										
Interest-free loans	–	206	–	204	–	479	–	468	–	–
Bonds	501	1,839	452	1,900	911	5,978	677	7,224	311	2,894
Commercial paper	–	–	–	–	–	–	–	–	–	–
Bank borrowings	0	313	0	6	1	8	1	402	–	–
EUROFIMA loan	8	–	8	–	24	200	–	–	–	–
Finance lease liabilities	23	35	22	74	47	100	52	132	116	192
Finance liabilities from transport concessions	1	6	1	7	1	21	1	26	–	–
Other financial liabilities	–	46	–	–	–	1	–	2	–	–
Trade liabilities	–	5,100	–	51	–	106	–	27	–	–
Other/miscellaneous liabilities	–	3,511	–	12	–	29	–	27	–	–
DERIVATIVE FINANCIAL LIABILITIES (NET/GROSS SETTLED)										
Cross-currency derivatives connected with cash flow hedges	43	49	40	231	93	705	68	704	–	–
Interest derivatives not connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	6	–	5	–	9	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	213	–	–	–	–	–	–	–	–
Currency derivatives not connected with cash flow hedges	–	608	–	53	–	3	–	–	–	–
Energy price derivatives	45	–	23	–	14	–	6	–	–	–
DERIVATIVE FINANCIAL ASSETS (GROSS SETTLED)										
Cross-currency derivatives connected with cash flow hedges	79	500	66	120	155	883	131	1,198	29	366
Interest derivatives not connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	718	–	0	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	393	–	26	–	7	–	–	–	–
Energy price derivatives	–	–	–	–	–	–	–	–	–	–
VOLUNTARY INFORMATION ABOUT DERIVATIVES										
DERIVATIVE FINANCIAL ASSETS (NET SETTLED)										
Cross-currency derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	0	–	0	–	–	–	–	–	–
Energy price derivatives	–11	–	–12	–	–25	–	–18	–	–	–
INFLOW OF FUNDS FROM DERIVATIVE FINANCIAL INSTRUMENTS (GROSS SETTLED)										
Cross-currency derivatives connected with cash flow hedges	–99	–594	–91	–335	–217	–1,740	–218	–1,977	–41	–374
Interest derivatives not connected with hedges	–	–	–	–	–	–	–	–	–	–
Interest derivatives connected with cash flow hedges	–	–	–	–	–	–	–	–	–	–
Currency derivatives connected with cash flow hedges	–	–945	–	–	–	–	–	–	–	–
Currency derivatives not connected with hedges	–	–995	–	–80	–	–10	–	–	–	–
Energy price derivatives	–	–	–	–	–	–	–	–	–	–
FINANCIAL WARRANTIES										
Financial warranties	–	29	–	–	–	–	–	–	–	–

This includes all instruments which were held at the end of 2017 and for which payments had already been agreed. Foreign currency amounts have been translated using the spot rate applicable as of the reference date. The variable interest payments attributable to the financial instruments have been calculated on the basis of the interest rates applicable on December 31, 2017 (previous year on December 31, 2016). Financial liabilities which can be repaid at any time are allocated to the earliest possible time segment.

The financial liabilities are opposed by cash and cash equivalents of € 3,397 million, consisting of positive account balances and current fixed-term deposits.

Other disclosures

(35) Contingent receivables and liabilities, and guarantee obligations

Contingent receivables were stated as € 23 million as of December 31, 2017 (as of December 31, 2016: € 17 million), and comprise mainly a claim for a refund regarding investment grants which had been paid; however, as of the balance sheet date, the extent and due date of the claim was not sufficiently certain.

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

The contingent liabilities are broken down as follows:

As of Dec 31 (€ million)	2017	2016
Contingent liabilities		
Provision of warranties	30	–
Other contingent liabilities	124	95
Total	**154**	**95**

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

There are also contingencies of € 17 million from guarantees as of December 31, 2017 (as of December 31, 2016: € 29 million). The decline relates particularly to the Subsidiaries/Other segment. Property, plant and equipment with carrying amounts of € 7 million (as of December 31, 2016: € 9 million) were also used as security for loans. The reported figure essentially relates to rolling stock which are used at the operating companies in the segment DB Long-Distance.

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

(36) Other financial obligations

The other financial obligations amounted to € 20,507 million as of December 31, 2017 (as of December 31, 2016: € 21,325 million).

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

As of Dec 31 (€ million)	2017	2016
Committed capital expenditures		
Property, plant and equipment	14,478	15,272
Intangible assets	55	13
Acquisition of financial assets	402	438
Total	**14,935**	**15,723**

The slight decline in committed capital expenditures in property, plant and equipment is mainly due to the acquisitions/deliveries 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 maximum ratings. The order commitment for the acquisition of property, plant and equipment also contains future obligations for vehicles in connection with transport contracts to be recognized in accordance with IFRIC 12.

The figure of € 402 million shown for the acquisition of financial assets (as of December 31, 2016: € 438 million) relates to outstanding contributions at EUROFIMA which have not been called in. Various companies in DB Group have leased assets, e.g. property, buildings, technical equipment, plant and machinery as well as operational and business equipment within the framework of operating lease agreements.

The terms of the future minimum payments arising from operating lease agreements are set out in the following table:

	Nominal values	
As of Dec 31 (€ million)	2017	2016
Up to 1 year	1,294	1,306
1 to 2 years	888	965
2 to 3 years	705	707
3 to 4 years	538	571
4 to 5 years	444	448
More than 5 years	1,703	1,605
Total	**5,572**	**5,602**

In the year under review, new agreements compensated for the decline attributable to the existing agreements.

(37) Structured companies

DB AG holds 100% of the shares in DB Barnsdale AG. DB Barnsdale AG is a structured company for enforcing claims for damages from a cartel, and is included as a subsidiary in the consolidated financial statements. DB AG has provided DB Barnsdale AG with an undated and unlimited guarantee for absorbing litigation cost refund claims. A profit and loss transfer agreement has also been concluded.

(38) Infrastructure and transport agreements

The following notes and information refer to the requirements of SIC-29 (Disclosure – Service Concession Arrangements).

Infrastructure contracts

The main rail infrastructure companies (RIC) of DB Group are DB Netz AG, DB Station&Service AG and DB Energie GmbH.

On the basis of section 6 of the General Railways Act (Allgemeines Eisenbahngesetz, AEG), the RICs which operate track, control and security systems or platforms require approval for such operations. This is applicable particularly for DB Netz AG and DB Station&Service AG, whose approvals are valid until the end of December 31, 2048.

The rights of the RIC to operate the railway infrastructure is connected to various obligations. In particular, they are obliged to ensure that their operations are managed safely, that all rail infrastructure is constructed safely and maintained in a safe condition (section 4 (3) AEG). With regard to compliance with this regulation, the RIC of DB Group are regulated by the Eisenbahn-Bundesamt (EBA; Federal Railway Office).

In addition, the RIC also have to observe statutory duties with regard to noise abatement in the case of any new and expansion projects. DB Group voluntarily participates in the rail noise abatement program of the Federal Government for existing lines.

The RIC provide non-discriminatory access to the rail infrastructure in accordance with sections 10 et seq. EReG, and charge the TOC for this access. The charges of DB Netze AG and DB Station&Service AG must comply with the requirements of the EReG. The charges for the use of traction power lines have to comply with the requirements of the German Energy Industry Act (Energiewirtschaftsgesetz; EnWG).

In the year under review, DB Netz AG, DB Station&Service AG and Energie GmbH generated overall revenues of € 9,218 million (previous year: € 9,043 million); thereof € 3,269 million (previous year: € 3,046 million) was generated with non-Group customers.

The assets of the rail infrastructure are the legal and economic property of the companies.

Transport contracts

DB Regio AG and its subsidiaries provide transport services on the basis of ordered-service contracts. These so-called transport contracts for local rail passenger transport services are signed with the ordering organization of the transport services authorized by the Federal states (e.g. special-purpose association, local transport company); these contracts determine the volume and the quality level in which the transport service is provided, the future development as well as the compensation (concession fees).

The funds necessary for this purpose are made available to the Federal states by the Federal Government in accordance with the regulations of the Regionalization Act (Regionalisierungsgesetz; RegG). The concession fees received by the subsidiaries of the segment DB Regional amounted to a total of € 3,900 million in the year under review (previous year: € 3,866 million) (see NOTE (1) 179).

In addition, there are similar transport contracts with international contracting organizations in the DB Arriva segment, with a volume of € 861 million (previous year: € 873 million) (see NOTE (1) 179).

80% of all the hedged transport contracts run until at least 2020, 50% run until at least 2025 and 25% run until at least 2029. The transport contracts can only be terminated by the ordering organization during the term of the agreement for a compelling reason.

In many cases, the companies enjoy legal and beneficial ownership of the assets necessary for providing the services, and in particular the rolling stock. Some transport contracts include obligations whereby the assets which are deployed have to be handed over at the end of the life of the agreement. In addition, DB Group is recording an increasing percentage of transport contracts in which the rolling stock is either leased by the ordering organization or for which the leasing arrangement is supported by capital service guarantees by the ordering organization.

(39) Related-party disclosures

The following parties are deemed to be related parties of DB Group in accordance with IAS 24 (Related-Party Disclosures):

- the Federal Government in its capacity as the owner of all shares in DB AG,
- the companies or enterprises subject to the control of the Federal Government (Federal companies),
- affiliated, non-consolidated and associated companies as well as joint ventures of DB Group, as well as
- the members of the Management Board and the Supervisory Board of DB AG and their close relatives.

Transactions with related parties are conducted on an arm's length basis.

The figures attributable to related companies and persons are stated under the corresponding items of the "Notes to the balance sheet" with the designation "thereof." Individual figures are set out in the NOTES (19) 191 FF., (28) 197 FF. and (29) 202.

Details and explanations of transactions between DB Group and the Federal Government are included in the NOTES (3) 180, (5) 181, (9) 184, (13) 186 FF., (32) 203 FF., (36) 217 and (38) 217 F.

Significant economic relations which need to be reported separately between DB Group and related companies and persons are explained in the following:

Relationships with the Federal Republic of Germany

GRI 203-1

(€ million)	Federal Government 2017	Federal Government 2016
SERVICES RECEIVED BY DB GROUP		
Purchase of goods and services	1,386	1,426
Lease and rental payments made	1	1
Other services received	0	2
Investment grants received [1]	5,612	5,228
Other income grants received	215	178
	7,214	**6,835**
SERVICES RENDERED BY DB GROUP		
Sale of goods and services	339	342
Lease and rental payments received	13	14
Other services rendered	61	66
Repayment of loans	206	220
Repayment of investment grants	41	48
Repayment from cartel proceedings	2	18
	662	**708**
OTHER DISCLOSURES		
Unsecured receivables [2]	276	217
Unsecured liabilities [2]	1,217	1,442
Current total of guarantees received [2]	1,104	1,185

[1] Including € 257 million EU subsidies paid out via the Federal Government.

[2] As of the closing date.

Purchases of goods and services mainly comprise the fees paid to the Federal Government within the framework of the pro forma billing of the allocated civil servants as well as cost refunds for staff secondments in the service provision field.

With the law for improving the opportunities for re-integration on the labor market, the corresponding regulations in SGB III were revised. In accordance with section 54 SGB III, the Federal Employment Agency provides a subsidy of up to € 231 per month for career opportunity qualifications. In the year under review, about 280 young persons were offered a training opportunity within the framework of the career preparation program Chance plus.

DB AG and the RIC have signed a performance and financing agreement (Leistungs- und Finanzierungsvereinbarung; LuFV I) with the Federal Government represented by the Federal Ministry of Transport, Building and Urban Development (Bundesministerium für Verkehr, Bau und Stadtentwicklung; BMVBS) for the initial period 2009 to 2013. This agreement has reformed the financing regime for the existing network. Whereas up to the point at which the LuFV I came into force, individual and collective agreements have been used as the basis for financing replacement capital expenditures in relation to individual measures, the use of Federal funds within the LuFV framework is managed in a quality-oriented manner. The plannability, efficiency and transparency of the use of funds for maintaining the infrastructure has been improved with the LuFV I. The agreement came into force on January 1, 2009. The duration of the LuFV was extended from the end of 2013 to the end of 2015 by way of a second addendum to the performance and financing agreement of September 6, 2013. The LuFV I was replaced by the follow-up agreement LuFV II with effect from January 1, 2015.

The negotiations concerning the LuFV II between DB Group and the Federal Government were concluded in October 2014. The LuFV II, which was signed on January 12, 2015 and which has been applicable since January 1, 2015, is a target-oriented instrument for financing and managing capital expenditures. The core objectives are to maintain and

further improve the quality and availability of the existing infrastructure (existing network) and to assure financing for the existing network for the years 2015 to 2019.

Under the terms of the LuFV II, the contractually defined volume of funds was considerably increased: the infrastructure contribution of the Federal Government was increased to an average of € 3.316 billion per calendar year. The envisaged dividend distributions of DB AG are reinvested completely in the rail infrastructure as Federal Government grants. The element for improving local rail passenger transport was increased to € 1.1 billion for the entire life of the LuFV II. The maintenance contribution to be provided by the RIC has increased to a minimum of € 8.0 billion for the life of the LuFV II.

The own funds to be provided by the RIC for capital expenditures every year on the other hand now amount to € 100 million per calendar year (LuFV I: € 500 million per calendar year).

The quality parameters from the LuFV I have been retained in principle, whereby the targets have been increased. A new "status category fully and partially renewed bridges" has been agreed in the LuFV II. If at least 875 rail bridges are not fully or partially renewed during the life of the LuFV II, and/or if the average status category of these bridges does not improve by at least one status category, the Federal Government can demand a one-off repayment of € 15 million.

In addition to the previous reasons for demanding repayments, the Federal Government can demand repayment of € 1.0 million per bridge in the event of a bridge having to be closed due to a fault for which the RIC is responsible. In addition, under certain conditions, the Federal Government can also demand repayment in the event of data errors. And finally, the Federal Government can demand repayment of a proportionate amount in the event of a deliberate or grossly negligent contravention of the principle of efficient and cost-effective application of funds if it is disadvantaged in this way.

The LuFV II has also specified in greater detail the statutory assessment and audit rights of the Federal Audit Office (Bundesrechnungshof).

The RIC and the Federal Government signed the Requirement Plan Implementation Agreement (Bedarfsplanumsetzungsvereinbarung; BUV) on July 25, 2017. This came into force on January 1, 2018, and governs the financing of requirement plan projects. Key elements include a readjustment of planning costs, fixing the own fund participation of the RIC in the projects as well as the agreement of a binding commissioning date which is subject to penalties if not met.

The Federal Government will in future absorb all costs of the project, in other words also the entire planning costs. The previous regulation in the form of a fixed amount for planning costs equivalent to 18 % of the construction costs has been canceled.

In future, the RIC will participate in all costs of the project in accordance with their own economic benefit, i.e. including the entire construction costs. This provides a powerful incentive to avoid increases in construction costs.

The RIC have provided the Federal Government with a commitment for milestones and binding commissioning dates for the projects. The financial penalties in the event of failure to meet these deadlines provide an incentive for complying with the deadlines.

Further investment grants are provided in accordance with the Local Authority Transport Financing Act (Gemeindeverkehrsfinanzierungsgesetz; GVFG) for measures of the transport program, in accordance with the noise abatement program of the Federal Government in relation to existing track of the railways and within the framework of the capital expenditure program for the future (Zukunftsinvestitionsprogramm; ZIP) which was adopted in 2016.

DB Netz AG has received funds from the European Union for infrastructure projects in the field of trans-European networks (TEN) and for priority measures for expanding the trans-European network (Connecting Europe Facility; CEF funds).

The grants recognized in the income statement relate also to payments provided by the Federal Government for covering excessive burdens borne by DB Group as a result of operating and maintaining level crossings with roads of all construction authorities.

Sales of products and services also comprise services for carrying severely disabled persons, Bundeswehr soldiers and Bundeswehr traffic.

DB AG repaid to the Federal Government interest-free loans of € 206 million in accordance with the BSWAG. The payments were made within the framework of the agreed annual standard payment to the Federal Government.

The liabilities due to the Federal Government comprise the extended loans, which are shown here with their present values, and other liabilities of € 203 million (as of December 31, 2016: € 270 million).

The guarantees received from the Federal Government primarily relate to the loans received from EUROFIMA as well as the outstanding contributions and liabilities arising from collective liability of DB AG at EUROFIMA. The guarantees which have been received include a maximum commitment of € 1,153 million of the Federal Government for loans of EUROFIMA. The loan volume amounted to € 200 million as of the balance sheet date.

The following agreements were concluded with the Federal Government in the year under review:

Twelve new financing agreements were concluded in the year under review in addition to the Adjustment Agreement 2017 (Anpassungsvereinbarung; APV), in certain cases charged against the ZIP. The Federal Government has provided finance totaling about € 513 million for the new agreements. Of this figure, about € 48 million relates to the year under review. The financing agreements have different terms, which in certain cases extend to the year 2027. Financing is provided completely in the form of investment grants which do not have to be repaid.

Sections 21 (5) No. 2 and (6) of the DBGrG have resulted in claims of DB AG against the Federal Government. Section 21 (5) No. 2 DBGrG specifies that the Federal Government bears those costs which are incurred by DB AG in the performance of technical, operational or organizational measures as a result of the fact that employment agreements cannot be terminated. Section 21 (6) DBGrG states that (5) No. 2 is applicable accordingly for assigned civil servants. The joint implementation of the DBGrG is based on an agreement in accordance with section 21 (8) DBGrG in relation to section 21 (5) No. 2 and (6) DBGrG of June 10/17, 2015 between the Federal Railroad Fund on the one hand and DB AG on the other. The BMVI and the Federal Ministry of Finance (Bundesministerium der Finanzen; BMF) approved this agreement on June 24/July 28, 2015. The new agreement states that DB AG shall provide evidence (with documentation of each individual case) that an employee on the books of DB JobService GmbH (a civil servant or employee subject to collective bargaining agreements satisfying certain criteria at the initial foundation in 1994) was affected by a rationalization measure and employment elsewhere is not possible. The personnel expenses plus an additional amount of 10 % of the personnel expenses to cover costs shall be reimbursed only after each individual case has been reviewed by the Federal Railroad Fund. By the end of 2017, a total of € 41.9 million was netted for the cases which have so far been confirmed by the Federal Railroad Fund, and a figure of € 4.2 million has been netted for reimbursement costs. Agreement was reached at the beginning of 2018 regarding the procedure of assessing individual cases.

Relations with Federal companies

Most of the transactions carried out in accordance with IAS 24 in the period under review and in the previous year period related to operations, and overall were of minor significance for DB Group. The receivables and liabilities which had arisen were virtually completely settled as of the reference date. Business relations with Deutsche Telekom and Deutsche Post regarding the use of telecommunications and postal services have taken place to the usual extent.

Relations with affiliated, non-consolidated companies, associates and joint ventures

In the year under review, DB Group purchased goods and services worth € 114 million (previous year: € 114 million), mainly for purchasing passenger transport and freight services. At € 80 million (previous year: € 87 million), most of the total figure which has been reported is attributable to transactions with associates. Rental and leasing payments of € 7 million were also made (previous year: € 7 million).

Interest payments of € 8 million (previous year: € 9 million) were also incurred in the year under review. This figure relates almost exclusively to interest payments for the loans extended by EUROFIMA. Please refer to the details under NOTE (28) 197 FF.

In the year under review, DB Group generated revenues of € 373 million (previous year: € 403 million) from sales of goods and services. The revenues were generated mainly in the DB Cargo segment and relate to revenues generated by transport services which were provided.

Guarantees totaling € 6 million (as of December 31, 2016: € 13 million) have been extended; of this figure € 6 million (as of December 31, 2016: € 13 million) was attributable to joint ventures. An equivalent volume of transactions with related companies was conducted in the previous year.

Relations with the Management Board and Supervisory Board of DB AG

The following section sets out the transactions between DB Group and the members of the Management Board and the Supervisory Board, as well as the companies in which members of the Management Board or the Supervisory Board own a majority interest.

(€ thousand)	2017	2016
SERVICES RENDERED BY DB GROUP		
Sale of goods and services	11,748	9,071
Trade receivables as of Dec 31	255	273
SERVICES RECEIVED BY DB GROUP		
Purchase of goods and services	11,220	22,594
Trade liabilities as of Dec 31	1,740	2,812

The revenues of € 11,748 thousand generated by DB Group (service provider) (previous year: € 9,071 thousand) mainly relate to transport and freight forwarding services of the segments DB Cargo and DB Schenker which were provided to the Georgsmarienhütte Holding GmbH Group.

The goods and services purchased by DB Group (service recipient) comprise almost entirely supplies of Georgsmarienhütte Holding GmbH Group.

Compensation of the Management Board

(€ thousand)	2017	2016
Benefits due in the short term	6,270	10,201
Post-employment benefits	1,940	3,085
Other benefits due in the long term	369	221
Payments on the occasion of termination of employment contracts	2,251	1,186
Share-based compensation	–	–
Total compensation of the Management Board according to IFRS	**10,830**	**14,693**
Fixed	4,906	6,926
Variable	3,673	6,581
Payments on the occasion of termination of employment contracts	2,251	1,186
Pension provisions for active members of the Management Board [1]	23,409	33,984
Total compensation of the Management Board according to HGB	8,521	11,386
Compensation of former members of the Management Board and their surviving dependants	14,865	16,037
Retirement benefit obligations in respect of former members of the Management Board and their surviving dependants [1]	149,214	155,068

[1] Details of defined benefit obligations.

No loans and advances were extended to members of the Management Board in the year under review. Nor did the company take on any contingencies for the benefit of members of the Management Board.

Compensation of the Supervisory Board

(€ thousand)	2017	2016
Total compensation of the Supervisory Board	910	995
thereof short-term	910	995
thereof fixed	508	561
thereof variable	224	263
thereof attendance fees	42	63
thereof benefits in kind from discounted travel	89	67
thereof compensation for membership in supervisory board/advisory boards of DB Group companies (including attendance fees)	47	41

No compensation was incurred for former members of the Supervisory Board and their surviving dependants. There are no pension obligations for former members of the Supervisory Board and their surviving dependants. The members of the Supervisory Board only receive benefits due in the short term.

No loans and advances were extended to members of the Supervisory Board in the year under review. Nor did the company take on any contingencies for the benefit of members of the Supervisory Board.

The total amount of compensation for the Management Board and Supervisory Board was € 11,740 thousand in the year under review (previous year: € 15,688 thousand). Individual details as well as further details concerning the payments of the members of the Management Board and Supervisory Board are included in the Corporate Governance report in the Group management report.

(40) Events after the balance sheet date

Bond issues

In January and February 2018, the following bonds were issued by DB Finance:

Issue volume	Duration in years	Coupon (%)	Placing
€ 1 billion	10	1.000	Institutional investors mainly in Europe and Asia
€ 750 million	15.5	1.625	Institutional investors mainly in Europe

Cost framework Stuttgart 21

On January 26, 2018, the Supervisory Board raised the financing framework for the project Stuttgart 21 from the previous figure of € 6.5 billion to € 8.2 billion (including a buffer of € 0.5 billion).

Wendlingen–Ulm new construction line

The same Supervisory Board meeting also discussed the cost situation of the Wendlingen–Ulm new construction line. The cost forecast was increased to € 3.7 billion, and completion has been postponed by one year to 2022.

New coalition agreement

In the coalition agreement of February 7, 2018, the CDU, CSU and SPD set out a commitment to the integrated DB Group. A "rail pact" between the Federal Government and industry is expected to result in a two-fold increase in passenger numbers by the year 2030, and is also expected to boost rail freight.

(41) Exemption of subsidiaries from the disclosure requirements of the German Commercial Code

The following subsidiaries intend to utilize the possibility of section 264 (3) or 264b HGB not to disclose their financial statements:

- AMEROPA-REISEN GmbH, Bad Homburg v. d. Höhe
- Autokraft GmbH, Kiel
- Bayern Express&P. Kühn Berlin GmbH, Berlin
- Berlin Linien Bus GmbH, Berlin
- BRN Busverkehr Rhein-Neckar GmbH, Ludwigshafen am Rhein
- BVO Busverkehr Ostwestfalen GmbH, Bielefeld
- BVR Busverkehr Rheinland GmbH, Düsseldorf
- DB Barnsdale AG, Berlin
- DB Cargo BTT GmbH, Mainz
- DB Cargo Logistics GmbH, Kelsterbach
- DB Cargo Vermögensverwaltungs-Aktiengesellschaft, Mainz
- DB Competition Claims GmbH, Berlin
- DB Dialog GmbH, Berlin
- DB Engineering&Consulting GmbH, Berlin
- DB European Railservice GmbH, Dortmund
- DB FuhrparkService GmbH, Frankfurt am Main
- DB Gastronomie GmbH, Frankfurt am Main
- DB Intermodal Services GmbH, Mainz
- DB JobService GmbH, Berlin
- DB Kommunikationstechnik GmbH, Berlin
- DB Media&Buch GmbH, Kassel
- DB Projekt Stuttgart–Ulm GmbH, Stuttgart
- DB Regio Bus Bayern GmbH, Ingolstadt
- DB Regio Bus Mitte GmbH, Ludwigshafen am Rhein
- DB Regio Bus Nord GmbH, Hamburg
- DB Regio Bus Ost GmbH, Potsdam
- DB Regionalverkehr Bayern GmbH, Ingolstadt
- DB Sicherheit GmbH, Berlin
- DB Systel GmbH, Frankfurt am Main
- DB Systemtechnik GmbH, Minden
- DB Vertrieb GmbH, Frankfurt am Main
- DB Zeitarbeit GmbH, Berlin
- Deutsche Bahn Connect GmbH, Frankfurt am Main
- Deutsche Bahn Digital Ventures GmbH, Berlin
- Deutsche Bahn International Operations GmbH, Berlin
- DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH, Bad Homburg v. d. Höhe
- ELAG Emder Lagerhaus und Automotive GmbH, Emden
- EVAG Emder Verkehrs und Automotive Gesellschaft mbH, Emden
- Friedrich Müller Omnibusunternehmen GmbH, Schwäbisch Hall
- Haller Busbetrieb GmbH, Walsrode
- Hanekamp Busreisen GmbH, Cloppenburg
- Karpeles Flight Services GmbH, Frankfurt am Main
- MTS MarkenTechnikService GmbH&Co. KG, Karlsruhe
- NVO Nahverkehr Ostwestfalen GmbH, Münster
- Omnibusverkehr Franken GmbH (OVF), Nuremberg
- ORN Omnibusverkehr Rhein–Nahe GmbH, Mainz
- RBO Regionalbus Ostbayern GmbH, Regensburg
- Regional Bus Stuttgart GmbH RBS, Stuttgart
- Regionalbus Braunschweig GmbH – RBB –, Braunschweig
- Regionalverkehr Allgäu GmbH (RVA), Oberstdorf
- Regionalverkehr Kurhessen GmbH (RKH), Kassel
- Regionalverkehr Oberbayern Gesellschaft mit beschränkter Haftung, Munich
- Regionalverkehre Start Deutschland GmbH, Frankfurt am Main
- RMV Rhein–Mosel Verkehrsgesellschaft mbH, Koblenz
- RVS Regionalbusverkehr Südwest GmbH, Karlsruhe
- S-Bahn Hamburg Service GmbH, Hamburg
- SBG SüdbadenBus GmbH, Freiburg im Breisgau
- Schenker Aktiengesellschaft, Essen
- Schenker Dedicated Services Germany GmbH, Essen
- Schenker Deutschland AG, Frankfurt am Main
- Schenker Direct Production GmbH, Lübeck
- Schenker Europe GmbH, Frankfurt am Main
- Schenker GmbH für Beteiligungen, Essen
- SCHENKER INTERNATIONAL AKTIENGESELLSCHAFT, Essen
- Schenker Technik GmbH, Essen
- TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH, Mainz
- TRANSA Spedition GmbH, Offenbach am Main
- UBB Usedomer Bäderbahn GmbH, Heringsdorf
- Verkehrsgesellschaft mbH Untermain – VU –, Aschaffenburg
- Verkehrsgesellschaft Start Augsburg mbH, Frankfurt am Main
- Verkehrsgesellschaft Start Emscher-Münsterland mbH, Frankfurt am Main
- Verkehrsgesellschaft Start Niedersachsen mbH, Frankfurt am Main
- Verkehrsgesellschaft Start NRW mbH, Frankfurt am Main
- Verkehrsgesellschaft Start Ostsachsen mbH, Berlin
- Verkehrsgesellschaft Start Unterelbe mbH, Cuxhaven
- WB Westfalen Bus GmbH, Münster
- Weser-Ems Busverkehr GmbH (WEB), Bremen
- Zentral-Omnibusbahnhof Berlin GmbH, Berlin

GRI 102-45

(42) List of shareholdings

The list of shareholdings is set out on the following pages.

Breakdown of shareholdings of DB AG (in accordance with section 313 (2) HGB)

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
DB LONG-DISTANCE			
FULLY CONSOLIDATED			
AMEROPA-REISEN GmbH, Bad Homburg v. d. Höhe	EUR	3,019	100.00
DB Bahn Italia S.r.l., Verona/Italy	EUR	7,357	100.00
DB European Railservice GmbH, Dortmund	EUR	46	100.00
DB Fernverkehr Aktiengesellschaft, Frankfurt am Main	EUR	2,305,051	100.00
DB Reise&Touristik Suisse SA, Basel/Switzerland	CHF	-2,456	100.00
AT EQUITY			
Alleo GmbH, Saarbrücken [2), 3)]	EUR	380	50.00
Railteam B.V., Amsterdam/the Netherlands [2), 4)]	EUR	116	20.00
Rheinalp GmbH, Frankfurt am Main [2), 4)]	EUR	315	50.00
DB REGIONAL			
FULLY CONSOLIDATED			
Autokraft GmbH, Kiel	EUR	16,123	100.00
Bayern Express&P. Kühn Berlin GmbH, Berlin	EUR	6,377	100.00
Berlin Linien Bus GmbH, Berlin	EUR	1,126	100.00
BRN Busverkehr Rhein-Neckar GmbH, Ludwigshafen am Rhein	EUR	7,687	100.00
Busverkehr Märkisch-Oderland GmbH, Strausberg	EUR	5,818	51.17
Busverkehr Oder-Spree GmbH, Fürstenwalde	EUR	5,042	51.17
BVO Busverkehr Ostwestfalen GmbH, Bielefeld	EUR	13,513	100.00
BVR Busverkehr Rheinland GmbH, Düsseldorf	EUR	7,439	100.00
DB Regio Aktiengesellschaft, Frankfurt am Main	EUR	2,173,231	100.00
DB Regio Bus Bayern GmbH, Ingolstadt	EUR	5,831	100.00
DB Regio Bus Mitte GmbH, Ludwigshafen am Rhein	EUR	43,139	100.00
DB Regio Bus Nord GmbH, Hamburg	EUR	1,509	100.00
DB Regio Bus Ost GmbH, Potsdam	EUR	6,198	100.00
DB Regio Bus Rhein-Mosel GmbH, Montabaur	EUR	1,733	74.90
DB Regionalverkehr Bayern GmbH, Ingolstadt	EUR	50	100.00
DB RegioNetz Verkehrs GmbH, Frankfurt am Main	EUR	78,047	100.00
DB ZugBus Regionalverkehr Alb-Bodensee GmbH (RAB), Ulm	EUR	54,320	100.00
Friedrich Müller Omnibusunternehmen GmbH, Schwäbisch Hall	EUR	2,317	100.00
Haller Busbetrieb GmbH, Walsrode	EUR	6,581	100.00
Hanekamp Busreisen GmbH, Cloppenburg	EUR	4,973	100.00
KOB GmbH, Oberthulba	EUR	1,959	70.00
NVO Nahverkehr Ostwestfalen GmbH, Münster	EUR	877	100.00
Omnibusverkehr Franken GmbH (OVF), Nuremberg	EUR	20,087	100.00
ORN Omnibusverkehr Rhein-Nahe GmbH, Mainz	EUR	12,783	100.00
RBO Regionalbus Ostbayern GmbH, Regensburg	EUR	15,026	100.00
Regional Bus Stuttgart GmbH RBS, Stuttgart	EUR	24,843	100.00
Regionalbus Braunschweig GmbH -RBB-, Brunswick	EUR	8,381	100.00
Regionalverkehr Allgäu GmbH (RVA), Oberstdorf	EUR	4,211	70.00
Regionalverkehr Kurhessen GmbH (RKH), Kassel	EUR	4,589	100.00
Regionalverkehr Oberbayern Gesellschaft mit beschränkter Haftung, Munich	EUR	17,857	100.00
Regionalverkehre Start Deutschland GmbH, Frankfurt am Main	EUR	2,903	100.00
rhb rheinhunsrückbus GmbH, Simmern	EUR	189	48.69
RMV Rhein-Mosel Verkehrsgesellschaft mbH, Koblenz	EUR	12,341	74.90
RVS Regionalbusverkehr Südwest GmbH, Karlsruhe	EUR	12,949	100.00
S-Bahn Berlin GmbH, Berlin	EUR	170,442	100.00
S-Bahn Hamburg GmbH, Hamburg	EUR	74,495	100.00
S-Bahn Hamburg Service GmbH, Hamburg	EUR	25	100.00
SBG SüdbadenBus GmbH, Freiburg im Breisgau	EUR	14,058	100.00
Verkehrsgesellschaft mbH Untermain -VU-, Aschaffenburg	EUR	3,057	100.00
Verkehrsgesellschaft Start Augsburg mbH, Frankfurt am Main	EUR	48	100.00
Verkehrsgesellschaft Start Emscher-Münsterland mbH, Frankfurt am Main	EUR	17	100.00
Verkehrsgesellschaft Start Niedersachsen mbH, Frankfurt am Main	EUR	49	100.00
Verkehrsgesellschaft Start NRW mbH, Frankfurt am Main	EUR	49	100.00
Verkehrsgesellschaft Start Ostsachsen mbH, Berlin	EUR	49	100.00
Verkehrsgesellschaft Start Unterelbe mbH, Cuxhaven	EUR	50	100.00
WB Westfalen Bus GmbH, Münster	EUR	8,684	100.00
Weser-Ems Busverkehr GmbH (WEB), Bremen	EUR	12,093	100.00
Zentral-Omnibusbahnhof Berlin GmbH, Berlin	EUR	214	100.00
AT EQUITY			
"Rhein-Nahe Nahverkehrsverbund GmbH," Ingelheim am Rhein [2), 5)]	EUR	124	29.33
"ZOB" Zentral-Omnibus-Bahnhof Gesellschaft mit beschränkter Haftung, Bremen [2), 4)]	EUR	29	25.60
Bodensee-Oberschwaben Verkehrsverbund-gesellschaft mit beschränkter Haftung, Ravensburg [2), 4)]	EUR	228	25.32
Connect-Fahrplanauskunft GmbH, Hanover [2), 4)]	EUR	198	42.00
FahrBus Ostalb GmbH, Aalen [2), 4)]	EUR	244	49.90
Filsland Mobilitätsverbund GmbH, Göppingen [2), 4)]	EUR	79	30.00
FSN Fahrzeugservice Neunkirchen GmbH, Neunkirchen [2), 4)]	EUR	172	47.50
Hövelhofer Ortsbus GmbH (HOB), Rheda-Wiedenbrück [2), 6)]	EUR	26	50.00
Kahlgrund-Verkehrs-Gesellschaft mit beschränkter Haftung, Schöllkrippen [2), 4)]	EUR	9,051	28.00
Kitzinger Nahverkehrsgemeinschaft (KiNG), Kitzingen [2), 5)]	EUR	4	50.00
Kreisbahn Aurich GmbH, Aurich [2), 4)]	EUR	1,121	33.33
Main-Spessart-Nahverkehrsgesellschaft mbH, Gemünden (Main) [2), 5)]	EUR	107	25.00
Niedersachsentarif GmbH, Hanover [2), 4)]	EUR	54	8.33
NSH Nahverkehr Schleswig-Holstein GmbH, Kiel [2), 4)]	EUR	23	46.90
OstalbMobil GmbH, Aalen [2), 4)]	EUR	50	39.30
RBP Regionalbusverkehr Passau Land GmbH, Bad Füssing [2), 4)]	EUR	67	33.33
Regio-Verkehrsverbund Freiburg GmbH (RVF), Freiburg im Breisgau [2), 4)]	EUR	300	45.00
Saarländische Nahverkehrs-Service GmbH, Saarbrücken [2), 4)]	EUR	60	41.67
stadtbus Ravensburg Weingarten GmbH, Ravensburg [2), 4)]	EUR	25	45.20
TGO - Tarifverbund Ortenau GmbH, Offenburg [2), 4)]	EUR	99	49.00
Unternehmensgesellschaft Verkehrsverbund Rhein-Neckar GmbH (URN GmbH), Mannheim [2), 4)]	EUR	235	30.30

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
UVW Unternehmensverbund Westpfalz GmbH i. L., Kaiserslautern [2), 7)]	EUR	44	61.67
Verkehrsgemeinschaft am Bayerischen Untermain – VAB GmbH, Aschaffenburg [2), 4)]	EUR	25	60.00
Verkehrsgemeinschaft Mittelthüringen GmbH (VMT), Erfurt [2), 4)]	EUR	118	11.11
Verkehrsgesellschaft Landkreis Nienburg mbH (VLN), Nienburg/Weser [2), 4)]	EUR	26	48.54
VerkehrsGesellschaft Main-Tauber mbH (VGMT), Lauda-Königshofen [2), 4)]	EUR	27	42.19
Verkehrsunternehmen Hegau-Bodensee Verbund GmbH (VHB), Konstanz [2), 4)]	EUR	30	34.00
Verkehrsunternehmens-Verbund Mainfranken GmbH – VVM, Würzburg [2), 4)]	EUR	30	18.64
Verkehrsverbund Großraum Nürnberg GmbH (VGN), Nuremberg [2), 4)]	EUR	54	25.93
Verkehrsverbund Neckar-Alb-Donau GmbH (naldo), Hechingen [2), 4)]	EUR	440	19.62
Verkehrsverbund Schwarzwald-Baar GmbH (VSB), Villingen-Schwenningen [2), 5)]	EUR	86	45.00
Verkehrsverbund Süd-Niedersachsen GmbH (VSN), Göttingen [2), 5)]	EUR	70	31.16
VGC Verkehrsgesellschaft Bäderkreis Calw mbH, Calw [2), 5)]	EUR	680	32.50
VHN Verkehrsholding Nord GmbH & Co. KG, Schleswig [2), 4)]	EUR	720	20.00
VHN Verwaltungsgesellschaft mbH, Schleswig [2), 4)]	EUR	1,056	20.00
VMS Verkehrs-Management und Service GmbH, Trier [2), 4)]	EUR	32	38.46
WNS Westpfälzische Nahverkehrs-Service GmbH, Kaiserslautern [2), 4)]	EUR	212	45.00
WTV Waldshuter Tarifverbund GmbH, Waldshut-Tiengen [2), 4)]	EUR	109	40.00
AT COST			
Regio Verkehrsverbund Lörrach GmbH (RVL), Lörrach [2), 4)]	EUR	105	54.00
Verkehrsverbund Rottweil GmbH (VVR), Rottweil [2), 5)]	EUR	72	70.20
vgf Verkehrs-Gemeinschaft Landkreis Freudenstadt GmbH, Waldachtal [2), 4)]	EUR	170	51.42
VVW Verkehrsverbund Warnow GmbH, Rostock [2), 4)]	EUR	27	21.61
DB ARRIVA			
FULLY CONSOLIDATED			
00741078 Limited, Sunderland/Great Britain	GBP	595	100.00
ACTIJOVEN CONSULTING & TRAVELLING s.l., Madrid/Spain	EUR	410	100.00
Alliance Rail Holdings Ltd, Sunderland/Great Britain	GBP	0	100.00
Alpetour, Potovalna agencija d.o.o., Kranj/Slovenia	EUR	31,572	100.00
Ambuline Limited, Sunderland/Great Britain	GBP	1,854	100.00
APS (Leasing) Ltd, Sunderland/Great Britain	GBP	640	100.00
Arriva Bus & Coach Holdings Limited, Sunderland/Great Britain	GBP	28,275	100.00
Arriva Bus & Coach Ltd, Sunderland/Great Britain	GBP	17,492	100.00
Arriva Bus Abu Dhabi Limited, Sunderland/Great Britain	GBP	0	100.00
Arriva Bus Transport Polska Sp. z o.o., Toruń/Poland	PLN	29,997	99.80
Arriva City s.r.o., Prague/Czech Republic	CZK	748,208	100.00
Arriva Coöperatie W.A., Heerenveen/the Netherlands	EUR	440	100.00
Arriva Cymru Limited, Sunderland/Great Britain	GBP	41,816	100.00
Arriva Danmark A/S, Kastrup/Denmark	DKK	1,625,743	100.00
Arriva Dolenjska in Primorska, družba za prevoz potnikov, d.o.o., Koper/Slovenia	EUR	33,855	100.00
Arriva Durham County Limited, Sunderland/Great Britain	GBP	36,169	100.00
Arriva East Herts & Essex Ltd, Sunderland/Great Britain	GBP	0	100.00
Arriva Finance Holding B.V., Heerenveen/the Netherlands	EUR	48	100.00
Arriva Finance Lease Limited, Sunderland/Great Britain	GBP	1,570	100.00
Arriva Galicia S.L., Ferrol/Spain	EUR	21,654	100.00
Arriva Hongarije Holding BV, Heerenveen/the Netherlands	EUR	35,258	100.00
Arriva Hrvatska d.o.o., Osijek/Croatia	HRK	48,950	100.00
Arriva Hungary Zrt., Budapest/Hungary	HUF	5,507,710	100.00
Arriva Insurance A/S, Kastrup/Denmark	DKK	66,932	100.00
Arriva Insurance Company (Gibraltar) Limited, Gibraltar/Gibraltar	GBP	4,062	100.00
Arriva International (Northern Europe) Limited, Sunderland/Great Britain	EUR	391	100.00
Arriva International (Southern Europe) Limited, Sunderland/Great Britain	EUR	391	100.00
Arriva International Limited, Sunderland/Great Britain	EUR	1,232,589	100.00
Arriva International Trains (Leasing) Limited, Sunderland/Great Britain	EUR	34,122	100.00
ARRIVA INVESTIMENTOS SGPS,SA, Almada/Portugal	EUR	221,720	100.00
Arriva Italia Rail S.R.L., Milan/Italy	EUR	3,512	100.00
Arriva Italia s.r.l., Milan/Italy	EUR	324,753	100.00
Arriva Kent & Surrey Limited, Sunderland/Great Britain	GBP	77,891	100.00
Arriva Kent Thameside Limited, Sunderland/Great Britain	GBP	75,327	100.00
Arriva Letbane ApS, Kastrup/Denmark	DKK	1,562	100.00
ARRIVA Liorbus, a. s., Ružomberok/Slovakia	EUR	14,863	60.42
ARRIVA LISBOA TRANSPORTES SA, Almada/Portugal	EUR	2	100.00
Arriva LITAS d.o.o. Pozarevac, Požarevac/Serbia	RSD	1,873,031	100.00
Arriva Liverpool Limited i. L., Sunderland/Great Britain	GBP	514	100.00
ARRIVA LONDON NORTH LTD, Sunderland/Great Britain	GBP	48,699	100.00
ARRIVA LONDON SOUTH LTD, Sunderland/Great Britain	GBP	69,177	100.00
Arriva Malta Finance & Investments Limited, Valletta/Malta	EUR	177	100.00
Arriva Malta Holdings Limited, Valletta/Malta	EUR	56	100.00
Arriva Manchester Limited, Sunderland/Great Britain	GBP	0	100.00
Arriva Merseyside Limited, Sunderland/Great Britain	GBP	135,763	100.00
ARRIVA Michalovce, a.s., Michalovce/Slovakia	EUR	12,392	60.14
Arriva Middle East FZE, Dubai/United Arab Emirates	AED	1,000	100.00
Arriva Midlands Limited, Sunderland/Great Britain	GBP	46,270	100.00
Arriva Midlands North Limited, Sunderland/Great Britain	GBP	46,764	100.00
Arriva Mobility Solutions, s.r.o., Nitra/Slovakia	EUR	213	100.00
Arriva Morava a.s., Ostrava/Czech Republic	CZK	1,739,517	100.00
Arriva Motor Holdings Limited, Sunderland/Great Britain	GBP	102,376	100.00
Arriva Multimodaal BV, Heerenveen/the Netherlands	EUR	18	100.00
ARRIVA Nitra a.s., Nitra/Slovakia	EUR	17,784	60.48
Arriva North East Limited, Sunderland/Great Britain	GBP	6,319	100.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
Arriva North West Limited, Sunderland/Great Britain	GBP	7,885	100.00
Arriva Northumbria Limited, Sunderland/Great Britain	GBP	25,388	100.00
ARRIVA Nove Zamky, a.s., Nove Zamky/Slovakia	EUR	14,609	60.36
Arriva Östgötapendeln AB, Stockholm/Sweden	SEK	17,339	100.00
Arriva Passenger Services Pension Trustees Limited, Sunderland/Great Britain	GBP	0	100.00
Arriva Personenvervoer Nederland BV, Heerenveen/the Netherlands	EUR	266,409	100.00
Arriva plc, Sunderland/Great Britain	GBP	726,995	100.00
Arriva Polen Holding B.V., Heerenveen/the Netherlands	EUR	2,540	100.00
Arriva Polska Sp. z o.o., Warsaw/Poland	PLN	21,680	100.00
ARRIVA PORTUGAL – TRANSPORTES LDA, Guimaraes/Portugal	EUR	8,954	100.00
Arriva Rail East Midlands Limited, Sunderland/Great Britain	GBP	0	100.00
Arriva Rail London Limited, Sunderland/Great Britain	GBP	27,020	100.00
Arriva Rail North Limited, Sunderland/Great Britain	GBP	34,902	100.00
Arriva Rail Wales/Rheilffyrdd Arriva Cymru Limited, Sunderland/Great Britain	GBP	0	100.00
Arriva RP Sp. z o.o., Toruń/Poland	PLN	22,870	100.00
Arriva Scotland West Limited, Inchinnan/Great Britain	GBP	2,677	100.00
Arriva Service s.r.o., Komárno/Slovakia	EUR	28,062	100.00
Arriva Services a.s., Králův Dvůr/Czech Republic	CZK	90,997	100.00
ARRIVA Slovakia a.s., Nitra/Slovakia	EUR	18,236	100.00
Arriva South Eastern Rail Limited, Sunderland/Great Britain	GBP	0	100.00
ARRIVA SPAIN HOLDING, S.L., Madrid/Spain	EUR	60,769	100.00
Arriva Spain Rail S.A., Madrid/Spain	EUR	284	100.00
Arriva Stajerska, družba za prevoz potnikov, d.d., Maribor/Slovenia	EUR	14,725	75.90
Arriva Střední Čechy s.r.o., Kosmonosy/Czech Republic	CZK	729,952	100.00
Arriva Sverige AB, Stockholm/Sweden	SEK	615,177	100.00
Arriva Sverige Buss Regional AB, Stockholm/Sweden	SEK	3,678	100.00
Arriva Tag AB, Malmö/Sweden	SEK	44,678	100.00
Arriva Techniek BV, Heerenveen/the Netherlands	EUR	998	100.00
Arriva the Shires Limited, Sunderland/Great Britain	GBP	77,743	100.00
Arriva Tog A/S, Kastrup/Denmark	DKK	205,423	100.00
Arriva Touring BV, Heerenveen/the Netherlands	EUR	1,517	100.00
Arriva Trains Holdings Limited, Sunderland/Great Britain	GBP	104,643	100.00
Arriva Trains Romania SRL, Bucharest/Romania	RON	–779	100.00
Arriva Trains Wales/Trenau Arriva Cymru Limited, Sunderland/Great Britain	GBP	37,545	100.00
Arriva Transport Česká Republika a.s., Prague/Czech Republic	CZK	3,381,672	100.00
Arriva Transport Solutions Limited, Sunderland/Great Britain	GBP	200	100.00
ARRIVA TRANSPORTES DA MARGEM SUL, SA, Almada/Portugal	EUR	84,294	100.00
ARRIVA Trnava, a. s., Trnava/Slovakia	EUR	17,304	60.50
Arriva Trustee Company Limited, Sunderland/Great Britain	GBP	0	100.00
Arriva UK Bus Holdings Limited, Sunderland/Great Britain	GBP	451,554	100.00
Arriva UK Bus Investments Limited, Sunderland/Great Britain	GBP	452,195	100.00
Arriva UK Bus Limited, Sunderland/Great Britain	GBP	3,377	100.00
Arriva UK Bus Properties Limited, Sunderland/Great Britain	GBP	1,608	100.00
Arriva UK Trains Limited, Sunderland/Great Britain	GBP	308,732	100.00
Arriva Veneto S.r.l., Venice/Italy	EUR	700	50.00
Arriva vlaky s.r.o., Prague/Czech Republic	CZK	15,992	100.00
Arriva Východní Čechy a.s., Chrudim/Czech Republic	CZK	704,331	100.00
Arriva West Sussex Limited i. L., Sunderland/Great Britain	GBP	50	100.00
Arriva Yorkshire Ltd, Sunderland/Great Britain	GBP	53,701	100.00
Arriva Zuid Europa Holding B.V., Heerenveen/the Netherlands	EUR	292	100.00
At Seat Catering (2003) Limited, Sunderland/Great Britain	GBP	13	100.00
AUTOBUSES GREISI S.L., Madrid/Spain	EUR	351	100.00
Autobusni kolodvor d.o.o. Karlovac, Karlovac/Croatia	HRK	3,422	72.87
Autocares Mallorca, s.l., Alcudia/Spain	EUR	4,150	100.00
Autoprometno poduzeće d.d. Požega, Požega/Croatia	HRK	81,985	74.03
Autos Carballo, S.L., Paseo de la Estacion/Spain	EUR	7,085	100.00
Autoservizi F.V.G. S.P.A. – SAF, Udine/Italy	EUR	83,214	60.00
Autotrans d.o.o., Cres/Croatia	HRK	164,560	78.35
Autotrans Lika d.d., Otočac/Croatia	HRK	5,641	62.24
Bergamo Trasporti Est S.c.a.r.l., Bergamo/Italy	EUR	10	93.67
Botniatåg AB, Umeå/Sweden	SEK	42,967	60.00
Bus Nort Balear s.l., Alcudia/Spain	EUR	222	100.00
Busdan 32.1 A/S, Kastrup/Denmark	DKK	63,647	100.00
BUSDAN 33 ApS, Kastrup/Denmark	DKK	40,599	100.00
BUSDAN 34 ApS, Kastrup/Denmark	DKK	52,333	100.00
BUSDAN 35 ApS, Kastrup/Denmark	DKK	25,040	100.00
BUSDAN 36 ApS, Kastrup/Denmark	DKK	23,091	100.00
BUSDAN 37 ApS, Kastrup/Denmark	DKK	34,703	100.00
BUSDAN 38 ApS, Kastrup/Denmark	DKK	22,794	100.00
Centrebus Holdings Limited, Sunderland/Great Britain	GBP	2,968	100.00
Chase Coaches Limited, Sunderland/Great Britain	GBP	0	100.00
Classic Coaches (Continental) Limited, Sunderland/Great Britain	GBP	0	100.00
CSAD MHD Kladno a.s., Kladno/Czech Republic	CZK	219,135	100.00
DB Regio Tyne and Wear Limited, Sunderland/Great Britain	GBP	–1,043	100.00
EMPRESA DE BLAS Y COMPANIA S.A., Madrid/Spain	EUR	122,016	100.00
ESFERA BUS S.L., Madrid/Spain	EUR	2,480	100.00
ESFERA UNIVERSAL S.L., Madrid/Spain	EUR	38,665	100.00
Estacion de autobuses de Ferrol S.A., Ferrol/Spain	EUR	370	80.14
Grand Central Railway Company Limited, Sunderland/Great Britain	GBP	16,380	100.00
Great North Eastern Railway Company Limited, Sunderland/Great Britain	GBP	0	100.00
Great North Western Railway Company Ltd, Sunderland/Great Britain	GBP	0	100.00
Greenline Travel Ltd, Sunderland/Great Britain	GBP	8	100.00
Integral Avto prodaja vozil in servisi d.o.o., Jesenice/Slovenia	EUR	2,093	100.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
KAM-BUS družba za potnikov, turizem in vzdrzevanje vozil d.o.o., Kamnik/Slovenia	EUR	5,925	100.00
KD SERVIS a.s., Kladno/Czech Republic	CZK	125,497	100.00
KM S.P.A., Cremona/Italy	EUR	7,159	100.00
London and North Western Railway Company Limited, Sunderland/Great Britain	GBP	12,015	100.00
M40 Trains Limited, Sunderland/Great Britain	GBP	76,071	100.00
MTL Services Limited, Sunderland/Great Britain	GBP	116,003	100.00
NETOSEC S.L., Madrid/Spain	EUR	136	100.00
Network Colchester Limited, Sunderland/Great Britain	GBP	0	100.00
NV Personeel de Noord-Westhoek, Heerenveen/the Netherlands	EUR	421	100.00
PAA Pan Alpen Adria Internationale Personenverkehrssysteme GmbH i. L., Ludwigshafen am Rhein	EUR	68	78.35
Panturist dioničko društvo za prijevoz putnika i turizam d.d., Osijek/Croatia	HRK	210	99.69
Premier Buses Ltd, Sunderland/Great Britain	GBP	2,000	100.00
RIVIERA TRASPORTI LINEA S.P.A., Imperia/Italy	EUR	834	80.00
S.A.B. AUTOSERVIZI S.R.L., Bergamo/Italy	EUR	41,734	100.00
S.I.A. Società Italiana Autoservizi S.P.A., Brescia/Italy	EUR	52,296	100.00
SAB Piemonte S.r.l. a socio unico, Grugliasco (TO)/Italy	EUR	19,382	100.00
SAD INVEST, s.r.o., Trnava/Slovakia	EUR	951	60.50
SADEM – SOCIETÀ PER AZIONI, Turin/Italy	EUR	16,852	100.00
Santiaguesa Metropolitana, S.L., Paseo de la Estacion/Spain	EUR	230	100.00
SAVDA Autoservizi Valle d'Aosta S.p.A., Aosta/Italy	EUR	17,683	100.00
Stevensons of Uttoxeter Limited, Sunderland/Great Britain	GBP	1	100.00
Teamdeck Limited, Sunderland/Great Britain	GBP	0	100.00
TGM (Holdings) Limited, Sunderland/Great Britain	GBP	0	100.00
TGM Operations Limited, Sunderland/Great Britain	GBP	0	100.00
TGM Services Limited, Sunderland/Great Britain	GBP	0	100.00
TGM Group Limited, Sunderland/Great Britain	GBP	16,706	100.00
The Chiltern Railway Company Limited, Sunderland/Great Britain	GBP	45,480	100.00
Transcare Solutions Limited, Sunderland/Great Britain	GBP	552	100.00
Transportes Sul do Tejo S.A., Almada/Portugal	EUR	3,256	100.00
TRANSURBANOS DE GUIMARAES TP, LDA, Guimaraes/Portugal	EUR	-465	100.00
Trasporti Brescia Nord S.c.a.r.l., Brescia/Italy	EUR	100	92.00
Trasporti Brescia Sud S.c.a.r.l., Brescia/Italy	EUR	100	93.00
TUF-TRANSPORTES URBANOS DE FAMALICAO, LDA, Vila Nova de Famalicao/Portugal	EUR	-12	66.67
UCPLUS A/S, Kastrup/Denmark	DKK	16,419	100.00
Velebit Turist d.o.o., Gospić/Croatia	HRK	-323	78.35
White Rose Bus Company Limited, Sunderland/Great Britain	GBP	0	100.00
XC Trains Limited, Sunderland/Great Britain	GBP	30,565	100.00
Yorkshire Tiger Limited, Sunderland/Great Britain	GBP	5,429	100.00
Zeta Automotive Limited, Bicester/Great Britain	GBP	-223	51.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
AT EQUITY			
Aquabus BV, Heerenveen/the Netherlands [2), 3)]	EUR	5,441	50.00
ATOC Limited, London/Great Britain [2), 4)]	GBP	-9,974	23.81
Autopromet d.d. Slunj, Slunj/Croatia	HRK	0	21.81
Barraqueiro SGPS SA, Lisbon/Portugal [3)]	EUR	104,206	31.50
Bergamo Trasporti Ovest S.c.a.r.l., Bergamo/Italy [3)]	EUR	10	65.76
Bergamo Trasporti Sud Scarl, Bergamo/Italy [3)]	EUR	10	25.57
Estacion Autobuses de Pobra, Ferrol/Spain [2), 8)]	EUR	9	33.33
Explotacion Gasoleos de la Coruña, s.l., Ferrol/Spain [2), 9)]	EUR	83	40.00
EXTRA.TO S.c.a.r.l., Turin/Italy [2), 4)]	EUR	114	30.01
Garda Trasporti Scarl, Desenzano del Garda (BS)/Italy [2), 10)]	EUR	16	23.00
Intercambiador de Transportes Principe PIO S.A., Madrid/Spain [3)]	EUR	8,903	30.00
Lecco Trasporti S.c.a.r.l., Lecco/Italy [3)]	EUR	10	56.94
London Overground Rail Operations Limited, London/Great Britain [2)]	GBP	2,885	50.00
NRES Limited, London/Great Britain [2), 4)]	GBP	71	25.00
Omnibus partecipazioni S.R.L., Milan/Italy	EUR	8,567	50.00
Prometro S.A., Porto/Portugal [2), 4)]	EUR	4,994	20.00
Rail Settlement Plan Limited, London/Great Britain [2), 4)]	GBP	684	25.00
Rail Staff Travel Limited, London/Great Britain [2), 4)]	GBP	-2,927	25.00
Rodinform – Informatica Aplicada aos Transportes, SA, Lisbon/Portugal [2), 4)]	EUR	-2	20.00
S.I.T. VALLEE SOC. CONS. AR.L., CHARVENSOD (AO)/Italy [2), 5)]	EUR	75	25.00
S.T.I. Servizi Trasporti Interregionali SpA, Cordenons PN/Italy [2), 4)]	EUR	1,242	9.81
TPL FVG Scarl s.r.l., Gorizia/Italy [2), 4)]	EUR	107	15.00
Train Information Services Limited, London/Great Britain [2), 4)]	GBP	-20	25.00
Trieste Trasporti S.P.A., Trieste/Italy	EUR	55,447	39.94
Viajeros del Eo, Ferrol/Spain [2), 11)]	EUR	9	50.00
VT-ARRIVA Személyszállító es Szolgáltató Kft., Szekesfehervar/Hungary	HUF	11,463,653	49.91
West Yorkshire Ticketing Company Limited, Altrincham/Great Britain [2), 4)]	GBP	0	42.47
WSMR (Holdings) Limited, London/Great Britain [2), 4)]	GBP	0	50.00
DB CARGO			
FULLY CONSOLIDATED			
ATG Autotransportlogistic Sp. z o. o., Malaszewicze/Poland	PLN	5,003	100.00
Boreal & Austral Railfreight Ltd, Doncaster/Great Britain	GBP	0	100.00
Compañía Aragonesa de Portacoches S.A., Saragossa/Spain	EUR	6,621	65.28
Container-Terminal Púchov s.r.o., Púchov/Slovakia	EUR	124	100.00
Corridor Operations DB Cargo B Logistics N.V., Brussels/Belgium	EUR	1,952	51.00
DB Cargo (UK) Holdings Limited, Doncaster/Great Britain	GBP	177,576	100.00
DB Cargo (UK) Limited, Doncaster/Great Britain	GBP	4,873	100.00
DB Cargo Aktiengesellschaft, Mainz	EUR	219,938	100.00
DB Cargo BTT GmbH, Mainz	EUR	1,990	100.00
DB Cargo Bulgaria EOOD, Sofia/Bulgaria	BGN	13,561	100.00
DB Cargo Components Limited, Doncaster/Great Britain	GBP	8,461	100.00
DB Cargo Czechia s.r.o., Ostrava/Czech Republic	CZK	14,566	100.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
DB Cargo Danmark Services A/S, Taastrup/Denmark	DKK	7,760	100.00
DB Cargo Hungaria Kft., Györ/Hungary	HUF	2,156,609	100.00
DB Cargo Information Services Limited, Doncaster/Great Britain	GBP	1,739	100.00
DB Cargo International Limited, Doncaster/Great Britain	GBP	19,579	100.00
DB Cargo Italia S.r.l., Milan/Italy	EUR	14,001	60.00
DB Cargo Italia Services S.r.l., Milan/Italy	EUR	1,339	100.00
DB Cargo Italy S.r.l., Novate Milanese/Italy	EUR	9,574	100.00
DB Cargo Logistics GmbH, Kelsterbach	EUR	6,629	100.00
DB Cargo Maintenance Limited, Doncaster/Great Britain	GBP	-937	100.00
DB Cargo Nederland N.V., Utrecht/the Netherlands	EUR	1,176	100.00
DB Cargo Polska S.A., Zabrze/Poland	PLN	346,168	100.00
DB Cargo Scandinavia A/S, Taastrup/Denmark	DKK	325,542	100.00
DB Cargo Schweiz GmbH, Opfikon/Switzerland	CHF	-1,984	100.00
DB Cargo Services Limited, Doncaster/Great Britain	GBP	707	100.00
DB Cargo Spedkol Sp. z o.o., Kędzierzyn-Koźle/Poland	PLN	15,256	100.00
DB Cargo Vermögensverwaltungs-Aktiengesellschaft, Mainz	EUR	50	100.00
DB Hungaria Holding Kft., Budapest/Hungary	HUF	7,660,340	100.00
DB Intermodal Services GmbH, Mainz	EUR	3,714	100.00
DB PORT SZCZECIN Sp. z o.o., Szczecin/Poland	PLN	27,780	96.82
Deutsche Bahn Cargo Romania S.R.L., Timişoara/Romania	RON	-36,280	100.00
Deutsche Bahn Iberica Holding, S.L., Barcelona/Spain	EUR	95,687	100.00
Deutsche TRANSFESA GmbH Internationale Eisenbahn-Spezial-Transporte, Kehl/Rhein	EUR	1,860	77.33
Doker-Port Sp. z o.o., Szczecin/Poland	PLN	1,095	96.82
DUSS Italia Terminal s.r.l., Verona/Italy	EUR	62	80.00
East&West Railway Ltd, Doncaster/Great Britain	GBP	0	100.00
Euro Cargo Rail SAS, Paris/France	EUR	46,688	100.00
Infra Silesia S.A., Rybnik/Poland	PLN	3,559	100.00
KombiTerminal Burghausen GmbH, Mainz	EUR	1,212	67.62
Loadhaul Ltd, Doncaster/Great Britain	GBP	0	100.00
Locomotive 6667 Ltd, Doncaster/Great Britain	GBP	142,902	100.00
Locomotive Operating Leasing Partnership, Doncaster/Great Britain	GBP	159,732	100.00
Mainline Freight Ltd, Doncaster/Great Britain	GBP	0	100.00
Marcroft Holdings Ltd, Doncaster/Great Britain	GBP	0	100.00
MDL Distribución y Logistica S.A., Madrid/Spain	EUR	2,408	77.33
Mitteldeutsche Eisenbahn GmbH, Schkopau	EUR	973	80.00
New Locomotive Finance Ltd, Doncaster/Great Britain	GBP	0	100.00
OOO DB Cargo Russija, Moscow/Russia	RUB	79,486	100.00
OOO Trans-Eurasia Logistics Vostok, Moscow/Russia	RUB	1,767	90.00
Rail Express Systems Ltd, Doncaster/Great Britain	GBP	33,046	100.00
Rail Service Center Rotterdam B. V., Rotterdam/the Netherlands	EUR	4,731	51.00
Rail Terminal Services Limited, Doncaster/Great Britain	GBP	-3,213	100.00
Railway Investments Ltd, Doncaster/Great Britain	GBP	0	100.00
RBH Logistics GmbH, Gladbeck	EUR	4,515	100.00
RES December Ltd, Doncaster/Great Britain	GBP	0	100.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH, Mainz	EUR	212	100.00
TGP Terminalgesellschaft Pfullendorf mbH i. L., Mainz	EUR	3	75.50
Transervi France S.A.S., Cerbère/France	EUR	581	77.33
Transervi S.A., Madrid/Spain	EUR	707	77.33
Trans-Eurasia Logistics GmbH, Berlin	EUR	2,693	90.00
Transfesa France SAS, Gennevilliers Cedex/France	EUR	2,596	77.33
Transfesa Portugal Lda., Lisbon/Portugal	EUR	338	77.33
Transfesa Rail S.A., Madrid/Spain	EUR	233	77.33
Transfesa UK Ltd., Rainham (Essex)/Great Britain	GBP	358	77.33
Transportes Ferroviarios Especiales S.A., Madrid/Spain	EUR	88,530	77.33
AT EQUITY			
ATN Auto Terminal Neuss GmbH&Co. KG, Neuss [2), 4)]	EUR	7,180	50.00
Autotrax Limited, Warrington/Great Britain [2)]	GBP	481	24.00
baymodal Bamberg GmbH, Bamberg [2), 5)]	EUR	192	25.10
CD-DUSS Terminal, a.s., Lovosice/Czech Republic [2), 4)]	CZK	8,702	49.00
Container Terminal Dortmund GmbH, Dortmund [2), 4)]	EUR	4,791	30.88
Container Terminal Enns GmbH, Enns/Austria [2)]	EUR	9,611	49.00
CTS Container-Terminal GmbH Rhein-See-Land-Service, Cologne [2), 4)]	EUR	1,069	22.50
DCH Düsseldorfer Container-Hafen GmbH, Düsseldorf [2), 4)]	EUR	856	51.00
Dörpener Umschlaggesellschaft für den kombinierten Verkehr mbH (DUK), Dörpen [2), 4)]	EUR	4,981	35.00
Etihad Rail DB Operations LLC, Abu Dhabi/United Arab Emirates [4)]	AED	39,364	49.00
Hispanauto-Empresas Agrupadas A.E.I.E.©, Madrid/Spain	EUR	0	58.05
INTERCONTAINER – INTERFRIGO SA i. L., Brussels/Belgium [2), 6)]	EUR	-21,433	36.77
Kombiverkehr Deutsche Gesellschaft für kombinierten Güterverkehr mbH&Co. Kommanditgesellschaft, Frankfurt am Main [2), 4)]	EUR	17,904	50.00
Lokomotion Gesellschaft für Schienentraktion mbH, Munich [2), 4)]	EUR	12,132	30.00
Mediterranean Hub Monfalcone S.r.l., Monfalcone/Italy	EUR	0	49.00
OFP – Sud Ouest SAS, Bayonne/France [2), 4)]	EUR	469	24.90
OFP ATLANTIQUE SAS, La Rochelle/France [2), 4)]	EUR	756	24.90
OPTIMODAL NEDERLAND B.V., Rotterdam/the Netherlands [2), 5)]	EUR	995	24.34
PKV Planungsgesellschaft kombinierter Verkehr Duisburg mbH, Duisburg [2), 3)]	EUR	1,833	50.00
Pool Ibérico Ferroviario A.I.E., Madrid/Spain	EUR	0	9.02
SLASKIE CENTRUM LOGISTYKI S.A., Gliwice/Poland [2), 4)]	PLN	49,342	20.55
Sociedad de Estudios y Explotacion de Material Auxiliar de Transportes, S.A. ("SEMAT"), Madrid/Spain	EUR	7,321	48.56
Stifa S.A. i. L., Malveira/Portugal	EUR	-85	38.67
Terminal Singen TSG GmbH, Singen [2), 4)]	EUR	701	50.00
Xrail AG, Basel/Switzerland [2), 4)]	EUR	542	36.80
DB SCHENKER			
FULLY CONSOLIDATED			
Air Terminal Handling S.A., Tremblay en France/France	EUR	2,510	100.00
ALB Automotive Logistica LTDA, Juiz de Fora – MG/Brazil	BRL	3,428	51.00
Almoayed Schenker W.L.L., Manama/Bahrain	BHD	572	51.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
Anterist + Schneider Zeebrugge B.V., Zeebrugge/Belgium	EUR	1,343	100.00
AO Schenker, Moscow/Russia	RUB	243,783	100.00
AS Schenker, Tallinn/Estonia	EUR	7,995	100.00
ASIMEX Anterist + Schneider Import – Export SAS, Stiring-Wendel/France	EUR	1,158	100.00
ATLANTIQUE EXPRESS SAS, Montaigu Cedex/France	EUR	674	100.00
BAX Global (Malaysia) Sdn. Bhd., Petaling Jaya/Malaysia	MYR	231	100.00
BAX Global (Pty.) Ltd., Johannesburg/South Africa	ZAR	149	86.75
Bischof Gesellschaft mbH., Vienna/Austria	EUR	772	100.00
BTL Reinsurance S.A., Luxembourg/Luxembourg	SEK	40,510	100.00
Cartrend GmbH, Karlsruhe	EUR	25	69.00
DB France Holding SAS, Gennevilliers Cedex/France	EUR	243,920	100.00
DB Polska Holding Sp. z o.o., Warsaw/Poland	PLN	1,398,552	100.00
DB Schenker (Cambodia) Limited, Phnom Penh/Cambodia	USD	3,027	100.00
DB Schenker FLLC, Minsk/Belarus	BYN	– 96	100.00
DB Schenker Global Business Services SRL, Bucharest/Romania	RON	926	100.00
DB Schenker Global Services Asia Pacific Inc., Taguig City/Philippines	PHP	501,072	100.00
DB Schenker Global Services Europe S.R.L., Bucharest/Romania	RON	9,001	100.00
DB Schenker Logistics Campus NMEA (Pty) Ltd., Kempton Park/South Africa	ZAR	12,226	47.00
DP Schenker, Kiev/Ukraine	UAH	7,941	100.00
DVA Marine Re S.A., Luxembourg/Luxembourg	EUR	19,613	65.00
ELAG Emder Lagerhaus und Automotive GmbH, Emden	EUR	1,071	100.00
Engelberg Transportes Internacionales C.A. (Entra), Caracas/Venezuela	VEF	8,076,317	100.00
EVAG Emder Verkehrs und Automotive Gesellschaft mbH, Emden	EUR	1,417	100.00
EVB Handelshaus Bour GmbH, Landau in der Pfalz	EUR	25	69.00
Fastighets Aktiebolaget Orbyn, Göteborg/Sweden	SEK	10,043	100.00
HANGARTNER Terminal AG i. L., Zurich/Switzerland	CHF	0	100.00
HANGARTNER Terminal S.r.l., Verona/Italy	EUR	1,498	100.00
Heck Slovensko s.r.o., Bratislava/Slovakia	EUR	– 22	100.00
Intertec Asia Limited, Hong Kong/China	HKD	7,932	69.00
Intertec Beteiligungs-GmbH, Landau in der Pfalz	EUR	30,867	69.00
Intertec GmbH, Landau in der Pfalz	EUR	26	69.00
INTERTEC Polska Sp.zo.o., Nardarzyn/Poland	PLN	1,321	69.00
Inter-Union Technohandel Gesellschaft m.b.H., Vienna/Austria	EUR	19	69.00
Inter-Union Technohandel GmbH, Landau in der Pfalz	EUR	26	69.00
Intreprinderea Mixta "S.C. Schenker" S.R.L., Chisinau/Moldova	MDL	910	96.69
Karpeles Flight Services (H.K.) Limited, Hong Kong/China	HKD	11,387	100.00
Karpeles Flight Services GmbH, Frankfurt am Main	EUR	1,651	100.00
Karpeles Freight Services Inc., Delaware/USA	USD	– 38	100.00
KB Ädelgasen 1 -Jönköping, Jönköping/Sweden	SEK	101,528	100.00
KB Älghunden Jönköping, Jönköping/Sweden	SEK	20,801	100.00
KB Älghunden 1 -Jönköping, Jönköping/Sweden	SEK	22,410	100.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
KB Anholt 3, Stockholm/Sweden	SEK	9,107	100.00
KB Arbetsbasen 4 -Stockholm, Stockholm/Sweden	SEK	37,914	100.00
KB Ättehögen Östra 1 -Helsingborg, Helsingborg/Sweden	SEK	66,594	100.00
KB Backa 107:3, Göteborg/Sweden	SEK	140,826	100.00
KB Baggböle 2:35 -Umeå, Umeå/Sweden	SEK	25,194	100.00
KB Benkammen 12 -Malmö, Malmö/Sweden	SEK	136,119	100.00
KB Bleket 1 -Karlstad, Karlstad/Sweden	SEK	44,517	100.00
KB Distributören 3 och 4 -Örebro, Örebro/Sweden	SEK	85,523	100.00
KB Forsmark 2 -Stockholm, Stockholm/Sweden	SEK	59,127	100.00
KB Forsmark 3 -Stockholm, Stockholm/Sweden	SEK	178,252	100.00
KB Forsmark 5 Stockholm, Göteborg/Sweden	SEK	197	100.00
KB Frysen 1 Visby, Visby/Sweden	SEK	13,899	100.00
KB Fryshuset 3-Visby, Visby/Sweden	SEK	1,029	100.00
KB Köpmannen 10 -Västerås, Västerås/Sweden	SEK	35,219	100.00
KB Kungsängen 28:1 -Uppsala, Uppsala/Sweden	SEK	11,356	100.00
KB Langtradaren 2 Borlänge, Borlänge/Sweden	SEK	35,244	100.00
KB Lertaget 1, Skara, Skara/Sweden	SEK	47,733	100.00
KB Malmö Hamnen 22 Malmö, Malmö/Sweden	SEK	64,085	100.00
KB Maskinen 3 -Linköping, Linköping/Sweden	SEK	62,945	100.00
KB Önnestad 108:4 -Kristianstad, Kristianstad/Sweden	SEK	42,967	100.00
KB Överön 1:66 -Örnsköldsvik, Örnsköldsvik/Sweden	SEK	10,595	100.00
KB Pantern 1 -Växjö, Växjö/Sweden	SEK	37,451	100.00
KB Reläet 8 -Norrköping, Norrköping/Sweden	SEK	25,471	100.00
KB Sörby 24:3 -Gävle, Gävle/Sweden	SEK	39,827	100.00
KB Storheden 1:8 -Luleå, Luleå/Sweden	SEK	30,358	100.00
KB Tingstadsvassen 31:3 -Göteborg, Göteborg/Sweden	SEK	20,344	100.00
KB Transporten 1 -Hultsfred, Hultsfred/Sweden	SEK	19,342	100.00
KB Transportören 1 -Värnamo, Värnamo/Sweden	SEK	87,482	100.00
KB Viken 3 -Karlshamn, Karlshamn/Sweden	SEK	11,279	100.00
KB Vindtrycket 1 -Borås, Borås/Sweden	SEK	68,821	100.00
KB Vivstamon 1:13 -Timrå, Timrå/Sweden	SEK	50,528	100.00
Kiinteistö Oy Ferryroad, Helsinki/Finland	EUR	798	100.00
Kiinteistö Oy Helsingin Metsäläntie 2 – 4, Helsinki/Finland	EUR	4,186	100.00
Kiinteistö Oy Porin Kiitolinja, Pori/Finland	EUR	212	100.00
Kiinteistö Oy Reininkatu 9, Vaasa/Finland	EUR	407	100.00
Kiinteistö Oy Seinäjoen Kiitolinja-asema, Seinäjoki/Finland	EUR	378	100.00
Kiinteistö Oy Tampereen Rahtiasema, Tampere/Finland	EUR	972	100.00
Kiinteistö Oy Tir-Trans, Joentaustankatu/Finland	EUR	826	100.00
Kiinteistö Oy Turun Nosturinkatu 6, Turku/Finland	EUR	1,031	100.00
Kiinteistömaaliikenne Oy, Helsinki/Finland	EUR	4,656	54.70
Langtradaren i Jämtland AB, Göteborg/Sweden	SEK	7,311	100.00
LogCap CR s.r.o., Prague/Czech Republic	CZK	38,555	100.00
Luxemburger Transport Logistik Diekirch S.A., Wilwerdange/Luxembourg	EUR	2,172	100.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
MTS HandelService GmbH, Landau in der Pfalz	EUR	26	69.00
MTS MarkenTechnikService GmbH & Co. KG, Karlsruhe	EUR	59,624	69.00
MTS MarkenTechnikService Verwaltungs-GmbH, Karlsruhe	EUR	121	69.00
PT. Schenker Petrolog Utama, Jakarta/Indonesia	USD	24,276	71.00
Redhead Freight Limited, Bradford/Great Britain	GBP	11,793	100.00
Redhead Holdings Limited, Bradford/Great Britain	GBP	-620	100.00
Rengaslinja Oy, Helsinki/Finland	EUR	906	100.00
S.B. International Freight Limited, Christchurch/New Zealand	NZD	4,730	100.00
SCHENKER & CO AG, Vienna/Austria	EUR	109,855	100.00
Schenker (Asia Pacific) Pte. Ltd., Singapore, Singapore	SGD	760,162	100.00
Schenker (H.K.) Ltd., Hong Kong/China	HKD	116,470	100.00
Schenker (Ireland) Ltd., Shannon/Ireland	EUR	16,698	100.00
Schenker (L.L.C), Dubai/United Arab Emirates	AED	80,053	100.00
Schenker (Lao) Sole Co., Ltd., Vientiane/Laos	LAK	3,002,491	100.00
Schenker (NZ) Limited, Auckland/New Zealand	NZD	17,953	100.00
Schenker (Thai) Holdings Ltd., Bangkok/Thailand	THB	448,594	100.00
Schenker (Thai) Ltd., Bangkok/Thailand	THB	1,702,172	100.00
Schenker A.E., Athens/Greece	EUR	247	100.00
Schenker A/S, Hvidovre/Denmark	DKK	117,267	100.00
Schenker AB, Göteborg/Sweden	SEK	28,925	100.00
Schenker AG & Co. Beteiligungsverwaltungs OHG, Essen	EUR	172	100.00
Schenker Åkeri AB, Göteborg/Sweden	SEK	140,995	100.00
Schenker Aktiengesellschaft, Essen	EUR	1,609,563	100.00
Schenker Americas, Inc., Wilmington/USA	USD	174,754	100.00
Schenker Angola, Limitada, Luanda/Angola	AOA	347,639	99.90
Schenker Argentina S.A., Buenos Aires/Argentina	ARS	43,505	100.00
Schenker AS, Oslo/Norway	NOK	721,695	100.00
Schenker Australia Pty. Ltd., Alexandria/Australia	AUD	159,695	100.00
Schenker BITCC Customs Broker (Beijing) Co. Ltd., Peking/China	CNY	812	70.00
Schenker BITCC Logistics (Beijing) Co., Ltd., Peking/China	CNY	86,105	70.00
Schenker Business Services LLC, Moscow/Russia	RUB	104,700	100.00
Schenker Chile S.A., Santiago/Chile	CLP	5,227,343	100.00
Schenker China Ltd., Pudong/Shanghai/China	CNY	1,558,620	100.00
Schenker Consulting AB, Göteborg/Sweden	SEK	8,422	100.00
Schenker d.d., Ljubljana/Slovenia	EUR	21,088	100.00
SCHENKER d.o.o., Sarajevo/Bosnia-Herzegovina	BAM	1,498	100.00
Schenker d.o.o., Rugvica/Croatia	HRK	11,060	100.00
Schenker d.o.o., Novi Banovci/Serbia	RSD	132,107	100.00
Schenker Dedicated Services AB, Göteborg/Sweden	SEK	15,726	100.00
Schenker Dedicated Services Germany GmbH, Essen	EUR	1,347	100.00
Schenker Deutschland AG, Frankfurt am Main	EUR	56	100.00
Schenker Direct Production GmbH, Lübeck	EUR	19,676	100.00
Schenker Distribution Solutions, Inc., Paranaque City/Philippines	PHP	50,042	98.51
Schenker do Brasil Transportes Internacionais Ltda., São Paulo/Brazil	BRL	22,140	100.00
SCHENKER DOOEL, Skopje/Macedonia	MKD	87,648	100.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
Schenker Egypt Ltd., Cairo/Egypt	EGP	92,645	100.00
SCHENKER EOOD, Sofia/Bulgaria	BGN	25,962	100.00
Schenker Equipment AB, Göteborg/Sweden	EUR	3,798	100.00
Schenker Europe GmbH, Frankfurt am Main	EUR	25	100.00
Schenker Filen 8 Aktiebolag, Göteborg/Sweden	SEK	17,748	100.00
SCHENKER FRANCE SAS, Montaigu Cedex/France	EUR	173,738	100.00
Schenker Global Management & Technology Center Americas Inc., Wilmington/USA	USD	50	100.00
Schenker GmbH für Beteiligungen, Essen	EUR	65	100.00
Schenker Holdings (NZ) Limited, Auckland/New Zealand	NZD	17,786	100.00
SCHENKER INDIA PRIVATE LIMITED, New Delhi/India	INR	2,763,217	100.00
Schenker International (HK) Ltd., Hong Kong/China	HKD	1,486,165	100.00
Schenker International (Macau) Ltd., Macau/Macau	HKD	32,131	100.00
Schenker International AB, Göteborg/Sweden	SEK	2,847,977	100.00
SCHENKER INTERNATIONAL AKTIENGESELLSCHAFT, Essen	EUR	56	100.00
Schenker International S.A. de C.V., Mexico City/Mexico	MXN	451,764	100.00
Schenker Italiana S.p.A., Peschiera Borromeo (MI)/Italy	EUR	66,549	100.00
Schenker Jinbei Logistics (Shenyang) Co. Ltd., Shenyang/China	CNY	187,546	50.00
Schenker Khimji's LLC, Muscat/Sultanate of Oman	OMR	902	60.00
Schenker Korea Ltd., Seoul/Republic of Korea	KRW	50,906,175	100.00
Schenker Limited, London/Great Britain	GBP	26,607	100.00
Schenker Logistics (Chengdu) Co., Ltd., Chengdu/China	CNY	-11,983	100.00
Schenker Logistics (Chongqing) Co. Ltd, Chongqing/China	CNY	19,208	100.00
Schenker Logistics (Guangzhou) Company Ltd., Guangzhou/China	CNY	93,897	100.00
Schenker Logistics (Kunshan) Co., Ltd., Kunshan/China	CNY	26,042	100.00
Schenker Logistics (Malaysia) Sdn Bhd., Kuala Lumpur/Malaysia	MYR	254,778	100.00
Schenker Logistics (Shanghai) Co., Ltd., Shanghai/China	CNY	108,065	100.00
Schenker Logistics (Shenzhen) Co. Ltd., Shenzhen/China	CNY	18,729	100.00
Schenker Logistics (Suzhou) Company Ltd., Suzhou/China	CNY	103,535	100.00
Schenker Logistics (Thai) Ltd., Bangkok/Thailand	THB	7,407	100.00
Schenker Logistics (Xiamen) Co. Ltd., Xiamen/China	CNY	59,927	100.00
Schenker Logistics AB, Göteborg/Sweden	SEK	-2,904	100.00
Schenker Logistics Inc., Calamba City/Philippines	PHP	5,165	100.00
Schenker Logistics L.L.C., Abu Dhabi/United Arab Emirates	AED	47,627	90.00
Schenker Logistics Nederland B.V., Rotterdam/the Netherlands	EUR	69,201	100.00
Schenker Logistics Romania S.A., Bucharest/Romania	RON	335,852	99.47
Schenker Logistics S.A., Barcelona/Spain	EUR	132,074	100.00
Schenker Logistics Vietnam Co., Ltd., Ho-Chi-Minh City/Vietnam	VND	51,869,336	100.00
Schenker Logistics W.L.L., Doha/Qatar	QAR	5,891	60.00
Schenker Ltd., Nairobi/Kenya	KES	150,517	100.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
SCHENKER LUXEMBURG GMBH, Leudelange/Luxembourg	EUR	1,917	100.00
Schenker Manila Administrative Competence Center Inc., Taguig City/Philippines	PHP	27,937	100.00
Schenker Maroc S.A.S, Casablanca/Marocco	MAD	17,276	100.00
Schenker Mauritius (Malaysian Holdings) Ltd. i. L., Port Louis/Mauritius	USD	36,811	100.00
Schenker Middle East FZE, Dubai/United Arab Emirates	AED	155,421	100.00
Schenker Myanmar Co., Ltd., Yangon/Myanmar	MMK	1,895,827	100.00
Schenker Namibia (Pty) Ltd., Windhoek/Namibia	NAD	10,850	100.00
Schenker Nederland B.V., Heerenveen/the Netherlands	EUR	-372	100.00
Schenker Nemzetközi Szállítmányozási és Logisztikai Kft., Szigetszentmiklos/Hungary	HUF	6,151,030	100.00
Schenker North&East AB, Göteborg/Sweden	SEK	2,047,105	100.00
Schenker NV, Antwerp/Belgium	EUR	15,607	100.00
Schenker of Canada Ltd., Toronto/Canada	CAD	64,463	100.00
Schenker OY, Helsinki/Finland	EUR	83,685	100.00
Schenker Panama S.A., Panama City/Panama	USD	1,673	100.00
Schenker Peru S.R.L., Lima/Peru	PEN	2,514	100.00
Schenker Philippines, Inc., Makati City/Philippines	PHP	779,046	100.00
Schenker Property Sweden AB, Göteborg/Sweden	SEK	91,756	100.00
SCHENKER RE DESIGNATED ACTIVITY COMPANY, Dublin/Ireland	EUR	39,795	100.00
Schenker S.A., Guatemala City/Guatemala	GTQ	-20,122	100.00
SCHENKER s.r.o., Bratislava/Slovakia	EUR	3,898	100.00
Schenker Saudi Arabia LLC, Riyadh/Saudi Arabia	SAR	29,591	100.00
Schenker Schweiz AG, Zurich/Switzerland	CHF	68,688	100.00
Schenker Shared Services (Nanjing) Co. Ltd., Nanjing/China	CNY	23,638	100.00
Schenker Singapore (PTE) Ltd., Singapore/Singapore	SGD	235,889	100.00
Schenker South Africa (Pty) Ltd., Isando/South Africa	ZAR	248,524	86.75
Schenker Sp. z o.o., Warsaw/Poland	PLN	298,527	99.63
SCHENKER spol. s r.o., Prague/Czech Republic	CZK	721,225	100.00
Schenker Technik GmbH, Essen	EUR	25	100.00
Schenker Technology Center (Warsaw) sp. z o.o., Warsaw/Poland	PLN	2,624	100.00
Schenker Transitarios, S.A., Loures/Portugal	EUR	12,219	100.00
Schenker Transport Aktiebolag, Göteborg/Sweden	SEK	70,770	100.00
Schenker Transport Groep B.V., Tilburg/the Netherlands	EUR	6,488	100.00
Schenker Vietnam Co., Ltd., Ho Chi Minh City/Vietnam	VND	434,887,824	100.00
Schenker, Inc., New York/USA	USD	149,076	100.00
Schenker-Arkas Nakliyat Ve Tic. A.S., Zincirlikuyu/Turkey	TRY	90,206	55.00
Schenker-BTL Ltd., London/Great Britain	GBP	0	100.00
Schenker-Gemadept Logistics Vietnam Company Limited, Binh Duong Province/Vietnam	USD	-581	100.00
Schenkerocean Ltd, Wanchai/China	HKD	5,539	100.00
Schenker-Seino Co. Ltd., Tokyo/Japan	JPY	5,876,093	60.00
SIA Schenker, Riga/Latvia	EUR	5,690	100.00
Sky Partners OÜ, Tallinn/Estonia	EUR	133	100.00
SPA Systems s.r.o. i.L., Prague/Czech Republic	CZK	2,106	69.00

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
Stinnes (UK) Limited, Feltham/Middlesex/Great Britain	GBP	22,385	100.00
SW Zoll-Beratung GmbH, Furth im Wald	EUR	2,910	100.00
TEGRO AG, Schwerzenbach/Switzerland	CHF	10,063	62.10
tested Limited, Hong Kong/China	HKD	-175	69.00
Trafikaktiebolaget NP Kagström, Göteborg/Sweden	SEK	1,559	100.00
TRANSA Spedition GmbH, Offenbach am Main	EUR	14,281	100.00
Transport-Gesellschaft mit beschränkter Haftung (vormals J. Hevecke TRG), Hamburg	EUR	4,432	96.70
Transworld Asig - Broker de Asigurare Ltd., Bucharest/Romania	RON	638	99.47
UAB "Schenker," Vilnius/Lithuania	EUR	973	100.00
Viktor E. Kern Gesellschaft m.b.H., Vienna/Austria	EUR	1,462	69.00
AT EQUITY			
ADRIA KOMBI d.o.o., Ljubljana, Ljubljana/Slovenia [2), 4)]	EUR	10,897	33.72
ATS Air Transport Service AG, Zurich/Switzerland [2), 4)]	CHF	2,959	26.00
Autoport Emden GmbH, Emden [2), 4)]	EUR	162	33.30
Bäckebols Åkeri AB, Göteborg/Sweden [2), 4)]	SEK	47,851	35.00
BTU - Bilspedition Transportörer Utvecklings AB, Solna/Sweden [2), 4)]	SEK	6,075	50.00
Elevator-Gesellschaft mit beschränkter Haftung, Hanover [2)]	EUR	126	50.00
Express Air Systems GmbH (EASY), Kriftel [2), 4)]	EUR	3,895	50.00
Gardermoen Perishables Center AS, Gardermoen/Norway [2), 4)]	NOK	9,557	33.30
Germans Corbalan&Alvarez, S.L., Manresa (Barcelona)/Spain [2), 3)]	EUR	954	20.00
I.M. "Moldromukrtrans" S.R.L., Chisinau/Moldova [2), 4)]	MDL	15,174	33.15
Intermodal Sea Solutions, S.L., Orejo-Cantabria/Spain	EUR	-307	24.75
LogCap-IR Grundverwertungsgesellschaft m.b.H., Vienna/Austria [3)]	EUR	5,192	49.00
Trans Jelabel S.L., Aldeamayorde S Martin/Spain [2), 3)]	EUR	830	20.00
Transatlantic Shipping and Trading SRL, Bucharest/Romania [2)]	RON	5,197	49.73
Värnamo Åkeri AB, Värnamo/Sweden [2), 4)]	SEK	17,576	50.00
Volla Eiendom AS, Oslo/Norway [2), 4)]	NOK	13,415	50.00
DB NETZE TRACK			
FULLY CONSOLIDATED			
DB Fahrwegdienste GmbH, Berlin	EUR	2,695	100.00
DB Netz Aktiengesellschaft, Frankfurt am Main	EUR	8,439,188	100.00
DB RegioNetz Infrastruktur GmbH, Frankfurt am Main	EUR	3,516	100.00
Deutsche Umschlaggesellschaft Schiene - Straße (DUSS) mbH, Bodenheim am Rhein	EUR	2,264	87.50
MegaHub Lehrte Betreibergesellschaft mbH, Hanover	EUR	273	65.62
AT EQUITY			
EEIG Corridor Rhine - Alpine EWIV, Frankfurt am Main [2), 4)]	EUR	0	25.00
EWIV Atlantic Corridor, Paris/France	EUR	0	25.00
Güterverkehrszentrum Entwicklungsgesellschaft Dresden mbH, Dresden [2), 4)]	EUR	3,475	24.53
TIA GmbH, Augsburg [2), 5)]	EUR	287	42.88
TKN Terminal Köln-Nord GmbH, Cologne [2), 4)]	EUR	12	42.88
TriCon Container-Terminal Nürnberg GmbH, Nuremberg [2), 4)]	EUR	1,754	21.88

Subsidiary (Name and registered offices)	Currency	Shareholders' equity (TLC [1])	Ownership (%)
DB NETZE STATIONS			
FULLY CONSOLIDATED			
DB BahnPark GmbH, Berlin	EUR	5,936	51.00
DB Station&Service Aktiengesellschaft, Berlin	EUR	1,485,084	100.00
Station Food GmbH, Berlin	EUR	3,172	51.00
DB NETZE ENERGY			
FULLY CONSOLIDATED			
DB Energie GmbH, Frankfurt am Main	EUR	429,605	100.00
AT EQUITY			
inno2grid GmbH, Berlin [2), 4)]	EUR	187	50.00
OTHER SUBSIDIARIES			
FULLY CONSOLIDATED			
BAX Global Inc., Norfolk/USA	USD	80,725	100.00
DB (UK) Investments Limited, Sunderland/Great Britain	GBP	847,138	100.00
DB Bahnbau Gruppe GmbH, Berlin	EUR	29,692	100.00
DB Barnsdale AG, Berlin	EUR	12,079	100.00
DB Belgie Holding BVBA, Antwerp/Belgium	EUR	68,379	100.00
DB Competition Claims GmbH, Berlin	EUR	18,125	100.00
DB Czech Holding s.r.o., Rudná/Czech Republic	CZK	438,033	100.00
DB Danmark Holding ApS, Hvidovre/Denmark	DKK	419,289	100.00
DB Dialog GmbH, Berlin	EUR	1,116	100.00
DB Engineering&Consulting GmbH, Berlin	EUR	95,113	100.00
DB Engineering&Consulting USA Inc., Delaware/USA	USD	820	100.00
DB Fahrzeuginstandhaltung GmbH, Frankfurt am Main	EUR	243,362	100.00
DB FuhrparkService GmbH, Frankfurt am Main	EUR	78,470	100.00
DB Gastronomie GmbH, Frankfurt am Main	EUR	17,404	100.00
DB International (Beijing) Co., Ltd., Peking/China	CNY	-3,037	100.00
DB International Brasil Servicos de Consultoria Ltda., Rio de Janeiro/Brazil	BRL	-42	100.00
DB JobService GmbH, Berlin	EUR	-12,306	100.00
DB Kommunikationstechnik GmbH, Berlin	EUR	4,051	100.00
DB Media&Buch GmbH, Kassel	EUR	26	100.00
DB Mobility Services Austria GmbH i. L., Vienna/Austria	EUR	600	100.00
DB Projekt Stuttgart-Ulm GmbH, Stuttgart	EUR	2,306	100.00
DB Schweiz Holding AG, Zug/Switzerland	CHF	54,382	100.00
DB Services GmbH, Berlin	EUR	13,210	100.00
DB Sicherheit GmbH, Berlin	EUR	2,139	100.00
DB Systel GmbH, Frankfurt am Main	EUR	82,184	100.00
DB Systel UK Limited, Doncaster/Great Britain	GBP	1,828	100.00
DB Systemtechnik GmbH, Minden	EUR	-3,334	100.00
DB US Corporation, Tarrytown/USA	USD	463,383	100.00
DB US Holding Corporation, Tarrytown/USA	USD	469,993	100.00
DB Vertrieb GmbH, Frankfurt am Main	EUR	54,555	100.00
DB Verwaltungsgesellschaft WBN mbH, Niesky	EUR	-26,228	100.00
DB Zeitarbeit GmbH, Berlin	EUR	131	100.00
Deutsche Bahn Connect GmbH, Frankfurt am Main	EUR	8,031	100.00
Deutsche Bahn Digital Ventures GmbH, Berlin	EUR	11,327	100.00
Deutsche Bahn Finance GmbH, Berlin	EUR	67,880	100.00
Deutsche Bahn France Voyages&Tourisme SAS, Paris/France	EUR	278	100.00
Deutsche Bahn International Operations GmbH, Berlin	EUR	2,725	100.00
Deutsche Bahn Stiftung gGmbH, Berlin	EUR	2,674	100.00
DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH, Bad Homburg v. d. Höhe	EUR	1,670	65.00
DVA REINSURANCE DESIGNATED ACTIVITY COMPANY, Dublin/Ireland	EUR	4,361	65.00
Engineering Support Group Ltd, Doncaster/Great Britain	GBP	-945	100.00
infraView GmbH, Mainz	EUR	5,353	75.00
Innovationszentrum für Mobilität und gesellschaftlichen Wandel (InnoZ) GmbH, Berlin	EUR	-217	76.99
Precision National Plating Services, Inc., Delaware/USA	USD	-25,867	100.00
QT Mobilitätsservice GmbH, Berlin	EUR	3,197	85.00
Railway Approvals Ltd, Doncaster/Great Britain	GBP	322	100.00
Schenker (BAX) Holding Corp., Delaware/USA	USD	92,265	100.00
UBB Polska Sp.z o.o., Swinemünde/Poland	PLN	1,020	100.00
UBB Usedomer Bäderbahn GmbH, Heringsdorf	EUR	7,413	100.00
Unterstützungskasse der Firma H.M. Gehrckens Gesellschaft mit beschränkter Haftung i. L., Berlin	EUR	6	100.00
AT EQUITY			
BahnflächenEntwicklungsGesellschaft NRW mbH, Essen [2), 3)]	EUR	441	49.90
Beijing HuaJing DeBe International Engineering Consulting Co., Ltd, Beijing/Cina [2), 4)]	CNY	6,081	25.00
BwFuhrparkService GmbH, Troisdorf [2), 4)]	EUR	333,642	24.90
EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial, Basel/Switzerland [3)]	CHF	1,632,079	22.60
Rail Technology Company Limited, Jeddah/Saudi Arabia [2), 4)]	SAR	8,517	24.90
SSG Saar-Service GmbH, Saarbrücken [2), 4)]	EUR	1,375	25.50
Stinnes Holz GmbH, Berlin [2), 4)]	EUR	79	53.00
AT COST			
TREMA Grundstücks-Vermietungsgesellschaft mbH&Co. Objekt Bahnhöfe West KG, Berlin [2), 4)]	EUR	4,186	94.00
TRENTO Grundstücks-Vermietungsgesellschaft mbH&Co. Objekt Bahnhöfe Ost KG i. L., Düsseldorf [2), 5)]	EUR	0	100.00

1) IFRS data.
2) Local GAAP data.
3) Preliminary data.
4) Data: 2016 financial year.
5) Data: 2015 financial year.
6) Data: 2014 financial year.
7) Data from liquidation balance sheet as of June 30, 2014.
8) Data: 2009 financial year.
9) Data: 2012 financial year.
10) Data: 2013 financial year.
11) Data: 2010 financial year.

.

(43) Management Board and Supervisory Board

The names and mandates of the members of the Supervisory Board and Management Board of DB AG are set out in the following list.

Management Board

Dr. Richard Lutz

Chief Executive Officer and Chairman of the Management Board (since March 22, 2017),
Berlin

a)
- Schenker AG (Chairman)
- DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a. G. Betriebliche Sozialeinrichtung der Deutschen Bahn (since June 2, 2017)
- DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a. G. Betriebliche Sozialeinrichtung der Deutschen Bahn (until June 2, 2017)
- Deutsche Bahn Digital Ventures GmbH (since January 17, 2017; Chairman)
- DB Systel GmbH (until March 31, 2017; Chairman)

b)
- Arriva Plc, Sunderland/Great Britain (until December 5, 2017; Chairman of the Board of Directors)
- DB Stiftung gGmbH (since May 12, 2017, Advisory Board, Chairman)

Dr. Rüdiger Grube (until January 30, 2017)

Chief Executive Officer and Chairman of the Management Board,
Hamburg

a)
- DB Netz AG (until January 31, 2017, Chairman
- DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a. G. Betriebliche Sozialeinrichtung der Deutschen Bahn (until June 2, 2017)
- DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a. G. Betriebliche Sozialeinrichtung der Deutschen Bahn (until June 2, 2017)

b)
- Allianz SE (until December 31, 2017; Advisory Board)
- Deutsche Bank AG (Advisory Board Stuttgart region)
- DB Stiftung gGmbH (until March 3, 2017, Advisory Board, Chairman)

Berthold Huber

Passenger Transport,
Weilheim

a)
- DB Vertrieb GmbH (Chairman)
- DB Fernverkehr AG (Chairman)
- DB Regio AG (Chairman)
- DB Cargo AG (Chairman)
- DB Fahrzeuginstandhaltung GmbH (Chairman)
- Arriva Plc, Sunderland/Great Britain (since May 1, 2017; Chairman of the Board of Directors)
- DEVK Allgemeine Lebensversicherungs AG

Prof. Dr. Sabina Jeschke (since November 10, 2017)

Digitalization and Technology,
Berlin

a)
- Schenker AG (since January 1, 2018)
- Körber AG
- DB Systel GmbH (since February 5, 2018)

Ronald Pofalla

Infrastructure,
Mülheim an der Ruhr

a)
- DB Netz AG (since January 1, 2018; Chairman)
- Deutsche Bahn Digital Ventures GmbH (since January 17, 2017; Deputy Chairman)
- DB Station&Service AG (until December 31, 2017; Chairman)
- DB Energie GmbH (until December 31, 2017; Chairman)
- DB Engineering&Consulting GmbH (until December 31, 2017; Chairman)
- DEVK Rückversicherungs- und Beteiligungs-AG

b)
- Verband der Sparda-Banken e. V. (Advisory Board)

Martin Seiler (since January 1, 2018)

Human Resources and Legal Affairs,
Unkel

a)
- Schenker AG
- DB Cargo AG (since January 8, 2018)
- DB Gastronomie GmbH (since January 9, 2018; Chairman)
- DB JobService GmbH (since January 9, 2018; Chairman)
- DB Zeitarbeit GmbH (since January 9, 2018; Chairman)

b)
- DB Stiftung gGmbH (since January 16, 2018; Advisory Board)

Ulrich Weber (until December 31, 2017)

Human Resources and Legal Affairs,
Krefeld

a)
- Evonik Industries AG
- DB Cargo AG (until December 31, 2017)
- Schenker AG (until December 31, 2017)
- DB Gastronomie GmbH (until December 31, 2017; Chairman)
- DB JobService GmbH (until December 31, 2017; Chairman)
- DB Zeitarbeit GmbH (until December 31, 2017; Chairman)
- DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a. G. Betriebliche Sozialeinrichtung der Deutschen Bahn (until May 30, 2018)
- DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a. G. Betriebliche Sozialeinrichtung der Deutschen Bahn (until May 30, 2018)

b)
- DB Stiftung gGmbH (until December 31, 2017; Advisory Board)

Supervisory Board

Prof. Dr. Dr. Utz-Hellmuth Felcht

Chairman of the Supervisory Board,
Munich

a)
- KMW + NEXTER Defense Systems N.V. (Independent non-executive Director)

b)
- DB Stiftung gGmbH (Advisory Board)

Alexander Kirchner*
Deputy Chairman of the Supervisory Board,
Chairman of the Eisenbahn- und Verkehrsgewerkschaft (EVG),
Runkel
a) — DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn (Chairman)
— DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn (Chairman)
— DEVK Rückversicherungs- und Beteiligungs-AG (Chairman)
b) — DB Stiftung gGmbH (Advisory Board)

Uwe Beckmeyer (since March 3, 2017)
Parliamentary Secretary of State in the Federal Ministry
of Economics and Energy,
Bremerhaven

Jürgen Beuttler*
Head of Procurement, Real Estate, Compliance of DB Fernverkehr AG,
Wiesbaden

Dr. Michael Frenzel
President of the Bundesverband der Deutschen Tourismuswirtschaft e. V.,
Burgdorf
a) — AXA Konzern AG (until May 30, 2017)
b) — AMEX GBT III B.V. (Board of Directors)

Dr.-Ing. Jürgen Großmann
Shareholder Georgsmarienhütte Holding GmbH,
Hamburg
a) — BATIG Gesellschaft für Beteiligungen mbH (until July 31, 2017)
— British American Tobacco (Germany) GmbH (until July 31, 2017)
— British American Tobacco (Industrie) GmbH (until July 31, 2017)
— SURTECO SE (Chairman)
b) — Hanover Acceptances Limited, London/Great Britain
— RAG Stiftung (Chairman of Board of Trustees)

Dr. Ingrid Hengster
Member of the Management Board of the KfW Bank Group,
Frankfurt am Main
a) — Thyssen Krupp AG
b) — European Investment Bank (EIB), Luxembourg
(expert of the Administrative Board)

Jörg Hensel*
Chairman of the Central Works Council of DB Cargo AG,
Chairman of the Divisional Works Council of DB Cargo AG,
Chairman of the European Works Council of DB AG,
Hamm
a) — DB Cargo AG
— DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
b) — DEVK Pensionsfonds-AG (Advisory Board)
— DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
(members' representative)

Dr. Levin Holle (since January 16, 2018)
Head of Department VII in the Federal Finance Ministry,
Berlin
b) — Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
(Administrative Board; Deputy Chairman)
— BwConsulting GmbH (Advisory Board)

Klaus-Dieter Hommel*
Deputy Chairman of the Eisenbahn- und Verkehrsgewerkschaft (EVG),
Großefehn-Felde
a) — DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
— DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
— DEVK Pensionsfonds-AG
— DEVK Rechtsschutz-Versicherungs-AG
— DB Fernverkehr AG
— DB Regio AG
— DB Vertrieb GmbH

Prof. Dr. Susanne Knorre
Management consultant,
Hanover
a) — RÜTGERS Germany GmbH
— Norddeutsche Landesbank
— STEAG GmbH

Ludwig Koller*
Chairman of the Central Works Council of DB Fernverkehr AG,
Karlsruhe
a) — DB Fernverkehr AG
— Sparda-Bank Baden-Württemberg eG
b) — DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
(Advisory Board)

Dr. Jürgen Krumnow
Self-employed entrepreneur,
Wiesbaden
a) — Lenze SE (until September 15, 2017; Chairman)
b) — Peek&Cloppenburg KG (Advisory Board)

Kirsten Lühmann
Member of the German Bundestag,
Hermannsburg
a) — Nürnberger Beamten-Lebensversicherung AG
— BTA Betriebs- und Anlagengesellschaft mbH

Heike Moll*
Chairwoman of the Central Works Council of DB Station&Service AG,
Munich
a) — DB Station&Service AG
b) — DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
(Advisory Board)

Fred Nowka* (until April 30, 2017)
First Deputy Chairman of the Central Works Council of DB Netz AG,
Glinzig

Michael Odenwald
State Secretary in the Federal Ministry of Transport
and Digital Infrastructure,
Kleinmachnow
a) — Fraport AG

Mario Reiß*
Chairman of the Works Council of DB Cargo AG, South-East branch,
Süptitz
a) — DB Cargo AG
b) — DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
(Advisory Board)
— Versicherungsbeirat Öffentlicher Dienst SIGNAL IDUNA
(Advisory Board)

Regina Rusch-Ziemba*
Deputy Chairwoman of the Eisenbahn- und Verkehrsgewerkschaft (EVG),
Hamburg
a) — DB Station&Service AG
— DB Fahrwegdienste GmbH
— DB Engineering&Consulting GmbH
— DB JobService GmbH
— DB Bahnbau Gruppe GmbH
— DEVK Allgemeine Lebensversicherungs-AG (Chairwoman)
— DEVK Allgemeine Versicherungs-AG
— DEVK Pensionsfonds-AG

Johannes Schmalzl (until December 31, 2017)
General Managing Director of the IHK Region Stuttgart,
Stuttgart
a) — Bundesdruckerei GmbH
— Deutsche Gesellschaft für internationale Zusammenarbeit
(GIZ) GmbH
b) — Wirtschaftsförderung Region Stuttgart GmbH
(since December 15, 2017; Deputy Chairman)
— Landesmesse Stuttgart GmbH (since November 1, 2017)

Jens Schwarz*
Chairman of the Group Works Council of Deutsche Bahn AG,
Chemnitz
a) — DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
(Deputy Chairman of the Supervisory Board)
— DEVK Rechtsschutz-Versicherungs-AG (since July 1, 2017)
b) — DEVK Deutsche Eisenbahn Versicherung Sach- und
HUK-Versicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
(Advisory Board)

Veit Sobek* (since May 11, 2017)
Chairman of the Central Works Council of DB Netz AG,
Halberstadt
a) — DB Netz AG (until April 30, 2017)
— Bundesbahn-Wohnungsbaugesellschaft Kassel GmbH
b) — DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
(since April 1, 2017; Advisory Board)

Brigitte Zypries (until January 26, 2017)
Parliamentary Secretary of State in the Federal Ministry
of Economics and Energy,
Berlin
a) — Deutsche Investitions- und Entwicklungs-
gesellschaft mbH (DEG)
— Deutsche Gesellschaft für internationale
Zusammenarbeit (GIZ) GmbH
— Partnerschaften Deutschland PD –
Berater der öffentlichen Hand GmbH

* Employees' representative on the Supervisory Board.
a) Membership in other supervisory boards required by law.
b) Membership in comparable domestic and foreign corporate control committees of business enterprises.

Supervisory Board committees

Members of the Executive Committee
— Prof. Dr. Dr. Utz-Hellmuth Felcht (Chairman)
— Alexander Kirchner
— Michael Odenwald (Secretary of state)
— Jens Schwarz

Members of the Audit and Compliance Committee
— Dr. Jürgen Krumnow (Chairman)
— Michael Odenwald (Secretary of state)
— Jörg Hensel
— Regina Rusch-Ziemba

Members of the Personnel Committee
— Prof. Dr. Dr. Utz-Hellmuth Felcht (Chairman)
— Alexander Kirchner
— Michael Odenwald (Secretary of state)
— Jens Schwarz

Members of the Mediation Committee
— Prof. Dr. Dr. Utz-Hellmuth Felcht (Chairman)
— Alexander Kirchner
— Michael Odenwald (Secretary of state)
— Jens Schwarz

Berlin, February 28, 2018

Deutsche Bahn Aktiengesellschaft
The Management Board

Independent Auditor's report

To Deutsche Bahn Aktiengesellschaft, Berlin

Audit Opinions

We have audited the consolidated financial statements of Deutsche Bahn Aktiengesellschaft, Berlin, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2017, the consolidated statement of income and the reconciliation of consolidated comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Deutsche Bahn Aktiengesellschaft for the financial year from January 1 to December 31, 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. (paragraph) 1 HGB (Handelsgesetzbuch: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz (sentence) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the corporate governance report pursuant to No. 6.1 of the German Federal Public Corporate Governance Code
- the non-financial group statement pursuant to § 315b Abs. 1 HGB included in section "Fundamentals" of the group management report.

The other information comprises further the remaining parts of the "2017 Integrated Report" – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, February 28, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thomas Kieper Wirtschaftsprüfer (German Public Auditor)	Rainer Kroker Wirtschaftsprüfer (German Public Auditor)

Notes to sustainability

DB Group — 238

- Compliance is an integral element of the corporate culture at DB Group
- EU General Data Protection Regulation being implemented
- Deutsche Bahn Foundation supports charitable projects

Social — 242

- Young people can complete vocational training in over 50 apprenticeships in DB Group
- Share of women in management positions further increased
- Number of employees has risen
- About 19,000 new hires planned for 2018

Environmental — 246

- Over 50 courses on environmental issues in Germany
- Our vehicles comply with stringent emissions standards
- Approval of glyphosate extended by the EU Commission

Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information — 249

GRI Index — 250

- Index based on GRI standards

UN Global Compact Index — 250

- Communication on progress regarding activities and services

DB Group - Compliance —— 238
DB Group - Privacy —— 240
DB Group - Security —— 240
DB Group - Purchase/procurement —— 241
DB Group - Deutsche Bahn Foundation —— 242
Social - Top employer —— 242
Environmental - Eco-pioneer —— 246

GRI 102-48 102-49 102-50 102-51 102-52 102-54 102-56

The notes to sustainability contains supplementary information, including on the fulfillment of the Global Reporting Initiative (GRI) requirements. An auditor reviewed this content with limited assurance.

The 2017 Integrated Report refers to the year under review, this being calendar year 2017. For the purpose of comparison, most of the key figures are also presented for 2016 and 2015. The Integrated Report is published on an annual basis.

The 2017 Integrated Report addresses the MATERIAL STAKEHOLDER GROUPS 39 of Deutsche Bahn Group (DB Group). The reporting covers all material economic, social and environmental aspects. All of the fully consolidated companies of DB Group are included in the report. Deviations from this reporting scope are noted as such.

The data collection methods and bases of calculation used for the data in the 2017 Integrated Report are oriented toward applicable standards.

The Integrated Report was prepared in agreement with the GRI standards in the core option. In addition, material contents, indicators and text passages were audited by an independent third party, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC).

DB Group
Compliance

Compliance is an integral element of the corporate culture at DB Group. The compliance management system is based on national and international legal requirements and established standards, such as the Institute of Public Auditors in Germany PS 980 auditing standard. DB Group also applies the directive of the Federal Government on corruption prevention in the German Federal Administration Court.

The compliance management system aims to ensure that compliance risks are identified quickly and that appropriate countermeasures are implemented. We continuously monitor our compliance management system and make any necessary adjustments. Compliance is a key area of internal control system monitoring. Intra-Group auditors therefore review the compliance management systems within DB Group as part of the internal control system audits under the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz; BilMoG).

Our compliance activities in DB Group focus on preventing corruption and corporate crime in the form of fraud and embezzlement, as well as consistently combating it. Specific compliance instruments have been developed to protect the company, employees and executives.

Compliance instruments

In order to achieve our compliance goals, we maintain various instruments and are continually improving them. This includes binding directives, risk and process analyses, special communication measures and consulting.

Binding directives provide the framework that is anchored in continuous communication and training at DB Group. Compliance regulations were simplified both in content and language during the year under review and the previous year, and were made more user friendly through FAQ catalogs.

GRI 205-1

The established compliance risk atlas was supplemented with a compact compliance annual report to the Group Management Board during the year under review. The two together provide a substantial overview of compliance risks for DB Group's business activities: risk exposure of business units, service units and holding company functions of DB Group are described separately, and available risk reducing factors and countermeasures are demonstrated.

Compliance risk analyses are an element of risk management at DB Group and are conducted by the business units and service units. A Group-wide survey of compliance risks is conducted in accordance with governance requirements set by Group management. The compulsory framework concept contains minimum requirements for planning, conducting, reporting and follow-up.

The compliance communication was supplemented by other items, including a MOVIE, in which the CEO and the chief compliance officer set the "Tone from the Top." The movie is freely accessible on both the Internet and intranet.

External audit of the compliance management system

The compliance management system underwent a Group-wide independent review by an auditing and consulting company during the year under review for corruption and economic crimes in the form of fraud and embezzlement in DB Group. During the review, the compliance management system was first examined at the Group management level and then in the business units. This is intended to guarantee that the new system satisfies the legal provisions and requirements of the relevant audit standard IDW PS 980. An unqualified opinion was issued for the audit at the Group management level in the year under review. The audits of the business units also observed the requirements of ISO 19600. The final opinions will be available in 2018.

Business partner compliance

GRI 205-2

Successful long-term business operations require the careful selection of business partners and suppliers who must then be informed of the DB Group values and commit to collaboration based on shared values. DB Group has developed different formats in order to increase awareness among its business partners and to more firmly anchor sustainable

actions in the supply chain. The core topics in this respect are integrity, legal standards and ethical issues. In addition to corruption prevention, this also includes anti-trust compliance and human rights. Compliance e-learning for business partners is accessible at no cost online and provides information about integrity, binding legal standards and ethical matters. DB Group also offers a special compliance dialog program for its medium-sized business partners to discuss mutual understanding of compliance and how it is organized.

Integrity and human rights training programs

Three different e-learning courses are available to our employees and executives: "DB Code of Conduct" and two special e-learning units on the topic of anti-corruption ("DB Corruption Prevention" and "DB Refresher Course on Corruption Prevention"). E-learning on the DB Code of Conduct includes the topics of integrity (anti-corruption) and human rights. Executives are required to complete e-learning. In selected companies and divisions, participation in e-learning is also mandatory for all other employees due to risk. DB employees have free access to e-learning in several languages.

GRI 205-2

As in previous years, Group-wide on-site training was also conducted during the year under review.

Training sessions for executives and employees	2017	2016	2015
Participants	14,408	13,095	6,137

Risk-based selection of participants, especially from typical risk areas (for example sales and distribution, procurement, construction supervision).

Top management was also briefed by the heads of the Group compliance, audit and legal functions for the first time as part of a joint awareness offensive. The program will continue in 2018.

Whistle-blowing management in DB Group

In DB Group, the Works Council Agreement "Whistle-blowing management" and the "Group Speaker Committee Agreement" (Konzernsprecherausschussvereinbarung) govern how to handle whistle-blowing tip-offs that are received. The processes implemented protect whistle-blowers. Clearly defined requirements regarding the rigor and relevance of whistle-blowing tip-offs serve to take account of the interests of the persons concerned.

There are various ways of submitting a whistle-blowing tip-off. These include the electronic whistle-blower system, which can be used in seven (from 2018: 15) languages and is available in all business units. The whistle-blower system was further modified in the year under review so that tip-offs can be submitted even more easily on privacy and human rights violations. Three trusted lawyers legally bound to secrecy, an ombudswoman and the whistle-blowing management team are also available.

GRI 205-3

Corruption reporting and mitigation measures

Our central whistle-blowing management received and examined allegations of corruption in the double-digit range in the year under review. Remedial actions were introduced whenever they were necessary.

Compliance with antitrust laws and preventing anti-trust damages

On-site training courses ensure that executives and employees are kept aware of anti-trust law. The formats of the training courses are individually tailored to the requirements of the business units and the central units. The target group includes all executives and employees who are in contact with competitors or have other roles that are critical with regard to competition. The compliance, audit and legal heads also took up the issue under the awareness offensive. The training courses are supplemented, in particular, by regulations specific to business units and close cooperation with (anti-trust) legal experts.

Anti-trust damage prevention measures are an important component of anti-trust compliance. To this end, DB Group introduced a comprehensive anti-trust damage prevention system in 2014. An important part of the system is to use contractual conditions in markets where anti-trust violations are most likely, which oblige suppliers to introduce or maintain anti-trust compliance programs.

Human rights

Responsibility to society

DB Group places great importance on respecting and promoting human rights. DB Group's regulations reflect these high standards, in particular by applying the DB Code of Conduct and the DB Code of Conduct for Business Partners. Our particular areas of focus include fair labor conditions, respect for workers' rights, anti-discrimination measures and the prohibition of any and all forms of child or forced labor. In addition, DB Group has committed itself to comply with the principles of the UN Global Compact. A statement was submitted during the year under review for the first time in accordance with the conditions of the UK MODERN SLAVERY ACT.

GRI 102-12

We have implemented suitable measures for the application of our own standards and we will continue to develop them. A fundamental distinction is made between measures effective within DB Group and measures effective in the supply chain.

Measures within DB Group

Within DB Group, the core of the management approach to human rights is the identification of relevant risks with respect to our business models and the specific country risks with regard to human rights.

In addition to the activities related to the supply chain, one area of focus is the "Social Minimum Standards" of the DB Schenker business unit, which has global operations and is thus exposed to greater geographical risks. This policy specifies the DB Code of Conduct and is based beyond legal requirements on the principles and recommendations of the International Labor Organization (ILO) and the UN Global Compact. Compliance with the social minimum standards is regularly audited on-site by intra-Group auditors at selected locations as part of an annual audit process.

GRI 102-12

DB Group also has a range of instruments that include, in particular, the e-learning course on the DB Code of Conduct and central whistle-blowing management. Central whistle-blowing management and the three lawyers are also available at all times, even to persons outside the Group.

Specific employees and executives of DB Group can also personally contact the ombudswoman regarding human rights. A follow-up process is in place to examine alleged violations of human rights.

A campaign was initiated in DB Group during the year under review to deal with sexual harassment in the workplace. DB Group has several contact centers where employees can turn in incidents of this nature and where they can obtain assistance.

The topic of human rights is also an integral part of DB Group's stakeholder dialogs. In addition, DB Group is involved in the German UN Global Compact network and in the working groups of econsense.

Privacy

EU General Data Protection Regulation being implemented

The main focus of Group privacy was once again the implementation and anchoring of the EU General Data Protection Regulation in DB Group in the year under review. It is to be implemented directly in all European Union member states effective May 2018 and replaces the Federal Data Protection Act. Material privacy principles remain in place, as well as the requirement of legal grounds, the principal of necessity and strict appropriation. Nevertheless, tougher provisions will be in place, particularly regarding customer information, rights of involved parties and IT security requirements. Group privacy has worked out the respective required changes and developed work aids and sample texts together with representatives of the decentralized privacy organization. The privacy organization will provide support for the implementation process in the coming years. It is also important to note how the privacy supervisory authorities will interpret the numerous undefined legal terms in the future.

Digitalization and big data

Digitalization is an important prerequisite for meeting customer expectations. At the same time, HR processes are being digitalized more and more. Digital tools for Group-wide linkage was developed with the DB Planet social intranet. Digitalization is also reflected in the use of flexible and efficient cloud services. The developments have one thing in common: they inevitably involve data. These may allow direct or indirect conclusions about customers or employees, and in some cases result in transfer profiles.

It is therefore imperative that the personal rights of customers and employees be appropriately protected in such cases. The privacy organization supported the departments and project through sound and sustainable advice in privacy and technical aspects. Specifically, the introduction of Office 365 and Windows 10 (BKU X), DB Planet, Amazon Web Services and new sales platforms were supported in the year under review and reviewed for privacy compliance. Through linking with important stakeholders it was possible to address privacy-related issues early on and enhance our awareness that privacy and digitalization are two sides of the same coin.

The focus of the audit program was strongly aligned with technical developments and the introduction of new technologies. The auditing in DB Travel Centers and in the passenger rights area are noteworthy, as are the audits of service providers under the new application management. Conducting privacy online monitoring was another item in focus during the year under review. The privacy regulation survey of all executives is conducted every two years to determine and continually raise the level of privacy in DB Group. In the year under review, the privacy online monitoring focused on the use of cell phones and social media applications.
#DIGITALIZATION

Further development of professional qualifications and awareness

The high technical quality of the consulting activity of the privacy organization was also further improved in the year under review by customized technical training offerings, particularly in the EU General Data Protection Regulation. To increase the awareness of all employees and executives in DB Group in a targeted way, a "Privacy News" blog was set up in the year under review on DB PLANET 3 (DEPARTURE SOCIAL).

International privacy

After designation of privacy managers by the national subsidiaries worldwide, cluster calls were set up on a quarterly basis for the America, Europe/Africa and Asia areas along with the general communications platform for mutual sharing of information and presentation of current topics. This networking and transfer of know-how supported the successful introduction of privacy managers in their areas of responsibility.

Preparation of the Group companies affected by the EU General Data Protection Regulation was a core issue in the international context during the year under review as well.

Privacy Advisory Board

Given the extensive digitalization projects in DB Group, innovative and pragmatic solutions are needed to best protect the personal rights of company employees, customers and business partners in an exemplary manner, including going forward. The DB Group Privacy Advisory Board advises the Group Management Board in (strategically) relevant privacy matters to deal with these complex tasks. It also provides support for privacy-related events in DB Group, such as the "Opportunities and risks of smart cams in public spaces" expert workshop. The work of the Advisory Board emphasizes the importance of the continuing commitment to optimum privacy protection as an elementary component of the sustainable strategy of DB Group.

Effective privacy protection is thus a vital contribution to the integrity of commercial activity, directly affecting the quality of the services being provided. Anchoring privacy protection in the corporate culture and pragmatically orienting it enhances the reputation of the company and ensures the success of business operations. The Privacy Advisory Board contributes substantially to the success of the resultant operations. This is particularly indicated by the presentation of the 2017 Privacy Award to employees for particularly outstanding and innovative privacy projects in DB Group.

Security

DB Group spends about € 170 million annually on the security of its customers and employees. As part of a law enforcement partnership, 5,000 Federal police officers and 4,000 of DB's own security staff work together, with technical support, to ensure the security of our customers and employees by combating crime and disruptive activity.

The measures applied in the year under review led to a sharply lower increase in incidents against our employees in trains and stations compared to the previous year. The measures for the protection of our employees and our customers coordinated with interest groups have already

been implemented to a large extent and are showing initial successes. This includes improved employee training, better equipment, support from security technology, the adaptation of personnel concepts and the recruitment of additional security staff. Regular de-escalation and personal safety training for all 40,000 employees in contact with customers is an integral part of this. The test of bodycams by the DB Security staff in Berlin and Cologne was particularly successful. Implementation in selected divisions has begun, based on the proven de-escalation effect and protection against attacks on our employees.

In addition, we work with security authorities to review additional new technologies to increase the safety of our customers and employees and to modernize and expand video technology in trains and stations.

Development and expansion of video technology

We have increased the number of video cameras in stations from 6,000 to 7,000 in the year under review. The numbers of stations with video technology has increased to almost 1,000. We are continuing our program for video development adopted jointly with the Federal Government. A total of € 85 million was made available until 2023, and we increased the budget for 2017 and 2018 alone by an additional € 10 million. New, cutting-edge technology for video monitoring and recording was put into operation in the main stations in Hanover and Hamburg, and in nine stations in Berlin. The installed cameras record in full HD. This makes more details visible even in poor light. Only the Federal police have access to the recorded images.

GRI 102-10

Purchase/procurement

Procurement contributes to Group targets

Our procurement ensures the economical, timely and quality supply of business units with material, capital goods and services worldwide. It also ensures innovative capability and sustainable success in the market and contributes to the implementation of strategy DB2020+ and of RAILWAY OF THE FUTURE Zukunft Bahn.

Procurement identifies potential for savings in cross-functional cooperation with its internal customers and other Group divisions. This accomplishment directly affects Group results and supports our goal as a profitable quality leader. The rising wage trend continued in the year under review, although it dropped slightly overall. As previously, pressure on prices remained high, especially in the services sector. In addition, an increase in raw materials was recorded once again in the year under review, after dropping for several years. As this also affects the procurement market, fully developed Group commodity strategies and optimal awarding processes are required in order to achieve further monetary savings. The ongoing digitalization activities also contribute to the Group goal as a profitable quality leader. During the year under review, our procurement team has designed a digitalization road map designed to implement an increase in procurement efficiency, among other things. Electronic tender documents were introduced as a key component, enabling the availability and release as well as the automated adoption of tender documentation, regardless of location.

We can expect that the implementation of the digitalization road map will have a long-term positive effect on employee satisfaction, with the optimization of work processes it entails. A project to implement flexible forms of work in procurement was also introduced during the year under review.

This goal is also supported by the personnel qualification portfolio, which is adapted to all procurement functions and continually updated.

Our requirements as an eco-pioneer are implemented in procurement as part of product group strategic operations. Environmental aspects exert an influence here along with identifying cost savings potentials, and suppliers are managed during the evaluation of Group-related environmental and social services. The “procurement sustainability” work area was created in the general policy division for further development of sustainable procurement.

Procurement as a building block for sustainable development

With our strategy DB2020+, we clearly affirm our social responsibility. Our purchasing demands responsible procurement management as a significant value driver, both for business and also for the society. However, its contribution to sustainable development can only be successful when applied together with a strong supply chain. With their sustainability performance and power of innovation, suppliers play an active role here in increasing our mutual success in business. The point of departure for forming sustainable delivery relationships and concrete procurement decisions is the Code of Conduct for Business Partners and a comprehensive Supplier Sustainability Assessment of their management system, activities and results. Identified potentials for improvement can then be comprehensibly implemented and monitored to support supplier development. In this way, common risks can be jointly reduced and competitiveness increased. We have requested that our suppliers undergo a CSR evaluation that satisfies the requirements of the sector. Suppliers can present this evaluation in the qualification process. It is developed to include awarding criteria in agreement with the relevant associations.

Collaboration with suppliers

GRI 102-43

Suppliers are partners in ensuring our success. Their supplies and services are primary components of the added value chain, making them decisive players in the competitiveness of DB Group.

The supplier management of DB Group harness procurement as a strategic factor in competition. Their work involves the essential elements of supplier qualification, development, stabilization and evaluation, and is an ongoing process. High-quality standards are ensured through standardized processes together with experienced suppliers. Supplier management applies throughout the Group and is anchored in our leading IT systems. The medium- and long-term contribution of procurement to the success of DB Group depends particularly on the promotion and utilization of innovations in the supply chains. Several innovation workshops were conducted during the year under review that might provide impetus for future products and business models (such as in the areas of construction monitoring and municipal waste).

The theme of this year’s railway forum was also innovation. In accordance with the slogan “Competitiveness 2025: the innovation agenda for the mobility sector,” future themes for the railway industry were discussed at the supplier conference sponsored by DB Group.

Railsponsible membership

102-13

DB Group is a founding member of the RAILSPONSIBLE sector initiative. This initiative aims to create transparency regarding social, environmental and socioeconomic effects along the entire supply chain and to support suppliers in improving their sustainability practices. Among DB AG other important European companies in the sector are also members of the initiative. With the Swiss Federal Railways (SBB) and the Italian infrastructure company RFI two new members joined the initiative. The chief procurement officer of DB AG was appointed chair of Railsponsible in April 2017.

Expansion in internationalization

102-9

DB Group is expanding the internationalization of its supplier structure. This is necessary not least of all due to the increasing tendency toward consolidation in the European railway industry. The focus of activity in international supplier development is in Asia. The purchasing office in Shanghai has identified about 400 potential suppliers since November 2015. More than 25 Asian suppliers participated in DB tenders during the year under review.

The first supply of hollow shafts by a Chinese supplier for a freight car project arrived at the Paderborn and Wittenberge DB plants in March 2017. The high performance of Asian suppliers in the development, construction and approval of rolling stock has also been reviewed in a pilot project since the middle of the year. A contract for the supply of freight car wheel sets was signed in the fall of 2017.

Deutsche Bahn Foundation

The Deutsche Bahn Foundation continued its support for charitable projects in the year under review.

Charitable projects in Germany (number)	**2017**	2016	2015
Deutsche Bahn Foundation	13 [1]	20	21

[1] Preliminary figure.

Expenses for charitable projects in Germany (€ thousand)	**2017**	2016	2015
Deutsche Bahn Foundation	1,955 [1]	2,728	2,758

[1] Preliminary figure.

In response to donation requests, Deutsche Bahn Foundation has also provided funds from its general response budget.

Donations in Germany (€ thousand)	**2017**	2016	2015
Deutsche Bahn Foundation	81 [1]	43	96

[1] Preliminary figure.

The Deutsche Bahn Foundation also funded scholarships.

Scholarships in Germany (number)	**2017**	2016	2015
Deutsche Bahn Foundation	43 [1]	65	69

[1] Preliminary figure.

The expenses for DB Museum amounted to € 5.9 million in the year under review (previous year: € 5.8 million).

Social

Top employer

Strategic workforce planning

401-1

Employee turnover (NP)	**2017**	2016	2015
Retirement-related turnover	3,141	2,960	3,309
thereof women	650	592	592
Other employee turnover	7,144	7,204	6,285
thereof women	1,711	1,667	1,515
Total	**10,285**	**10,164**	**9,594**

Germany (companies with about 98% of domestic employees).

The figures indicate non-restructuring-related turnover of permanent employees. Part-time working in the lead-up to retirement is also included in retirement-related employee turnover.

Employee turnover (%)	**2017**	2016	2015
Retirement-related turnover	1.6	1.6	1.8
thereof women	1.5	1.4	1.4
Other employee turnover	3.7	3.8	3.3
thereof women	3.9	3.9	3.6
Total	**5.3**	**5.4**	**5.1**

Germany (companies with about 98% of domestic employees).

The figures indicate non-restructuring-related turnover of permanent employees. Part-time working in the lead-up to retirement is also included in retirement-related employee turnover.

The turnover remained almost unchanged.

Personnel development

404-2

Training and professional development

The training and professional development of employees is carried out by DB Training as an intra-Group partner for learning, development and change processes in 23,000 events for about 250,000 participants per year. More than 3,000 training sessions are offered, addressing all target groups and functions within DB Group.

DB Academy is responsible for the qualification of the about 7,700 executives and potential executives of DB Group. Through our talent, transition and excellence programs based on individual development phases, we were able to reach out to and train most of our executives. We are continuously improving our portfolio and adjusting it to the needs of our target groups. We are increasingly using digital elements, agile methods and new procedures of learning and communication.

In the year under review, regional qualification centers were set up as pilot projects for the training and continuing education of our employees abroad. Furthermore, in Singapore the DB Schenker Training Center was further expanded and a program for fixed-term international project and visitation experience for specialists and potential executives was developed.

Training and development costs for employees [1] (€ million)	**2017**	2016	Change absolute	Change %	2015
Total	172	169	+3	+1.8	173
Per employee (FTE) (€)	883	872	+11	+1.3	884

[1] Germany, including vocational trainees and students in dual-degree programs, excluding executives.

GRI 404-1

Training and development days in customer-oriented job families (days)	2017	2016	2015
Per employee (FTE)	7.6	7.1	6.9

Germany (companies with about 79% of domestic employees).

Includes only training and development days in customer-oriented job families for permanent employees, excluding vocational trainees and students in dual-degree programs.

Training and development costs per employee are at about the same level as the previous year. Training and development days increased again in the year under review.

GRI 401-1

Securing new talent

Young professionals hired as permanent staff by type of training (NP)	2017	2016	2015
Vocational trainees	2,408	2,540	2,630
Dual degree students	220	252	242

Germany (companies with about 99% of domestic employees).

Hired after completion of training or dual degree.

Young people can complete training in over 50 apprenticeships in DB Group. Vocational training and dual degree programs are the foundation of DB Group's efforts to secure the recruitment of skilled employees. This is supplemented by the long-term job preparation program "Chance plus" for young people who need support in accessing the labor market. In the previous year, "Chance plus" was adapted specifically for refugees. This resulted in the creation of a multi-level qualification program for refugees, under which 120 participants qualified for the DB labor market in the year under review. #RECRUITING

Talent management and management diagnostics

Wider experience of executives and more movement in the executive team is the goal of management development. For this reason, DB Group introduced a new career system for executives in the year under review. In the future, an executive's career path will depend on the individual having a certain range of prior experience, within or outside of DB Group. In addition, executives should change their management role after no more than seven years. Talent management supports selected executives in their career development. In the year under review, the selection processes in talent management were improved and the work of executives on their own initiative was particularly emphasized. In the future, development programs within the framework of talent management will be geared more toward networking, with the aim of building a community. The "Go.Global" network was established for employees and executives who are interested in working abroad.

Understanding of leadership

DB Group's understanding of leadership is derived from the transformational leadership values, which are reflected in all career development tools. The elements of transformational leadership play a particularly important role in the change process of DB Group.

Corporate culture

GRI 405-1

Diversity

Employees by age as of Dec 31 (NP)	2017	2016	2015
<30 years	25,593	24,732	23,882
30–49 years	82,596	82,078	83,112
≥ 50 years	86,227	84,894	83,472
Total	**194,416**	**191,704**	**190,466**

Germany (companies with about 98% of domestic employees).

In Germany, almost 200,000 employees from over 100 nations work for DB Group, and about 46,000 of them are women. The number of employees over 50 years of age remains the largest group. The share of employees in Germany of foreign birth or citizenship increased to 10.5% in the year under review (previous year: 9.8%).

Management level by gender as of Dec 31 (NP)	2017	2016	2015
Supervisory Board [1]	20	20	32
Share of women (%)	30.0	30.0	31.3
Senior executives	217	214	230
Share of women (%)	12.9	12.6	11.3
Upper management	920	901	886
Share of women (%)	16.6	16.2	15.8
Middle management	2,160	2,187	2,187
Share of women (%)	21.0	20.4	19.9
Total executives (excluding Supervisory Board)	**3,297**	**3,302**	**3,303**
Share of women (%)	19.2	18.7	18.2

Germany (companies with about 98% of domestic employees).

[1] In 2015, eight of the members of the Supervisory Board of DB AG and formely DB Mobility Logistics AG had mandates in both bodies.

The share of women in management positions has increased steadily in recent years.

Employees with severe disabilities by age as of Dec 31 (NP)	2017	2016	2015
<30 years	250	257	261
30–49 years	2,831	2,892	2,962
≥ 50 years	9,590	9,607	9,475
Total	**12,671**	**12,756**	**12,698**

Germany (companies with about 98% of domestic employees).

Includes employees and vocational trainees with severe disabilities or similar.

The employment rate of severely disabled employees in Germany is about 6%. In terms of the Group companies, about half are above the statutory quota of 5%, even in numerous areas that might not seem particularly suitable for employees with severe disabilities at first glance.

Employment conditions

GRI 102-8

Collective agreements

Employees by employee type (NP)	2017	2016	2015
Employees subject to collective bargaining agreements	161,609	157,545	154,336
Civil servants	22,982	24,423	26,277
Employees on individual contracts [1]	9,825	9,736	9,853
Total	**194,416**	**191,704**	**190,466**

Germany (companies with about 98% of domestic employees).

[1] The figures for employees on individual contracts primarily include executive employees (managers), employees paid above the wage agreement level (called non-tariff employees) and employees with individual contractual agreements.

GRI 102-41

The working conditions for DB Group employees are oriented, in addition to country-specific regulations, primarily on collective bargaining agreements that have been concluded with the trade unions in the respective countries.

In principle the collective wage agreements apply to employees in Germany. The activities of the civil servants in DB Group are based on statutory allocation within the framework of Art. 2 (12) of the German Rail Restructuring Act (Eisenbahnneuordnungsgesetz). The same wage agreement provisions within DB Group therefore apply on this basis to civil servants, insofar as the legal regulations governing civil servants do not conflict with this.

Employees with collective agreements as of Dec 31 (NP)	**2017**	2016	Change absolute	Change %	2015
Employees with collective wage agreements	184,533	181,915	+2,618	+1.4	180,558
Share (%)	94.9	94.9	–	–	94.8

Germany (companies with about 98% of domestic employees).

The share of employees subject to collective bargaining agreements remains at a high level.

Further improvements of employment conditions

Further developments of the employment conditions for executives and employees not subject to collective wage agreements are being made continuously. DB Group's strategy is based on the remuneration policy and the structure of ancillary services. The variable compensation is consistent with the objectives of RAILWAY OF THE FUTURE Zukunft Bahn and strategy DB2020+.

To improve compatibility of work and private life, executives and employees not subject to collective wage agreements are able to negotiate a sabbatical of up to six months. We also support the provision of part-time executive employment and interim management.

DB Group has launched the "partial retirement for older employees and executives in DB Group" program. The purpose of the program is to reduce the individual workload and, simultaneously, maintain the employability of older executives until the statutory retirement age.

Social and fringe benefits

In addition to payment that is fair and commensurate with performance, DB Group also offers a wide range of social and fringe benefits. The five major social partners – BSW, Bahn-Betriebskasse, Verband Deutscher Eisenbahner Sportvereine, DEVK-Versicherungen and Sparda-Banken – offer benefits packages for our employees. In cooperation with BSW and AWO lifebalance, DB Group offers its employees various options for childcare. Up to 90 childcare places are available in the DB-owned facility "Bahnbini" in Frankfurt am Main, and 175 places are available in childcare facilities not owned by DB Group. During the summer vacation, the children of employees are able to take part in DB Group's "DB RasselBAHNde" program at various DB sites. Parents also receive support from AWO lifebalance in their search for childcare options, emergency and vacation care offers, as well as with the placing of au pairs and daily care staff. Through AWO lifebalance, we also offer our employees extensive support in caring for relatives.

Balancing of a career and private life

Employees by working hours and gender as of Dec 31 (NP)	**2017**	2016	2015
Full-time	175,091	173,679	173,845
Share of women (%)	18.7	18.6	18.6
Part-time	19,325	18,025	16,621
Share of women (%)	61.2	63.6	65.9
Total	**194,416**	**191,704**	**190,466**

Germany (companies with about 98% of domestic employees).

DB Group offers various part-time models. This supports a better balance between career and family.

Employees by contract type as of Dec 31 (NP)	**2017**	2016	2015
Permanent	185,149	183,339	183,091
Temporary	9,267	8,365	7,375
Total	**194,416**	**191,704**	**190,466**

Germany (companies accounting for about 98% of domestic employees).

The share of employees with permanent employment contracts in Germany remained very high, at more than 95%.

Agency staff (NP)	**2017**	2016	2015
Total	2,893	2,651	2,560

Germany (companies with about 99% of domestic employees).

The number of agency staff has increased again.

Measures against discrimination

GRI 406-1

DB Group is working hard to create a working environment without discrimination or harassment. Capable assistance for clarifying and processing conflict situations is available from the internal office of the ombudsman for all employees as well as executives and HR staff, along with the rules in the Group employer/works council agreements (KBV), such as the KBV for equal treatment and protection against discrimination or the KBV for balancing work, family and background, as well as guidelines such as those of the German Federal General Act on Equal Treatment, for operational integration management or compliance guidelines. The focus in all this is on non-bureaucratic and independent extra-judicial settlement of conflicts. The ombudsman also coordinates the internal pool of mediators, with over 100 mediators actively contributing. Active engagement in conflicts and preventive efforts contribute to the further development of a constructive conflict culture, and so to a cooperative and positive company culture.

Occupational safety and health management

Health management in DB Group

GRI 403-3 403-4

Our workplace safety policy is designed to continuously decrease the number of accidents and the severity of accidents. A special focus of these efforts is on serious accidents at work – including accidents involving contractors and, in particular, when working in the vicinity of tracks. We systematically record employee exposure to potentially carcinogenic hazardous substances. Particular attention is paid to preventing post-traumatic stress disorders among train drivers and other employee groups. DB Group is very well positioned here. In conjunction with Group

security and the trade unions, we are also addressing new health challenges, such as the change in the working world brought about by digitalization and employee concerns about attacks and assault.

GRI 403-2

Occupational accidents constant

Occupational accidents and LTIF	2017	2016	2015
Fatal accidents worldwide [1]	8	–	–
thereof in Germany [1, 2]	7	7	8
Lost time injury frequency (LTIF) in Germany [2, 3]	25.2	25.0	25.3

[1] Worldwide (companies with about 98% of domestic employees). Survey since 2017, prior to this only in Germany.

[2] Germany (companies with about 97% of domestic employees).

[3] Non-attendance days due to occupational accidents per 1,000,000 insured work hours. LTIF-related absences of more than one calendar day.

GRI 403-4

DB Group is aware of its responsibility with regard to occupational health and safety. Compliance with internal standards according to OHSAS 18001 and national laws serve to protect employees. A safe work environment as well as healthy and motivated employees contribute to the success of the business. Various qualification measures were introduced with the aim of further improving safety and awareness among executives and employees.

The LTIF workplace safety key figure in Germany for the year under review was at the level of the previous year. Preparations for reporting worldwide LTIF were also further promoted.

We have introduced a further campaign for reducing fatal occupational accidents. The focus is on safety-related behavior when working in the vicinity of tracks.

GRI 403-1

Most employees represented by occupational safety committees

In Germany, companies with more than 20 employees are legally required to have an occupational safety committee (Arbeitsschutzausschuss; ASA) (section 11, Occupational Safety Act). The key here is how the operation is defined (production facility, branch, alternate operation). In Germany, DB Group consists mainly of operations like this with more than 20 employees, so the majority of all employees (more than 75%) are represented in occupational safety committees.

GRI 403-4

Occupational and health protection within DB Group

Systematic occupational and health protection makes a vital contribution to the physical and mental health of employees, as well as the long-term success of the business.

Based on operational safety an integrated health promotion, an ergonomic workplace design and employee counseling are the core tasks of operational health management. This is based on risk assessments as a core element of operational workplace safety. From this assessments of danger at the workplace measures are determined to avoid or reduce risks, employee instructions are coordinated and the preventive occupational medical care is realized.

In addition, there are counseling services offered by the operational social welfare organizations (BSW and Verband Deutscher Eisenbahner Sportvereine) and by the social insurance companies affiliated with DB Group (Railway Company Health Insurance Fund, Federal Accident Insurance and German Pension Fund Knappschaft-Bahn-See (KBS)).

Development of the number of employees

GRI 401-1

Employees as of Dec 31 (NP)	2017	2016	Change absolute	Change %	2015
DB Long-Distance	17,058	17,400	–342	–2.0	17,411
DB Regional	37,519	37,853	–334	–0.9	38,163
DB Arriva	56,848	56,564	+284	+0.5	48,527
DB Cargo	28,771	30,084	–1,313	–4.4	30,718
DB Schenker	74,628	70,805	+3,823	+5.4	68,722
DB Netze Track	46,489	44,957	+1,532	+3.4	44,028
DB Netze Stations	5,769	5,396	+373	+6.9	5,241
DB Netze Energy	1,768	1,777	–9	–0.5	1,770
Other	54,531	53,496	+1,035	+1.9	53,793
DB Group	**323,381**	**318,332**	**+5,049**	**+1.6**	**308,373**

The number of employees in terms of natural persons (NP) increased. Material changes at the business unit level were recorded, especially at DB Schenker in the contract logistics area and at DB Netze Track, largely through an increase in employees in the maintenance and construction project areas.

Employees by region as of Dec 31 (NP)	2017	2016	Change absolute	Change %	2015
Germany	197,985	195,692	+2,293	+1.2	195,378
Europe (excluding Germany)	97,307	96,119	+1,188	+1.2	87,502
Asia/Pacific	16,046	15,084	+962	+6.4	14,322
North America	9,055	8,730	+325	+3.7	8,632
Rest of world	2,988	2,707	+281	+10.4	2,539
DB Group	**323,381**	**318,332**	**+5,049**	**+1.6**	**308,373**

Germany recorded the largest growth year on year. This was mainly a result of the development at DB Netze Track and DB Schenker. The percentage of employees outside of Germany was unchanged at about 37%.

Employees in Germany

New hires by gender as of Dec 31 (NP)	2017	2016	2015
<30 years	6,501	5,767	4,942
Share of women (%)	32.1	30.4	33.8
30–49 years	7,318	5,515	5,123
Share of women (%)	23.6	26.6	23.0
≥ 50 years	2,245	1,757	1,553
Share of women (%)	20.7	27.2	20.7
DB Group	**16,064**	**13,039**	**11,618**

Germany (companies with about 98% of domestic employees).

Not included are hiring and takeover of vocational trainees and dual degree students.

As in previous years, the number of newly hired employees was at a high level. DB Group intends to hire about 19,000 new employees and young professionals in Germany alone in 2018. At the same time, it is important to develop existing employees and ensure their long-term loyalty. #RECRUITING

Environmental

Eco-pioneer

Employees for environmental protection

In order to successfully implement environmental goals and measures, we need employees who identify with our corporate strategy. Through TRAININGS green NO. 90, professional development programs and various campaigns, we bring environmental protection to life for our employees. In the year under review, more than 59 courses on environmental topics were held in Germany, with a total of 757 participants. DB Schenker uses an updated e-learning eco-movie to present environmental measures and products in its 65 country organizations, which is also suitable for sales and customers. ADDITIONAL INFORMATION

GRI 305-1 305-2 305-3

Climate protection #CLIMATE PROTECTION

Greenhouse gas footprint in overview

Our expanded CO_2 footprint is the amount of greenhouse gas emissions that DB Group generates in a year. It consists of the emissions from all journeys and transports of DB Group by rail, road, air transport and shipping, and the emissions of stationary facilities such as stations or workshops and of the fleet, which includes, for example, company cars. These figures provide the basis for calculating specific greenhouse gas emissions and determining the results of our climate targets within the limits set. They also act as a benchmark for our efficiency improvement measures and provide a basis for comparison with other companies.

Absolute greenhouse gas emissions by journeys, transports and stationary facilities (million t)	**2017**	2016	2015
Regional rail passenger transport	3.17	3.10	3.23
thereof in Germany	2.38	2.38	2.66
Long-distance rail passenger transport	0.52	0.52	0.49
Bus service	1.76	1.78	1.79
thereof in Germany	0.63	0.67	0.71
Rail freight transport	1.98	2.05	2.31
Road freight transport[1]	3.90	3.89	3.74
Air freight[1]	6.76	6.16	5.99
Ocean freight[1]	2.27	2.07	2.58
Other transport[2]	0.11	0.11	0.11
Stationary facilities	1.50	1.51	1.52
Total	**21.97**	**21.19**	**21.76**

Well-to-wheel (WTW), scope 1–3.

[1] With pre- and onward carriage.

[2] Including DB Connect, internal traffic.

Absolute greenouse gas emissions by scope 1–3 (million t)	**2017**	2016	2015
Total	21.97	21.19	21.76
Share of scope 1 (%)	18	18	17
Share of scope 2 (%)	23	24	25
Share of scope 3 (%)	59	58	58

The scope 2 emissions of 5.12 million tons of CO_2e consider market-based mechanisms, meaning that this figure includes all contractually regulated instruments for generating and trading electricity from renewable energies. In accordance with the scope 2 guidelines of the Greenhouse Gas Protocol on dual reporting, we also report location-based scope 2 emissions. Based on the respective national energy mixes, the scope 2 emissions total 6.08 million t CO_2e.

The largest share of our greenhouse gas emissions are the scope 3 emissions of our subcontractors. We are therefore set to agree on binding reduction targets with our largest carriers to reduce total greenhouse gas emissions. ADDITIONAL INFORMATION

Resource efficiency

GRI 301-1 301-2

Recycling of ballast and concrete ties

For regular replacement and maintenance of the ballast bed, we have set up a materials cycle for ballast, CONCRETE TIES green NO. 73 and tracks. About 4 to 5 million tons of old and worn-out materials are removed from the network annually and then almost the same volume is build into the network again.

About 1.6 million tons of ballast are mechanically removed on-site annually by track-bound ballast cleaning machines or mobile processing plants and immediately reused. This significantly reduces not only the required amount of new ballast but also transport expense and CO_2 emissions. For the most part, the rest of the material is processed into RECYCLED BALLAST green NO. 51 in an external certified disposal facility for DB Group or prepared as gravel or crushed sand for roadbuilding. A total of 4.1 million tons of ballast were used in the year under review, 0.9 million tons of which were recycled ballast.

IT systems for transparent processing and documentation of waste disposal

For us, waste IT is a significant component in waste disposal management, both in terms of legally secure disposal and documentation, and when it comes to detecting potential for optimization. For this reason, we have set up and standardized our waste IT.

Saving paper with mobile tickets

14.7 million mobile tickets were reserved through DB Navigator in the year under review. On average, that is equal to about 40,000 reservations per day, with growth of 47% over the previous year. By using mobile instead of printed tickets, our customers saved 72 tons of paper during this time period. ADDITIONAL INFORMATION

Air quality control

GRI 305-7

Reduction of pollutant emissions

DB Group's combustion-related pollutant emissions are largely influenced by our ocean and air freight activities – for example, in the case of soot particles, these activities contribute more than 81%. Unlike greenhouse gases, air pollutants have the greatest effect locally. For this reason, we concentrate on specific measures to reduce emissions of pollutants from rail and road traffic, especially the continuous improvement of our own vehicle fleet. By using modern vehicles, we are continually generating less nitric oxide and particle emissions. The high electrification rate of our rail network plays a major role here because the vehicles themselves do not produce local pollutant emissions; the generation of traction current only causes decentralized emissions in power plants.

In the area of vehicles with combustion engines, we focus particularly on diesel vehicles, as their soot particles have been classified as a health hazard, and operators of such vehicles have a special responsibility toward local residents, customers and employees. We have therefore set ourselves the objective of reducing the particulate emissions of our own rail and road vehicles by 55% by 2020 compared to 2010. By 2017, we had already achieved a reduction of 44.5% (previous year: 42.2%). The calculation is based on the energy consumption and composition of our fleets by pollutant categories. The construction machinery regulation

will be fully implemented by the middle of 2018. This stipulates that all urban construction sites will only use VEHICLES AND CONSTRUCTION MACHINERY green. NO. 11 that reduce emissions by 90%.

Online, we have provided comprehensive tables on the emissions of airborne pollutants from the individual means of transport as well as a detailed list describing pollutant classes. ADDITIONAL INFORMATION

Absolute airborne pollutants from journeys and transports (t)	**2017**	2016	2015
Particulate emissions	6,848	7,246	8,158
Nitrogen oxide (NO_x) emissions	136,182	136,269	143,951
Sulfur dioxide (SO_2) emissions	50,646	55,214	60,722
Hydrocarbon (NMHC) emissions	10,120	10,931	11,602

Combustion-related, well-to-wheel (WTW), scope 1–3.

Our vehicles comply with stringent emissions standards

Our rail and road vehicles meet high Euro standards and thus ensure a lower level of pollutant emissions:

- 99% of the long-range trucks in use have the highest Euro standards V and VI (previous year: 93%).
- Our entire car fleet meets Euro 5 and 6 emissions standards.
- 20% (previous year: 21%) of the rail vehicle fleet still has the lowest pollutant level UIC 0. As a result, the share of rolling stock with low-pollutant electro-traction rose slightly to 59% (previous year: 58%).
- The share of our buses meeting the Euro V and VI standards increased to 63% (previous year: 55%).

New refueling facilities help to reduce nitrogen oxide

With new refueling facilities, DB Netze Energy offers AdBlue® fuel at gas stations for rolling stock. This is a urea-containing liquid for exhaust treatment in diesel engines; its use reduces the emissions of nitric oxide by up to 90%. By the end of 2017, DB Netze Energy had commissioned 18 ADBLUE® GAS STATIONS green. NO. 64. The number of gas stations is to be further increased.

Nature conservation

Responsibility for the plant and animal world

Railway lines as well as other operating facilities, buildings and land held by DB Group often provide a unique habitat for protected species. Whenever our work has an impact on nature, we develop environmentally sound solutions. When building new lines, expanding existing lines or when planning operating facilities, we take the interests of nature conservation into account in the planning phase. If it is not possible to avoid interfering with the natural environment, we compensate accordingly. In order to protect birds and small animals against electrocution, we are working with conservation associations and authorities to revise the directive on the protection of birds on catenaries.

VDE 8 – green axis between Berlin and Munich

The new BERLIN–MUNICH LINE 2 is also DB Group's largest environmental and nature conservation project. From the start of the project, the responsible environmental analysis and planning sought to maintain the HABITATS OF ANIMALS AND PLANTS green. NO. 24 as much as possible. Since the start of construction, we have invested about € 200 million in environmental and NATURE CONSERVATION green. NO. 96. In the construction phase, we were already continuously monitoring the groundwater, noise protection for residents, allowing for removed earth and rocks for restoration without long transport routes, and relocating protected animals. Widely spaced viaducts reduce the intrusion on the landscape to a minimum. The Saale Elster viaduct, about 8.6 km long, was created using the beam head feeder process and so occupies almost no construction area in the floodplain, and in addition scheduled work was interrupted for four months during the bird breeding season.

About 4,000 hectares of recultivated landscape, 600,000 newly planted trees and hundreds of nest boxes, caves and habitats for birds, bats and lizards were achieved to complete the route. At the Unstruttal bridge, SHEEP GRAZE FOR THE CARE OF THE ORCHID MEADOWS green. NO. 24. In newly created tributaries, habitats are created for amphibians; on the grasslands near Erlangen, WILD HORSES green. NO. 21 have found a new home. Restored river courses of the Main and other rivers and FLOOD CHANNELS TO ABSORB FLOODWATER green. NO. 96 provide a long-term ecological contribution to maintaining the landscape.

DB areas for bees

Since last year, we have been offering a number of DB areas to private beekeepers to keep BEE COLONIES green. NO. 10. So far, more than 1,100 beekeepers have applied. Altogether, 670 sites have already been made available to them.

IT systems for the detection of contact points

We use geographic information systems (GIS), which store data about train lines and surrounding land and all digitally available information on protected areas in Germany. This enables us to quickly identify the points of contact between nature and DB Group's train lines and rights of way. These findings are important for our planning. There are different restrictions and conditions in each protected area, which are described in protected area ordinances. These are stored in our system and are taken into account when planning construction and maintenance work. ADDITIONAL INFORMATION

Points of contact with conservation areas in Germany 2017 (km)

There may be overlaps between conservation areas.

Mitigation and compensation measures

We take nature conservation into account early on in the planning process for the construction, expansion or maintenance of rail infrastructure. Our aim is to avoid interfering with nature and the landscape as much as possible. If adverse effects nevertheless occur, we try to compensate for the loss or replace it. We document all RELEVANT DATA green. NO. 59 on these compensation obligations in the Web-based, specialist nature protection and compensation information system (Fachinformationssystem Naturschutz und Kompensation; FINK). This enables us to comply with the reporting requirements set forth by the Federal Railway Authority

(Eisenbahn-Bundesamt; EBA) in accordance with the Federal Nature Conservation Act (Bundesnaturschutzgesetz). In the year under review, we recorded 3,094 compensation projects in the system, with a total of almost 18,475 measures, including some 4,649 measures on species protection. Along with the newly established annual compensation measures, data are also added during the year on measures undertaken in previous years.

Vegetation control as a means of ensuring safe railway operations

We generally apply manual methods to control vegetation. Herbicides have been used in close coordination with the responsible authorities only where no herbicide-free procedures are available. Currently, herbicides are only applied in the immediate vicinity of the tracks. We have described this procedure in our guidelines on integrated plant protection. For track systems, stations, pathways and public areas, we utilize herbicide-free methods. The use and quantity of herbicides is dependent on weather conditions and vegetation growth. The resulting variations led to an absolute quantity of 67 t of herbicides being used in the year under review. The amount applied is equal to 1.20 kg/km of track. At a track length of about 60,500 km, this means that about 93% of the tracks (previous year: 93%) were treated with the substances flazasulfuron, flumioxazin and glyphosate in the year under review. These substances have been approved by the Federal Office of Consumer Protection and Food Safety (Bundesamt für Verbraucherschutz und Lebensmittelsicherheit; BVL) especially for use in the vicinity of tracks.

The EU Commission has extended the approval of glyphosate to the end of 2022. By that time, another decision will have to be made as to whether this herbicide can continue to be used.

In order to make vegetation maintenance along train-paths as environmentally compatible as possible, we have commissioned a study on environmental vegetation maintenance on train lines. The aim of the study is to identify, describe and group typical habitats around slopes, embankments and intersections along train lines in Germany. In addition to this, as part of a Federal research project, German Environmental Aid (Deutsche Umwelthilfe e. V.), together with DB Netze Energy and other operators of electrical networks, is investigating the possibilities of habitat-linked vegetation maintenance under energy supply lines. The aim of this study is to determine how these habitats can be maintained or further developed.

Protecting birds from catenary systems

We set up new overhead catenary systems so that BIRDS green NO. 33 are protected against electrocution. This is achieved in part by using longer insulators. In the year under review, we again documented and evaluated short-circuit events in the existing network. This showed that about 89% of the roughly 3,700 short-circuit events are related to birds. About 8% are attributable to small mammals. We are working on a plan to significantly reduce the number of short-circuit events by birds. In a pilot project in the existing network, we have installed small-animal deflectors to determine whether it makes sense to set up such equipment at the main points of disturbance.

GRI 303-1 303-2

Water consumption slightly higher again

Water consumption refers to the water taken from the public supply. Water consumption in 2017 increased slightly compared to the previous year, primarily due to increased water consumption in local transport in Germany and Europe.

Water consumed (million m³)

DB Cargo Germany only. Excluding DB Regional Bus.

DB Schenker excluding contract logistics warehouse in North America without accounting control.

Resource-efficient vehicle cleaning

Most of the washing facilities for DB Regional and DB Long-Distance rolling stock are equipped with a system for recycling the used water. DB Regional washes its trains in 52 cleaning facilities throughout Germany, of which 30 have been replaced by enclosed new buildings so far.

As buses are cleaned with weaker substances or without cleaners, the water is treated organically in some WASHING FACILITIES green NO. 94. By using the water several times, fresh water use is reduced by up to 80%.

Further expansion of our environmental management systems

Our environmental targets are supported by a Group-wide environmental management system. We are guided by DIN ISO 14001, the requirements of which are the cornerstone of our Group regulations. An independent institute confirmed that this is being compliantly implemented in our Group regulations. The Group Environmental unit is responsible for complying with and further developing Group environmental management standards.

A total of 72% of the environmentally relevant Group companies are committed to a compliant environmental management system under DIN ISO 14001. We intend to increase this percentage even further in the future.

The share of "DB Group companies with certified environmental management systems" further documents the implementation of certified environmental management in compliance with guidelines in our Group companies.

Share of DB Group companies with certified environmental management systems in accordance with ISO 14001 as of Nov 30 (%)	**2017**	2016	2015
In Germany	56	57	-
In Europe (excluding Germany)	34	49	-
Worldwide (excluding Europe and Germany)	59	77	-
DB Group	**45**	**55**	**-**

The "environmentally relevant companies" have formed the basis for determining the percentage of certified companies since 2016.

No significant fines or other penalties for environmental offenses were levied against DB Group companies in the year under review. GRI 307-1

Destination nature

The DESTINATION NATURE green NO. 37 (Fahrtziel Natur) partnership, supported by the German Federal Agency for the Environment and Protection of Nature (Naturschutzbund Deutschland e.V.; NABU) the German Ecological Motor Club (VCD) and DB Group, was initially the namesake for an IC 2 that was christened the "Saxon Switzerland National Park." As winner of the fifth Destination Nature award, the Bavarian Forest also participated, including with large wall paintings on the remodeling of the DB LOUNGE IN NUREMBERG 16 (DEPARTURE ECONOMIC). DESTINATION NATURE

Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information

To Deutsche Bahn AG, Berlin

We have performed a limited assurance engagement on the disclosures in the sections "To our stakeholders" and "Additional information on sustainability" of the Integrated report of Deutsche Bahn AG, Berlin (hereinafter: "the Company"), for the period from 1 January to 31 December 2017 (hereinafter: "Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Report in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter: "GRI Criteria").

This responsibility of the Company's executive directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer:" "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the disclosures in the Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the disclosures in the Company's Report for the period from 1 January to 31 December 2017 has not been prepared, in all material aspects, in accordance with the relevant GRI Criteria.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Report
- Identification of the likely risks of material misstatement of the Report under consideration of the GRI Criteria
- Site visits and interviews regarding the following business units/sites:
  - Schenker AG, Essen
  - DB Energie GmbH, Frankfurt am Main
  - DB Netz AG, Frankfurt am Main
  - Central units on group level, Berlin/Frankfurt am Main
- Analytical evaluation of selected disclosures in the Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the selected disclosures regarding sustainability performance.

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures in the Company's Report for the period from 1 January to 31 December 2017 have not been prepared, in all material aspects, in accordance with the relevant GRI Criteria.

Intended Use of the Assurance Report

We issue this Report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the Report is solely intended to inform the Company as to the results of the assurance engagement. The Report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward the Company. We do not assume any responsibility towards third parties.

Berlin, February 28, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink ppa. Robert Prengel
Wirtschaftsprüfer
(German Public Auditor)

GRI Index

102-54
102-55

The 2017 Integrated Report was prepared in agreement with the GRI standards in the core option.

GRI standards		Page
GRI 102: GENERAL DISCLOSURES		
1. ORGANIZATIONAL PROFILE		
102-1	Name of the organization	42
102-2	Activities, brands, products and services	48–50
102-3	Location of headquarters	42
102-4	Location of operations	42, 48–50
102-5	Ownership and legal form	42
102-6	Markets served	51–53
102-7	Scale of the organization	48–50
102-8	Information on employees and other workers	74, 243–244
102-9	Supply chain	97, 242
102-10	Significant changes to the organization and its supply chain	42–43, 241–242
102-11	Precautionary principle or approach	152–157
102-12	External initiatives	32, 37, 40, 76, 239
102-13	Membership of associations	37, 242
3. ETHICS AND INTEGRITY		
102-16	Values, principles, standards and norms of behavior	24–30, 32, 40, 48
4. GOVERNANCE		
102-18	Governance structure	20–23, 24–30
5. STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	38–39
102-41	Collective bargaining agreements	244
102-42	Identifying and selecting stakeholders	37-39
102-43	Approach to stakeholder engagement	31–36, 37–39, 72–73, 76, 241–242
102-44	Key topics and concerns raised	31–36, 38–39
6. REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	222–230
102-46	Defining report content and topic boundaries	31–36
102-47	List of material topics	31–36
102-48 – 52	Report profile	238
102-53	Contact point for questions regarding the report	256
102-54	Claims of reporting in accordance with the GRI standards	238, 250
102-55	GRI content index	250
102-56	External assurance	238
GRI 103: MANAGEMENT APPROACH		
103	General requirements for reporting the management approach	32-36
GRI 201: ECONOMIC PERFORMANCE		
201-1	Direct economic value generated and distributed	83–87, 169
GRI 203: INDIRECT ECONOMIC IMPACTS		
203-1	Infrastructure investments and services supported	94–95, 218–219
GRI 205: ANTI-CORRUPTION		
205-1	Operations assessed for risks related to corruption	238
205-2	Communication and training about anti-corruption policies and procedures	238–239
205-3	Confirmed incidents of corruption and actions taken	239
GRI 301: MATERIALS		
301-1	Materials used by weight or volume	246
301-2	Recycled input materials used	246
GRI 302: ENERGY		
302-3	Energy intensity	77
302-4	Reduction of energy consumption	78
302-5	Reductions in energy requirements of products and services	78, 115, 129, 142
GRI 303: WATER		
303-1	Water withdrawal by source	248
303-2	Water sources significantly affected by withdrawal of water	248

GRI standards		Page
GRI 305: EMISSIONS		
305-1	Direct (scope 1) GHG emissions	246
305-2	Energy indirect (scope 2) GHG emissions	246
305-3	Other indirect (scope 3) GHG emissions	246
305-4	GHG emissions intensity	77
305-5	Reduction of GHG emissions	77
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	246–247
GRI 306: EFFLUENTS AND WASTE		
306-2	Waste by type and disposal method	80
GRI 307: ENVIRONMENTAL COMPLIANCE		
307-1	Non-compliance with environmental laws and regulations	248
GRI 401: EMPLOYMENT		
401-1	New employee hires and employee turnover	71, 74, 242, 243, 245
GRI 403: OCCUPATIONAL HEALTH AND SAFETY		
403-1	Workers representation in formal joint management worker health and safety committees	244–245
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	74, 245
403-3	Workers with high incidence or high risk of diseases related to their occupation	244–245
403-4	Health and safety topics covered in formal agreements with trade unions	73, 244–245
GRI 404: TRAINING AND EDUCATION		
404-1	Average hours of training per year per employee	243
404-2	Programs for upgrading employee skills and transition assistance programs	71–72, 242–243
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY		
405-1	Diversity of governance bodies and employees	26, 72, 243
GRI 406: NON-DISCRIMINATION		
406-1	Incidents of discrimination and corrective actions taken	244

UN Global Compact Index

Upon joining the UN Global Compact in 2009, DB Group made a commitment to support its ten principles, and regularly reports on its activities and services in a Communication on Progress.

		Page
HUMAN RIGHTS		
Principle 1	Support and respect for international human rights	32, 37, 40, 238–240, 241–242, 243–245
Principle 2	Exclusion of human rights abuses	238–240, 241–242, 243–245
LABOR		
Principle 3	Preserving freedom of association and law on collective bargaining	72-73, 243-245
Principle 4	Elimination of all forms of forced labor	238–240, 241–242, 243–245
Principle 5	Elimination of child labor	238–240, 241–242, 243–245
Principle 6	Elimination of discrimination	26, 40, 72–73, 243–245
ENVIRONMENTAL		
Principle 7	Preventive environmental protection	35, 58, 75–80, 156–157, 163, 246–248
Principle 8	Initiative for greater environmental awareness	35, 58, 75–80, 102, 107, 113, 122, 128, 135, 138, 141, 144, 146, 246–248
Principle 9	Development and dissemination of eco-friendly technologies	35, 58, 75–80, 129–130, 138, 146, 246–248
ANTI-CORRUPTION		
Principle 10	Measures against corruption	38, 39, 238–240

Additional information

Glossary —— 252

List of abbreviations —— 255

Contact information —— 256

Financial calendar —— 256

Glossary

Airborne pollutants Air pollution that can have a detrimental effect on the environment. An airborne pollutant can be caused naturally or by people, for example NO_x or SO_2.

A

Bus kilometers (bus km) The journey of a bus over a distance of 1 km.

B

Capacity utilization Real proportion of use of the possible capacity.

Capital employed Includes the property, plant and equipment (including intangible assets) and the net current assets.

CDP A non-profit organization which runs the global disclosure system for investors, companies, cities, countries and regions to measure and control their environmental impacts. It is now the world's largest emissions register for business-related greenhouse gas emissions.

Climate Not only weather, but also a snapshot of climate factors (altitude, relief, vegetation, etc.) and climate elements (rain, sunlight, etc.) at a location.

CO_2 equivalent The greenhouse gas effect of gases such as methane or nitrous oxide (laughing gas) is converted into CO_2 and added together.

Combined transport (KV) Combined transport of containers or entire trucks on rail and road.

Commercial paper program (CP program) Contractual framework or model documentation for the issue of short-term commercial papers.

Compliance An important component of corporate governance. This is understood as compliance with laws and directives, as well as voluntary codes of conduct in the company.

Contract logistics Service packages comprising multiple logistics activities. The service provider not only organizes transport orders, but also assumes parts of the value-added chain at its own responsibility.

Costs of capital Based on market values as a weighted average of risk-adequate market returns for the minimum return requirement calculated for debt and equity capital.

Credit facilities Credit facilities granted by banks which can be utilized if necessary. These are firm commitments of credit lines with different maturities, some of which serve as liquidity reserves available at all times, while the umbrella lines are available in particular to foreign subsidiaries for working capital financing and as a guarantee line.

Customer satisfaction Satisfaction of customers and partners with a product/offer or a service, surveyed on a representative basis and evaluated on behalf of DB Group by independent market research institutes by telephone, in person or online.

C

DBeco plus Service for rail freight transport customers to have their goods transported CO_2-free on all electrified lines within Germany and Austria.

DB traction current mix Includes only the electricity supplied for DB's own rail transport in Germany.

Debt issuance program Contractual framework or template documentation for the issuance of bonds. This guarantees a high degree of flexibility in issue activity.

Derivative financial instruments (derivatives) Financial instruments, the price or value of which depends on the future rates or prices of other goods, assets or reference values (interest rates, indices). These are contracts in which the contracting parties agree to buy, sell or swap assets at specified conditions in the future, or alternatively make value equalization payments.

Diversity Refers to the variation within the workforce, including with regard to sex, origin, nationality, age and physical limitation.

D

Earnings after taxes Key performance indicator which also takes into account the costs of financing for a long-term assessment of earnings (especially relevant in the infrastructure business units). Therefore, in comparison to EBIT, the operating interest balance is also taken into account.

Earnings before interest and taxes (EBIT) Operating profit before interest and taxes.

Earnings before interest, taxes, depreciation and amortization (EBITDA) Operating profit before interest, taxes, depreciation and amortization.

Employee satisfaction index Calculated using questions about motivation, employee satisfaction and (emotional) connection on a scale of 1 to 5 (top value).

Employees with an immigration background Foreign citizenship or country of birth different from the country of employment.

Employer attractiveness Measured as a weighted average of the employer ranking in the main target groups, as determined by trendence – Europe's leading research institute in the area of employer branding, HR marketing and recruiting.

Energy mix Composition of electricity broken down by type of energy generation (for example coal, renewable energies).

Environment Plus Special offers for customers in passenger transport to conduct their travel CO_2-free.

Equity method/at-equity accounting Procedures for the accounting of subsidiaries which are not included in the consolidated financial statements on the basis of full consolidation with all assets and liabilities. The book value of the subsidiary is adjusted by the development of the pro-rata equity in the holding.

Equity ratio Key financial indicator based on the balance sheet structure: proportion of equity in the balance sheet total as a percentage.

Evaluation of facilities quality To ensure demand-oriented use of maintenance funds and to check the improvement resulting from measures performed, cyclical and event-based checks are carried out regarding the status of the structural and technical facilities in the context of a status assessment.

Existing network Existing rail network and therefore core of the infrastructure.

E

Facilities quality To ensure an adequate use of funds for maintenance and to check the effectiveness of measures a regular and event-driven assessment of the condition of the structural and technical facilities is carried out.

Final energy The energy form for which an end consumer receives an invoice, for example for the quantity of fuel added or the traction current obtained.

Floating rate note (FRN) Bond with a variable interest rate.

F

Gearing Key financial indicator which, as a structural indicator, describes the ratio of net financial debt to equity as a percentage.

German Sustainability Code (DNK) Provides a framework for the reporting of non-financial performance which can be used by organizations and companies of any size and legal form.

Global Reporting Initiative (GRI) An international organization which is committed to the dissemination and improvement of sustainability reporting. The GRI guidelines are regarded as the most widely used and most internationally recognized reporting standard for sustainability.

Greenhouse Gas (GHG) Protocol A globally recognized standard for the qualification and management of greenhouse gas emissions which is used by many companies, non-governmental organizations (NGOs) and governments.

Gross capital expenditures Overall capital expenditures in property, plant and equipment and intangible assets – regardless of the type of financing.

Gross profit Amount of revenues remaining after deduction of the variable costs (= revenue-related) or direct costs (= contract-related).

G

Health rate (according to downtime) Shows the proportion of lost labor not due to illness in the overall performance (as a percentage and broken down by business units) and therefore only includes employees who are still paid a salary.

Hydrocarbons (NHMC) These are found in, for example, crude oil, natural gas or coal. Their emissions are regarded as harmful to the environment.

H

Intermodal competition Competition between different modes of transport, for example between rail and air transport.

Interest-free loans Loans from the Federal Government that have to be repaid, but are not interest-bearing. These result from financing contributions from the Federal Republic of Germany for capital expenditures for track expansion and replacement.

International Financial Reporting Standards (IFRS) Internationally recognized accounting standard. Since 2002, IFRS has been regarded as the overall concept of standards adopted by the International Accounting Standards Board. Previously adopted standards are still cited as International Accounting Standards (IAS).

Interoperability (multi-system capability) Ability of rolling stock to adapt to different technical standards (for example track gauges or power systems) and therefore to run as seamlessly as possible between different rail networks in individual countries.

Intramodal competition Competition within a mode of transport, for example within the railway sector.

Investment grants Financing contributions from third parties in specified capital expenditure projects without future repayment requirements.

I

K brake shoes Brake shoe made from composite materials (K), see also V brake shoes.

K

LL brake shoe Brake shoe made from composites (LL: low noise, low friction), see also V brake shoe.

Local transport Transport services with the products IRE, RB, RE and S-Bahn (metro).

Long-distance transport Transport services with the products ICE and IC/EC.

Lost time injury frequency (LTIF) Describes the relationship between accident frequency and effectively rendered working hours based on one million working hours.

L

Methane (CH_4) Greenhouse gas, colorless and odorless hydrocarbon, main component of natural gas.

Modes of transport Transport medium such as road or rail.

M

Net capital expenditures Gross capital expenditures less investment grants from third parties, for example for infrastructure capital expenditures.

Net financial debt Balance of interest-bearing external liabilities and liabilities from finance leases, as well as cash and cash equivalents and interest-bearing external receivables.

Nettable plan assets Assets that are netted against total pension obligations on the balance sheet.

Nitrogen oxides (NOx) Air pollutants produced when fossil fuels are burned which can be dangerous to health.

Noise Disruptive or harmful noises for persons and the environment.

Noise barrier Means of active noise abatement on rail lines, usually made from materials such as aluminum, wood, concrete. New noise barriers are walls made from wire baskets filled with stones (gabions).

Noise prevention Legal claim to noise-protection measures on new construction and expansion lines.

Noise reduction Reduction of noise by active (for example noise barriers) and passive (for example soundproof windows) noise control, as well as noise reduction measures in vehicles.

Noise remediation program Voluntary program of the Federal Government implemented by DB Group to reduce noise on existing rail lines.

N

Operating income after interest Profit figure, that includes costs of financing for a sustainable assessment of profits (in particular relevant for infrastructure business units). Te net operating interest is additionally included compared to the EBIT calculation.

Operating leases Off-balance-sheet financing instruments: leased or rented assets.

Ordering organization In general, the Federal states that, as public transport authorities, order regional rail passenger transport services from transport companies.

Overall punctuality Covers all rail transport on DB Netz AG infrastructure at DB Netze Track.

O

Particles Small parts, such as dust.

Passenger kilometers (pkm) Unit of measurement for the volume sold in passenger transport: product of the number of passengers and the average travel distance.

Primary energy Energy calculated from the energy source in its natural form, for example including production, transport and conversion.

Punctuality Share of punctual stops in relation to all stops along and at the end of routes in Germany. A stop is considered on time if the planned arrival time has been exceeded by less than 6 minutes in passenger transport or less than 16 minutes in freight transport.

P

Railway of the Future Group program to improve the quality of the integrated rail system.

Rate of people making connections on long-distance transport/long-distance transport Percentage of connections in long-distance transport shown in the schedule that are actually made.

Rating Classification of creditworthiness provided by rating agencies which impacts the refinancing options and expenses of a company.

Recycling Further utilization of substances, for example of waste.

Redemption coverage Key financial indicator that describes the ratio between the ongoing financing strength and financial obligations of the company (adjusted net financial debt).

Refugee According to the Geneva Convention, this is a person located outside of their country of nationality or permanent residence. The person must also have fled due to their ethnicity, religion, nationality, membership of a certain social group or due to their political convictions due to fear of persecution. The individual is not protected in their home country and cannot return.

Renewable energy Energy sources which are renewable and in principle unlimited, for example, water, wind and sunlight.

Renewable Energy Sources Act (EEG) Federal law to promote the supply of electricity from renewable energies.

Requirement plan New construction and expansion lines in the Federal Transport Infrastructure Plan.

Resource Aid, fund, reserve, raw material.

Return on capital employed (ROCE) Key performance indicator for value-based management. Equals the return on capital employed for business operations. Percentage ratio of (adjusted) EBIT to the capital employed.

R

Satisfaction index Index rated in general on a grading scale of 1 (very satisfied) to 6 (very dissatisfied). These grades are converted and shown on a scale of 0 to 100: (0 points = grade 6; 20 points = grade 5; 40 points = grade 4; 60 points = grade 3; 80 points = grade 2; 100 points = grade 1).

Scope 1-3 (in accordance with GHG) As part of carbon accounting, emissions are divided into three scopes. For DB Group: scope 1 = CO_2 emissions from our own vehicles, scope 2 = traction current supply, scope 3 = transport services of our subcontractors. Due to our business model, scope 3 includes only transport-related emissions in accordance with the Greenhouse Gas Protocol.

Scope of consolidation Group of subsidiaries included in the consolidated financial statements.

Soot particles Emissions produced during the combustion of diesel fuels. Diesel emissions also include particulate matter.

Specific Relative, for example based on the volume sold.

Stakeholders Interest groups and representatives.

Stationary facilities Buildings and facilities such as plants and train stations.

Station pricing system Transparent and non-discriminatory pricing system for the use of passenger stations. The level of station prices depends largely on the performance level and level of equipment at the respective station.

Sulfur dioxide (SO_2) A colorless gas causing irritation of the mucous membrane, generated by the combustion of coal and oil. It is a cause of acid rain.

Supply chain (value-added chain) The stages of production illustrated as an orderly sequence of activities. These activities add value, consume resources and are connected with each other in processes.

Supply reliability Measure of the reliability of energy supply for the railway operation in Germany.

Sustainability Mission statement for the reconciliation of environmental, social and economic targets with a view to achieving viable development that accounts for the needs of all generations.

Sustainable development goals (SDG) Political targets set by the United Nations with a view to assuring sustainable development at the economic, social and environmental levels. The targets came into force on January 1, 2016, and run until 2030. They apply to all countries.

Swap The basic concept for financial instruments that involve the exchange of future cash flows. This allows financial risks (interest, currencies, raw materials) to be hedged in a targeted manner.

S

Tank-to-wheel (TTW) Fuel calculation excluding conversion processes.

Ton kilometers (tkm) Unit of measurement for the volume sold in freight transport: product of the freight carried (tons) and the distance (kilometers).

Traction Propulsion to move trains. Depending on the energy source, drive unit and power transmission, a distinction is made, among other things, between electric, diesel-electric and diesel-hydraulic traction. Traction units that, in addition to electric traction, also have diesel-assisted traction are also referred to as hybrid vehicles.

Traction current mix Contains the traction current of train operating companies supplied by DB Netze Energy.

Train kilometer (train km) Equal to the journey of a train over a distance of 1 km.

Train-path Route of train as defined in the schedule.

Train-path kilometers (train-path km) See volume produced.

Train-path pricing system (TPS) Transparently regulates the prices for use of the rail network by non-Group and Group customers on a non-discriminatory basis, taking into account the specific characteristics of the infrastructure used.

Transport contract Agreement between the ordering organization and train operating company on the provision of regional passenger transport services.

T

United Nations Global Compact The world's largest and most important initiative for responsible corporate management. On the basis of its ten universal principles, it pursues the vision of an inclusive and sustainable global economy to the benefit of all people, communities and markets, today and in the future.

U

V brake shoes Brake shoe made from composites (V) which halves the rolling noise of freight cars. Collective term for K and LL brake shoes.

Vegetation control Checking and cutting/removing vegetation in and on the tracks using mechanical and chemical (only in the immediate vicinity of the tracks) procedures.

Volume produced Distance traveled by train operating companies on the rail network. Unit of measurement: Train-path kilometers (train-path km).

Volume sold Key indicator for measurement of the service provided in passenger and freight transport. Units of measurement: passenger kilometers (pkm), ton kilometers (tkm).

V

Waste This refers to no longer required solid remains, including liquids and gases in containers. Chemical residues are also regarded as waste.

Well-to-wheel (WTW) Method of showing the entire fuel provision process.

Whisper brake See K and LL brake shoes.

W

List of abbreviations

AEG General Railways Act
AFRA Association Française du Rail (National association of French railways)
Agv MoVe Mobility and Transport Services Association
AktG Stock Corporation Act
ApS Pro-Rail Alliance
AUD Australian dollar

A

bbl Barrel
BEV Federal Railroad Fund
BGB German Civil Code
BGH German Federal Supreme Court
BilMoG German Accounting Law Modernization Act
BMVI Federal Ministry of Transport and Digital Infrastructure
BNetzA Federal Network Agency
BSW Stiftung Bahn-Sozialwerk (foundation for DB employees)
BSWAG Federal Rail Infrastructure Extension Act
Buskm Bus kilometers
BUV Requirement plan implementation agreement
BVWP Federal Transport Infrastructure Plan
B2B Business-to-business
B2C Business-to-consumer

B

CC Competence center
CDO Chief Digital Officer
CEF Connecting Europe Facility
CER Community of European Railway and Infrastructure Companies
CHF Swiss francs
CIT Comité international transport ferroviaires
CNY Chinese yuan
CO_2 Carbon dioxide
CO_2e CO_2 equivalent
COSO Committee of Sponsoring Organizations of the Treadway Commission
CRI Corporate Reputation Index
CSA Credit Support Agreements
CSO Chief Sustainability Officers
CSR Corporate Social Responsibility
CTA Contractual Trust Arrangement

C

dB Decibel
DB AG Deutsche Bahn AG
DB DV Deutsche Bahn Digital Ventures GmbH
DB E&C DB Engineering&Consulting
DB Finance Deutsche Bahn Finance GmbH
DBGrG Deutsche Bahn Foundation Act
DB Group Deutsche Bahn Group
DBO Defined benefit obligation
DGCN German Global Compact Network
DNK German Sustainability Code
DVE German Transport Forum
D&O insurance Directors' and officers' liability insurance

D

EBIT Earnings before interest and taxes
EBITDA Earnings before interest, taxes, depreciation and amortization
EC Executive center
ECB European Central Bank
ECJ European Court of Justice
EDIP European Debt Issuance Program
EEC European Economic Community
EEG Renewable Energy Act
EKF Energy and Climate Fund
EnWG Energy Industry Law
ERegG Railway Regulation Act
ET Electric multiple unit
ETCS European train control system
EU European Union
EVG Railway and Transport Workers Union

E

Fed US Federal Reserve
FRN Floating rate note
FS Ferrovie dello Stato (Italian state-owned railway)
FTE Full-time employee

F

GBP British pound sterling
GDL German Train Drivers' Union
GDP Gross domestic product
GHG Greenhouse gas
GKN Neckarwestheim joint venture power plant
GRI Global Reporting Initiative
GVFG Municipal Transport Financing Act
GWh Gigawatt hour

G

ha Hectare
HGB German Commercial Code

H

IC Intercity
ICE Intercity Express
ICS Internal control system
IFRS International Financial Reporting Standards
ISO International Organization for Standardization
IZB Infrastructure state and development report

I

KBS Social insurance for railway workers and seafarers (Knappschaft-Bahn-See)
KonTraG Act on Supervision and Transparency in the Corporate Sector

K

LaTPS Noise-based train-path pricing system
LST Command and control technology
LTI Long-term incentive
LTIF Lost time injury frequency
LuFV Performance and financing agreement

L

m² Square meters
MaRisk Minimum requirements for risk management
MitbestG German Co-Determination Act
MJ Megajoule
MRR Minimum required rate of return
MWh Megawatt hour

M

NABU Nature and Biodiversity Conservation Association (Naturschutzbund Deutschland e. V.)
Nkm Commercial vehicle kilometer
NMHC Hydrocarbon emissions
NOK Norwegian krone
NOX Nitrogen oxide emissions
NP Natural persons
NS Nederlandse Spoorwegen N.V. (Dutch state-owned railway)

N

OPEX Operational excellence

O

P Passengers
PCGK Federal Public Corporate Governance Code
Pkm Passenger kilometer
PKP Polskie Koleje Państwowe (Polish state railway)
PPR Price-performance ratio
PwC PricewaterhouseCoopers

P

RENFE Red Nacional de los Ferrocarriles Españoles (Spanish state railway)
RIC Rail infrastructure company
RMS Risk management system
ROCE Return on capital employed

R

SBB Swiss Federal Railways
SCM Supply chain management
SDGs Sustainable development goals
SI Satisfaction index
SNCF Société Nationale des Chemins de fer Français (French state-owned railway)
SO_2 Sulfur dioxide emissions
S&P S&P Global Ratings
SPD Social Democratic Party of Germany
SWP Strategic workforce planning
Sts Secretary of state

S

T Thousand
t Ton
TEN Trans-European Networks
TEU Twenty-foot equivalent unit
tkm Ton kilometers
TOC Train operating company
Train km Train kilometers
Train-path km Train-path kilometers

T

UIC International Union of Railways
UNGC United Nations Global Compact
USD US dollar

U

VDE German unification transport projects
VDV Association of German Transport Companies
V brake shoe Composite brake shoes
WACC Weighted average cost of capital
WIFI Wireless local area network
WpHG Securities Trading Act

W

ZIP Capital expenditure program for the future

Z

Contact information

102-53

Investor Relations

Deutsche Bahn AG
Investor Relations
Europaplatz 1
10557 Berlin, Germany
Phone —— +49-30-297-64031
Fax —— +49-69-265-20110
E-mail —— ir@deutschebahn.com
Internet —— www.deutschebahn.com/ir-e

This Integrated Report and the Annual Financial Statements of Deutsche Bahn AG, the Annual Reports 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.

This Integrated Report and the Annual Financial Statements of Deutsche Bahn AG are published in German and English. In case of any discrepancy, the German version shall prevail.

The 2017 Integrated Report was published on March 22, 2018 and is available on the Internet at www.db.de/ib-e.

Corporate Communications

Corporate publications and the Competition Report are available online or can be requested from Corporate Communications:

Deutsche Bahn AG
Corporate Communications
Potsdamer Platz 2
10785 Berlin, Germany
Phone —— +49-30-297-61030
Fax —— +49-30-297-61919
E-mail —— presse@deutschebahn.com
Internet —— www.deutschebahn.com/en/presse

DB service number

Our service number +49-180-699-6633 gives you direct access to all of our telephone services. These services include our Group-wide general information phone number, timetable information and booking of train tickets, our customer dialog, and 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.

Our passenger transport services on social media

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

Financial calendar

July 25, 2018

Interim Results Press Conference,
Publication of the Interim Report
January–June 2018

March 28, 2019

Annual Results press conference,
publication of the 2018 Integrated Report

Imprint

Edited by —— Deutsche Bahn AG, Investor Relations, Berlin
Design and typesetting —— Studio Delhi, Mainz
Proofreading —— AdverTEXT, Düsseldorf
Lithography —— Koch. Prepress Print Media GmbH, Wiesbaden
Printing —— Kunst- und Werbedruck, Bad Oeynhausen
Photography and consulting —— Max Lautenschläger, Berlin

Photo credits (from top to bottom; left to right; front to back): Cover page Max Lautenschläger U3 Max Lautenschläger 1 eyetronic – Stock.adobe.com 3 Max Lautenschläger 9 iStock.com/nadla, Max Lautenschläger Departure economic 3 DB AG 5 designhaus berlin, DB AG 7 Max Lautenschläger 8–9 Max Lautenschläger, Max Lautenschläger, Uwe Schmieder 10–11 Frank Kniestedt, Max Lautenschläger, DB AG 12–13 DB AG, DB AG/Davor Zunic, California Highspeed Rail Authority, California Highspeed Rail Authority, DB AG 14–15 DB AG/Gerhard Lenneberg, Max Lautenschläger, PJCSmith2/flickr, Max Lautenschläger, Max Lautenschläger, Max Lautenschläger 16–17 Max Lautenschläger, Max Lautenschläger, DB AG/Loredana La Rocca 11 Max Lautenschläger Departure social 3 Max Lautenschläger 4–5 DB AG 13 Max Lautenschläger Departure environmental 3 DB AG 4–5 Max Lautenschläger, DB AG/Pablo Castagnola, DB AG/Pablo Castagnola, Max Lautenschläger 6–7 Daimler AG, Max Lautenschläger, Max Lautenschläger, Daimler AG 8 Max Lautenschläger, DB AG 15 DB AG/Michael Neuhaus Departure future 16 and background iStock.com/nadla 2–3 DB AG/Stefan Klink, DB AG/Barteld Redaktion&Verlag, DB AG 4–5 DB AG 6–7 DB AG/Uwe Miethe, DB AG/ioki, DB AG/Andreas Arnold, DB AG/Andreas Arnold, skynextphoto/shotshop.com, Stefan Zoll 8–9 DB AG/Wolfgang Groeger-Meier, MAN/Wolfgang Groeger-Meier, MAN/Wolfgang Groeger-Meier 10–11 iStock.com/nadla 17 iStock.com/nadla 18 DB AG Main report 19 Max Lautenschläger 20 Max Lautenschläger 32 and all following organizational charts iStock.com/nadla 40–41 Max Lautenschläger, Stiftung Lesen/Mannstein/Frank Schemmann, Stefan Wildhirt 57 Made-by-Made/NOAH Berlin 2017 62 DB AG/Uwe Miethe, Benjamin Pritzkuleit 64–65 DB AG/Pablo Castagnola, DB AG/Axel Hartmann Fotografie, DB AG/Volker Emersleben, DB AG/Christian Bedeschinski, Max Lautenschläger, Max Lautenschläger, Max Lautenschläger 69 DB AG, Arne Lesemann, DB AG/Volker Emersleben, Max Lautenschläger, Philipp von Recklinghausen/lux-fotografie.de, Max Lautenschläger 75 Max Lautenschläger, DB AG/Jet-Foto Kranert, DB AG/Holger Peters, DB AG Claus Weber, DB AG/Oliver Lang, DB AG/Claus Weber 81 DB AG/Pablo Castagnola, DB AG/Michael Neuhaus, DB AG/Uwe Miethe, baranq/Shotshop.com,DB AG/Christian Bedeschinski, DB AG 165 Max Lautenschläger 237 Max Lautenschläger 251 Max Lautenschläger U7 DB AG/Axel Hartmann Fotografie, DB AG/Christian Bedeschinski, DB AG/Pablo Castagnola, DB AG, DB AG/Pablo Castagnola, DB AG/Oliver Lang

www.blauer-engel.de/uz14
- low use of energy and water in the manufacturing process
- made from 100% waste paper
- particularly low level of harmful materials

10-year summary

€ million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
STATEMENT OF INCOME										
Revenues	42,693	40,557	40,403	39,728	39,107	39,296	37,979	34,410	29,335	33,452
Overall performance	45,593	43,298	43,102	42,422	41,756	41,910	40,436	36,617	31,271	35,324
Other operating income	2,954	2,834	2,772	2,824	2,853	3,443	3,062	3,120	3,864	3,046
Cost of materials	-21,457	-20,101	-20,208	-20,250	-20,414	-20,960	-20,906	-19,314	-15,627	-18,544
Personnel expenses	-16,665	-15,876	-15,599	-14,919	-14,383	-13,817	-13,076	-11,602	-11,115	-10,583
Depreciation	-2,847	-3,017	-4,471	-3,190	-3,228	-3,328	-2,964	-2,912	-2,825	-2,723
Other operating expenses	-5,890	-5,677	-5,750	-5,057	-4,817	-4,719	-4,375	-4,092	-3,360	-3,927
Operating result (EBIT)	1,688	1,461	-154	1,830	1,767	2,529	2,177	1,817	2,208	2,593
Results from investments accounted for using the equity method	14	33	22	8	3	14	19	17	9	21
Other financial result	-30	-16	0	-3	-15	-13	3	-23	-4	-47
Net interest income	-704	-772	-800	-898	-879	-1,005	-840	-911	-826	-760
Profit before taxes on income	968	706	-932	937	876	1,525	1,359	900	1,387	1,807
Net profit for the year	765	716	-1,311	988	649	1,459	1,332	1,058	830	1,321
Dividend payment (for previous year)	600	850	700	200	525	525	500	-	-	-
OPERATING PROFIT FIGURES										
EBITDA adjusted	4,930	4,797	4,778	5,110	5,139	5,601	5,141	4,651	4,402	5,206
EBIT adjusted	2,152	1,946	1,759	2,109	2,236	2,708	2,309	1,866	1,685	2,483
VALUE MANAGEMENT										
Capital employed as of Dec 31	35,093	33,066	33,459	33,683	33,086	32,642	31,732	31,312	28,596	27,961
Return on capital employed (ROCE) (%)	6.1	5.9	5.3	6.3	6.8	8.3	7.3	6.0	5.9	8.9
Redemption coverage (%)	18.7	18.1	19.0	20.3	20.8	22.2	22.0	18.8	20.4	21.4
Gearing (%)	131	139	130	112	110	109	110	118	115	131
Net financial debt/EBITDA	3.8	3.7	3.7	3.2	3.2	2.9	3.2	3.6	3.4	3.1
CASH FLOW/CAPITAL EXPENDITURES										
Cash flow from operating activities	2,329	3,648	3,489	3,896	3,730	4,094	3,390	3,409	3,133	3,539
Gross capital expenditures	10,464	9,510	9,344	9,129	8,224	8,053	7,501	6,891	6,462	6,765
Net capital expenditures	3,740	3,320	3,866	4,442	3,412	3,487	2,569	2,072	1,813	2,599
BALANCE SHEET AS OF DEC 31										
Non-current assets	45,625	45,290	45,199	45,530	43,949	44,241	44,059	44,530	41,308	42,353
thereof property, plant and equipment and intangible assets	43,207	42,575	42,821	43,217	41,811	41,816	41,541	42,027	39,509	39,976
thereof deferred taxes	1,416	1,511	1,335	1,604	1,404	1,548	1,461	1,471	1,173	1,692
Current assets	10,811	11,034	10,860	10,353	8,945	8,284	7,732	7,473	5,995	5,840
thereof cash and cash equivalents	3,397	4,450	4,549	4,031	2,861	2,175	1,703	1,475	1,470	879
Equity	14,238	12,657	13,445	14,525	14,912	14,978	15,126	14,316	13,066	12,155
Equity ratio (%)	25.2	22.5	24.0	26.0	28.2	28.5	29.2	27.5	27.6	25.2
Non-current liabilities	27,510	28,525	28,091	28,527	26,284	25,599	24,238	24,762	23,359	23,161
thereof financial debt	19,716	20,042	19,753	19,173	18,066	17,110	16,367	16,394	14,730	14,083
thereof pension obligations	3,940	4,522	3,688	4,357	3,164	3,074	1,981	1,938	1,736	1,649
Current liabilities	14,688	15,142	14,523	12,831	11,698	11,948	12,427	12,925	10,878	12,877
thereof financial debt	2,360	2,439	2,675	1,161	1,247	1,503	1,984	2,159	1,780	2,770
Net financial debt	18,623	17,624	17,491	16,212	16,362	16,366	16,592	16,939	15,011	15,943
Total assets	56,436	56,324	56,059	55,883	52,894	52,525	51,791	52,003	47,303	48,193
RAIL PERFORMANCE FIGURES										
PASSENGER TRANSPORT										
Passengers (million)	2,564	2,365	2,251	2,254	2,235	2,152	1,981	1,950	1,908	1,920
Long-distance transport	142	139	132	129	131	131	125	126	123	123
Regional transport	2,422	2,226	2,119	2,125	2,104	2,021	1,856	1,824	1,785	1,797
Volume sold (million pkm)	95,854	91,651	88,636	88,407	88,746	88,433	79,228	78,582	76,772	77,812
Long-distance transport	40,548	39,516	36,975	36,102	36,777	37,357	35,565	36,026	34,708	35,457
Regional transport	55,306	52,135	51,661	52,305	51,969	51,076	43,663	42,556	42,064	42,355
FREIGHT TRANSPORT										
Freight carried (million t)	271.0	277.4	300.2	329.1	390.1	398.7	411.6	415.4	341.0	378.7
Volume sold (million tkm)	92,651	94,698	98,445	102,871	104,259	105,894	111,980	105,794	93,948	113,634
INFRASTRUCTURE										
Train kilometers on track infrastructure (million train-path km)	1,073	1,068	1,054	1,044	1,035	1,039	1,051	1,034	1,003	1,043
thereof non-Group customers	331	322	290	261	247	231	220	195	170	162
EMPLOYEES (FTE)										
Average	308,800	302,204	297,170	296,094	293,765	286,237	282,260	251,810	239,888	240,008
As of Dec 31	310,935	306,368	297,202	295,763	295,653	287,508	284,319	276,310	239,382	240,242

Deutsche Bahn AG
Potsdamer Platz 2
10785 Berlin
Germany

www.deutschebahn.com