



“On track towards a better railway”

Annual Results Press Conference 2019 Deutsche Bahn AG

Speech by Dr. Richard Lutz,
CEO and Chairman of the
Management Board

– Check against delivery. –

Berlin, March 28, 2019



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Ladies and gentlemen,

Good morning. I would also like to welcome you to this year's Annual Results Press Conference.

At Deutsche Bahn, we are an integral part of society in Germany. “Deutsche Bahn” means “German Rail,” after all. Every day, we transport 7.3 million people safely to their destinations. There are certain expectations associated with the service we provide - expectations about our products and their reliability and quality. We also have certain obligations - in particular an obligation to work hard for the benefit of our customers and to constantly improve.

Improvement is our goal. And we are on our way towards achieving that goal. The phase we currently find ourselves in will be particularly critical to our future success. We need to make some essential decisions today to ensure that we can tap the full potential of rail tomorrow. In other words, if we want to be prepared for the future, we will need to act now. Our society will need to shift more traffic to rail - not least because it is to achieve climate targets.



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Taking the train is a form of active climate protection, and rail is the only truly green mode of transport. At Deutsche Bahn, we are already making a substantial contribution to the fight against climate change. As you may know, travel on our ICE and IC trains is completely carbon-neutral. Other modes of transport can only dream of such a reality.

We have also steadily increased the percentage of renewable energies in our traction power mix as a whole, reaching more than 57% in 2018 and thereby achieving the target we had set for ourselves. And we have set ourselves a new ambitious target for the future: 80% renewables by 2030 at the latest.

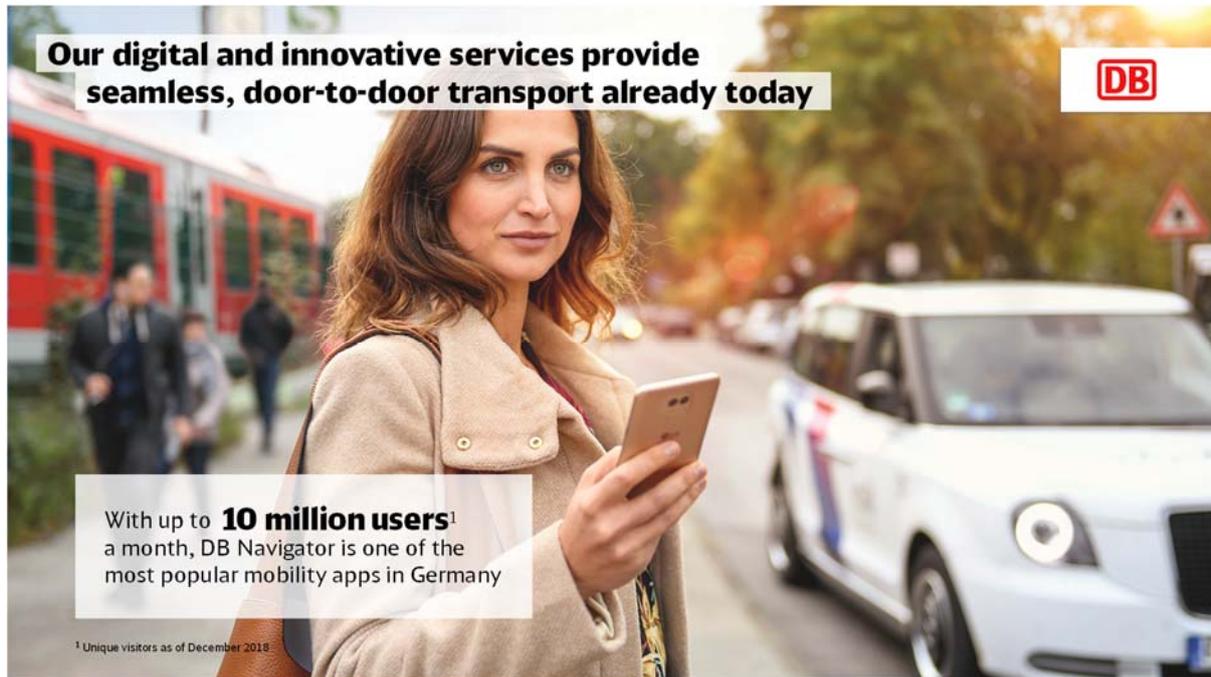
This climate advantage that rail offers is one of the reasons why people are increasingly choosing to travel by train. But fast connections, convenient service, and travel comfort are also increasingly making rail a real alternative to road and air travel.



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All this is reflected in a clear trend: Our passenger numbers are steadily rising. Ever since we launched our long-distance strategy in 2015, we have been setting record after record – decisively exceeding targets some doubted we could ever reach.

We transported nearly 148 million long-distance passengers in 2018, and, as our upward trend continues, we will transport more than 150 million in 2019 for the first time. That puts us well on our way towards the target of more than 200 million passengers by 2030.



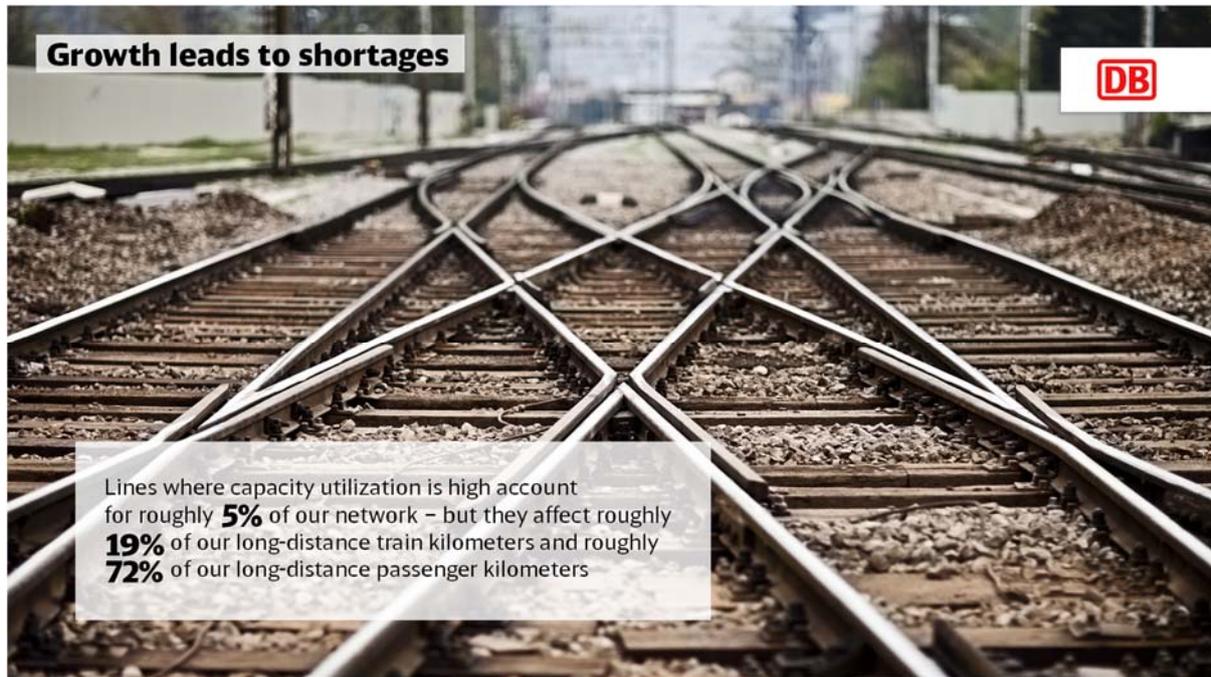
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But our success is not due solely to the attractive, climate-friendly connections we offer. Our digital products and services have also made rail more popular. Our DB Navigator app had some 10 million monthly users at the end of 2018, roughly 15% more than the previous year.

DB Navigator lets users search for connections and buy tickets – for long-distance travel, and increasingly for regional and local travel as well. But it also offers additional services. Specifically, we have made DB Navigator more of a travel companion, too – with live navigation and our “Komfort Check-in” function. “Komfort Check-in” lets users check themselves in on the train, and then spend the rest of the trip doing what they want to do, instead of having to wait for their ticket to be checked.

Ladies and gentlemen,

It is also important to acknowledge that there are side effects to the success of rail – you could call them “growing pains.”

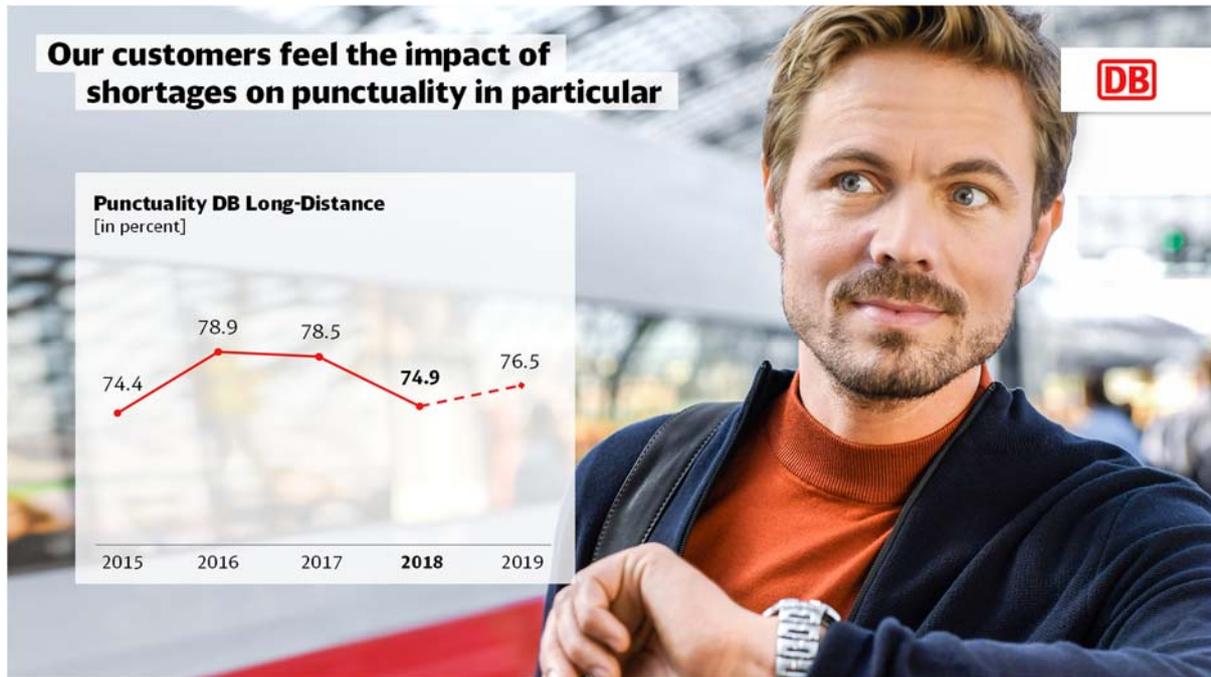


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The space and the resources that we need in order to expand and improve our services are becoming scarce, in our infrastructure, on our trains, and in our workforce. This is particularly evident in the bottlenecks we see in our network - areas where traffic flows are high but infrastructure capacity is low or where trains are unable to pass each other. These are areas where space is often tight, too tight.

Such highly congested areas account for only 5% of the network. But roughly 19% of our long-distance train kilometers - and some 72% of our long-distance passenger kilometers - are affected by these bottlenecks.

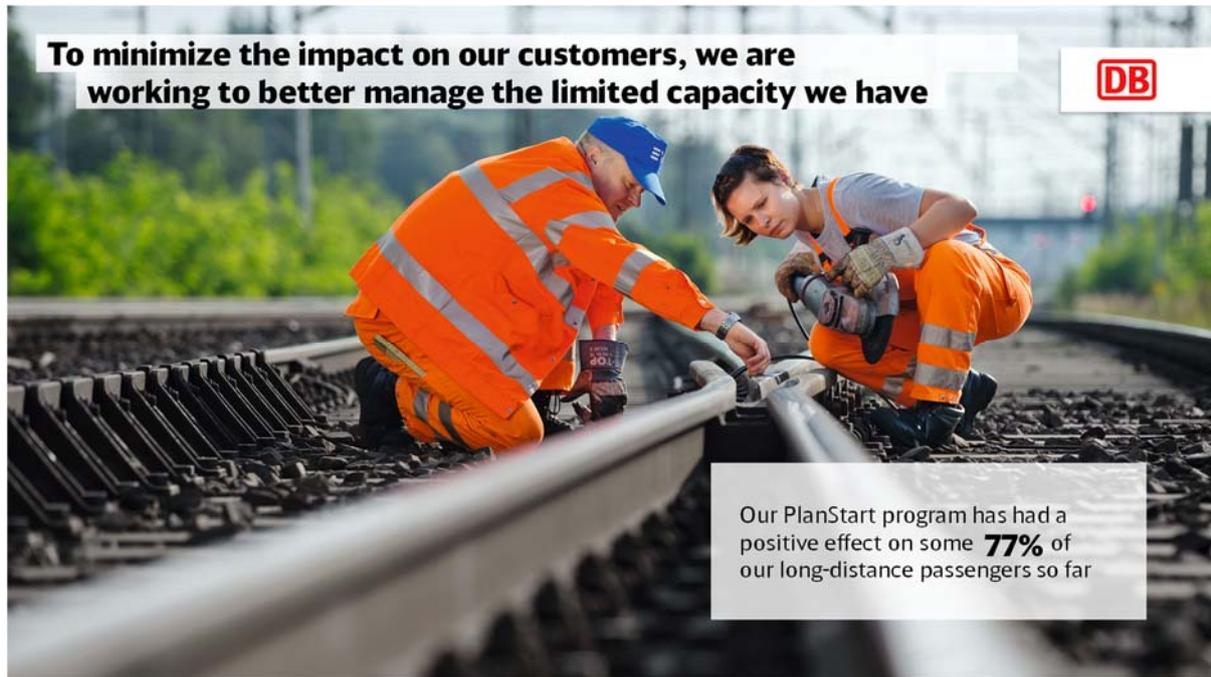
The result is that even the slightest delay can quickly spread to the entire network. And this can lead to a traffic jam on the rails, if you will, where one train slows others down or stops them completely. Some 40% of our rail traffic congestion has its roots in the four most serious bottlenecks in the network - the focus corridors ("PlanKorridore"), as we have termed them. And as you would expect, this has an impact on our service punctuality.



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Our on-time rate for long-distance transport as a whole was 74.9% in 2018. We cannot be satisfied with this level of performance – that is clear. We need to improve. What we are also seeing, though, is that congestion on our network is still on the rise. Unfortunately, bottlenecks are not the kind of phenomenon that can be eliminated overnight. It is important to keep that fact in mind when you consider the punctuality target of 76.5% that we have set ourselves for 2019. This target reflects our long-term, systematic efforts to generate the level of capacity that the rail system needs.

Our objective is clear: We need to build additional capacity, in all areas of our system. This is what drives us, and it is also the philosophy behind our “Agenda for a Better Railway,” which we introduced in late 2018. As I mentioned, though, many of the measures we are planning will take time. There isn't a magic button we can press to make our rail service better overnight.

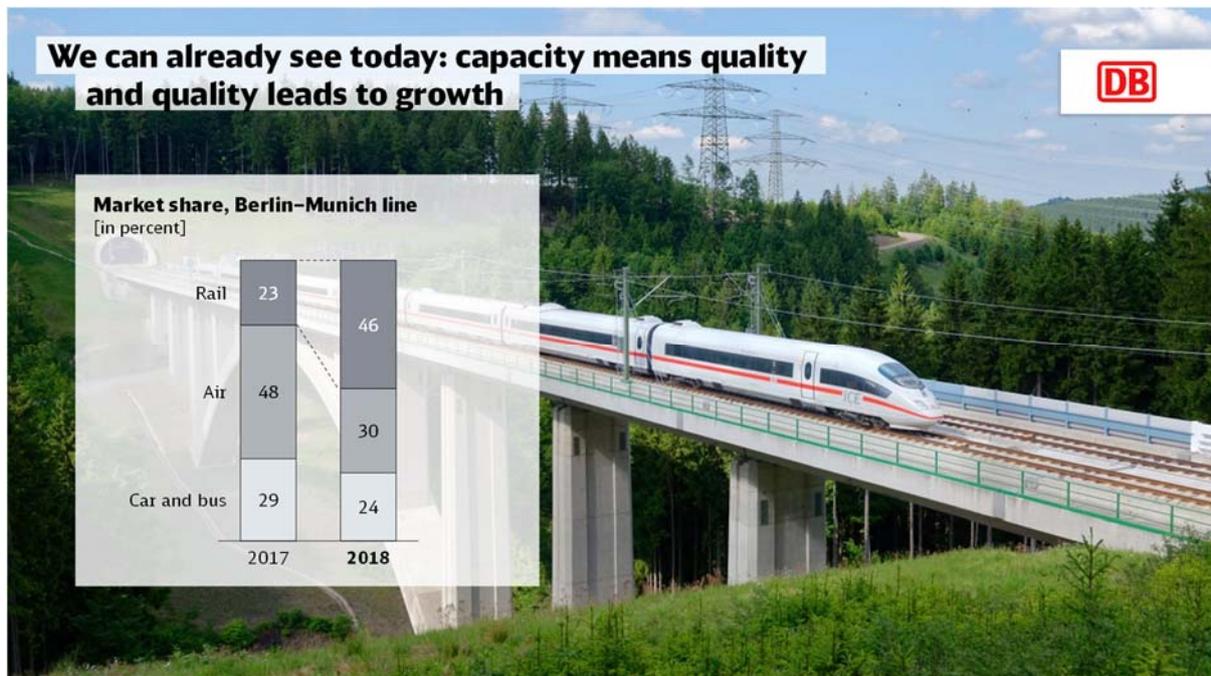


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With that in mind, we set to work last year to better manage the limited capacity we have. Our PlanStart teams help to raise on-time departure rates at our largest hub stations. The work of those teams has already had a positive effect on some 77% of our long- distance passengers. And we are still expanding the PlanStart program.

I mentioned that we had identified several corridors where congestion was particularly high. On these corridors, we are monitoring traffic more carefully and are reducing delays by responding quickly to the traffic situations at hand. The experience we have gathered so far indicates that this approach is working. We are also improving how we coordinate construction projects and respond to disruptions, and our efforts to this end are helping us use our limited capacity more effectively.

We spent additional funds of nearly EUR 150 million on such rapid response measures in 2018.



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Our Berlin-Munich line is an impressive example of the kind of potential we have when there are no restrictions on our capacity. Berlin-Munich has shown that our trains – and in particular our extra-fast Sprinter trains that have few stops – can beat out road and air travel.

The on-time rate for our ICE service on the Berlin-Munich line is 82%, higher than our average for Germany. And our Sprinter service has an even higher on-time rate of 86%. All these factors have made us the number one mode of transport for travel between Berlin and Munich. In other words, the numbers speak for themselves: Capacity means quality – and quality means growth.

Of course, all this costs money, both now and for the long term. But even short-term increases in spending are a good investment in the future if they benefit our customers. And despite this additional spending – and additional challenges we faced in the second half of 2018 – we still delivered on the earnings forecast we announced at last year's Interim Results Press Conference.

I would now like to ask Alexander Doll, here today for the first time in his capacity as our new CFO, to go into more detail and discuss our financial situation as a whole.

[Party by Alexander Doll, Member of the Management Board for Finance, Freight Transport and Logistics, Deutsche Bahn AG]

Thank you, Alexander. Ladies and gentlemen, let's continue looking to the future for a moment and concentrate on what lies ahead.

As I mentioned, increases in capacity are critical to growth and on-time service. And capacity is the key factor in our "Agenda for a Better Railway," which we are working at top speed to implement, and for which we and the German government are investing a great deal of money.



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The Agenda covers the three major aspects we need to address: infrastructure, rolling stock, and staffing. A large portion of the planned investments will help to raise capacity in our network - to eliminate bottlenecks, build new lines and upgrade existing ones, and minimize the impact of construction on infrastructure capacity. Our talks with the German government to this end are going well.

And we at DB will also be investing some 5 billion euros to raise capacity, modernize, and digitalize. We will expand our long distance, regional, and cargo fleets considerably. New ICE 4 and IC 2 trains are expanding our fleet this year, and they will make rail travel more comfortable and convenient. We just recently

announced that we would be buying new Talgo trains, and they will also raise the capacity and performance of our fleet.



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We will be hiring more people, too. In 2018 alone, we set a new DB record by hiring more than 24,000 new people – enough to fill a small town. In 2019, we plan to hire some 22,000 more people, in particular for positions critical to our operations, such as train drivers, dispatchers, maintenance technicians, and IT experts.

All these efforts will lay the foundation for better rail service. But I would like to emphasize that our Agenda is more than just a list of measures we need to take. It is also the beginning of a fundamental shift in the way we think about our business. Even with the billions we plan to invest, capacity will remain a key factor, if not the deciding factor, in rail service for a long time to come. For us, this means that we will need to find new approaches to our work and to the way we think about it. In everything we do going forward, we will need to ask ourselves one key question: What effect will this have on our capacity?

At the same time, it is also a project for all of society to help find smart ways of handling capacity. Rail is one of Germany's critical infrastructure systems. Like the networks that transport data and energy throughout this country, the rail network is

an important driver of a dynamic economy, of quality of life, and of social cohesion. And as with other networks, the task for us today is to equip the rail network for the future – to make it a high-performing, end-to-end network that is easily accessible. If we succeed, we can make rail the mode of transport for the 21st century.



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And not just in Germany: Europe and the future of European integration are the subject of much debate these days. For us at DB, it goes without saying that these issues deserve our attention. After all, we employ people from every corner of Europe, as you saw earlier.

What is clear is that the European rail system – once fragmented by nationalism and militarism – is now based on cooperation, on exchange across borders. At DB, we serve people of all cultures and backgrounds on a daily basis. We represent interaction, openness, and diversity. And we are deeply committed to a strong, free, and integrated Europe. Europe and the rail system are inextricably linked. They make each other strong.

What is clear, however, is that Europe could do more to make use of the integrative power of rail in linking markets and cultures in fast, climate-friendly ways. Rail offers so many possibilities, so much potential – in Germany and in Europe.

We cannot let up in our efforts: We have set our course for better rail service. And we must continue to pursue it. With a clear focus on raising capacity, with an awareness of the great potential that rail offers and, most importantly, with a deep commitment to serving our customers.



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Thank you.

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