



# Investor Presentation 2018



**ECONOMIC**



**SOCIAL**



**ENVIRONMENTAL**



# Investor Presentation 2018

Oslo – Amsterdam – Milan – Munich – Zurich – Frankfurt – Paris – London

***Setting the course for tomorrow.***



**ECONOMIC**



**SOCIAL**

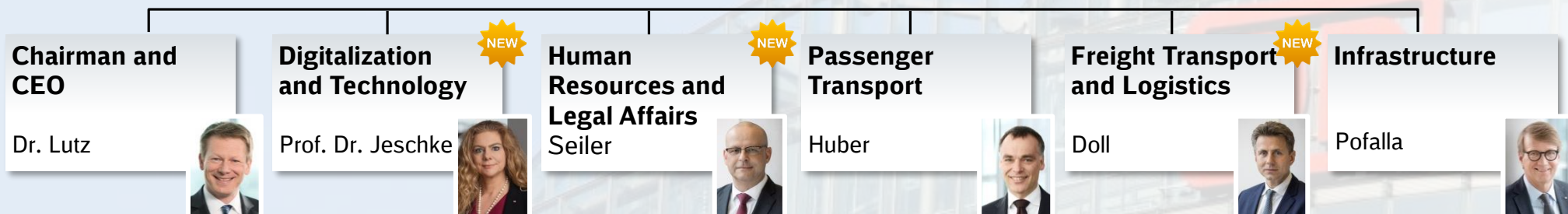


**ENVIRONMENTAL**

# New DB Top Management team fully in place since April 2018



## Deutsche Bahn AG



## Integrated Rail System

DB Long-Distance  
(Bohle)



DB Cargo  
(Dr. Bosch)



DB Netze Track  
(Sennhenn)



DB Regional  
(Dr. Sandvoss)



DB Netze Stations  
(Koch)



DB Netze Energy  
(Schein)



## Inter-national business

DB Arriva  
(Dr. Rudhart)



DB Schenker  
(Thewes)





# Coalition agreement underpins importance of transport sector and especially rail to tackle climate and environmental targets



## Railway Pact

“With the Railway Pact between politics and industry we want to double the number of rail passengers by 2030 and to shift more freight traffic to the environmentally-friendly rail.”

## Capex increase

“We want to continue the increase in capital expenditures on a record level (...) We make capital expenditures planning and financing more reliable by making the funds available for more than one budget year.”

## Punctuality and quality

“Punctuality, good service and high quality must be a trademark of the railways in Germany (...) The railways have to invest in more service, more reliability and more innovation.”

**The Railway Pact is a tremendous opportunity to modernize the entire railway system and make it fit for the future – a stable and reliable framework and a DB Group that is willing and able to rise to the challenge are a necessary precondition.**

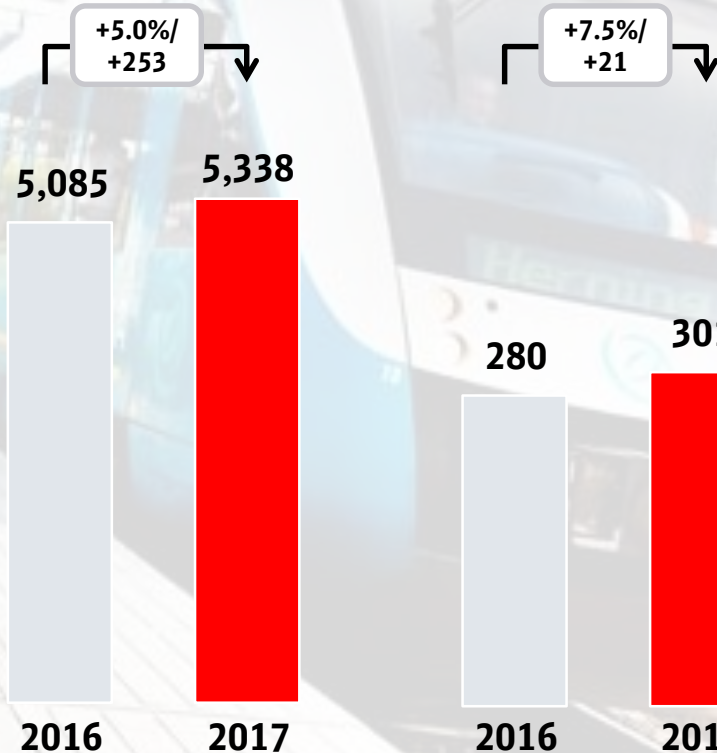


# Our international business units have seen record levels of revenues and profits in 2017

## DB Arriva

Revenues (€ mn)

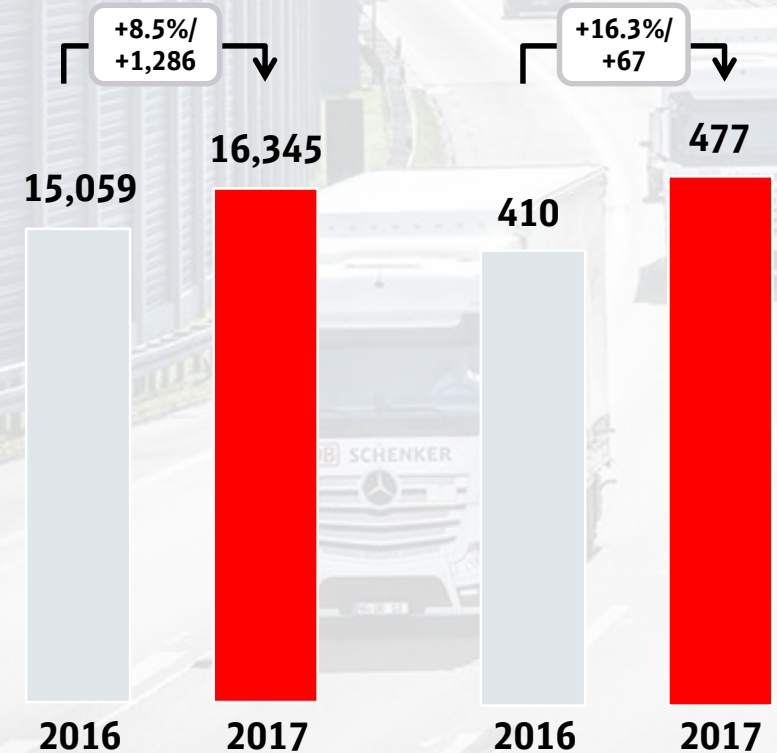
EBIT (€ mn)



## DB Schenker

Revenues (€ mn)

EBIT (€ mn)



We are also tapping opportunities for growth abroad. Expanding, integrating and optimizing our international network is key

### DB Schenker



- Using digital platforms for economies of scale
- Strengthening our presence in APAC and North America
- “PRIMUS” as business unit wide program

### DB Arriva



- Expanding our presence in European growth markets
- Enhancing UK Trains and UK Bus business models
- “ACCELERATE” as business unit wide program

### Non-European operations



- Tapping business opportunities for rail operations outside Europe
- Using the DB network and our expertise as a foundation







# We learned our lessons from some major operational restrictions we had to face in Germany in 2017

## Closure Rheintalbahn

- Temporary closure of Rhine-Alpine-Corridor (Rheintalbahn: Rastatt-Baden Baden) from August 12 to October 2, 2017

## Storms and bad weather

- In June and October 2017 various extreme weather events led to considerable disruptions of traffic in large parts of northern and eastern Germany

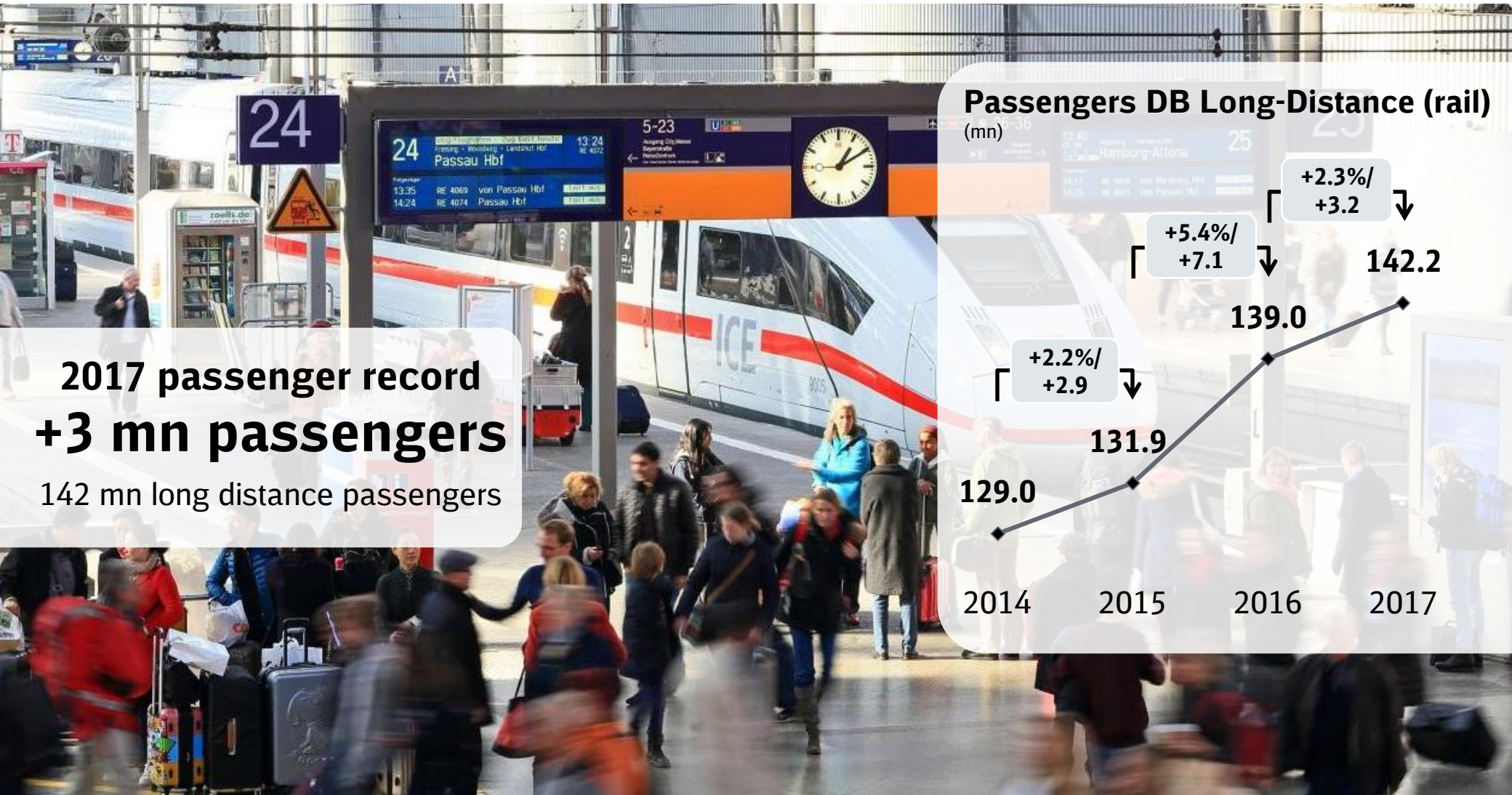
## Other

- In the context of the G20 summit, arson attacks in June and August on the rail infrastructure had an impact on traffic
- Cyber attack “WannaCry” at May 12, 2017 had an impact on automatic ticketing machines and displays at stations not on operations

**Countermeasures introduced (among others improved incident management, vegetation action plan, project cyber security@DB)**



# Nevertheless, we were able to raise our long-distance passenger number once again in 2017





And we expect to see more in 2018, among others due to the very good customer response to our new Berlin–Munich link

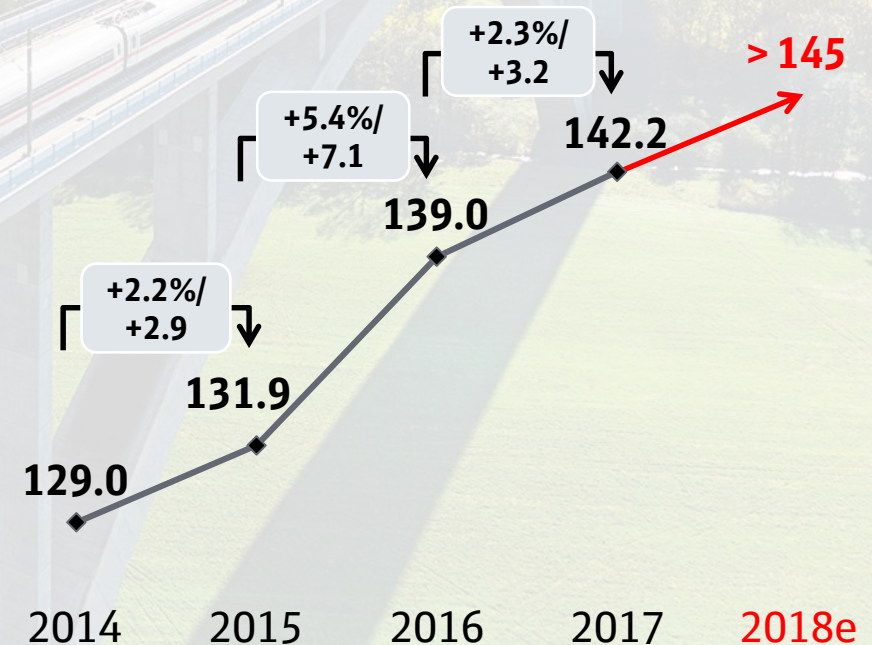
Development on new construction line<sup>1)</sup> in Q1 2018:

**1.1** mn passengers (+118%)

punctuality **~84** %

<sup>1)</sup> VDE 8.1 – commissioning in December 2017.

### Passengers DB Long-Distance (rail) (mn)

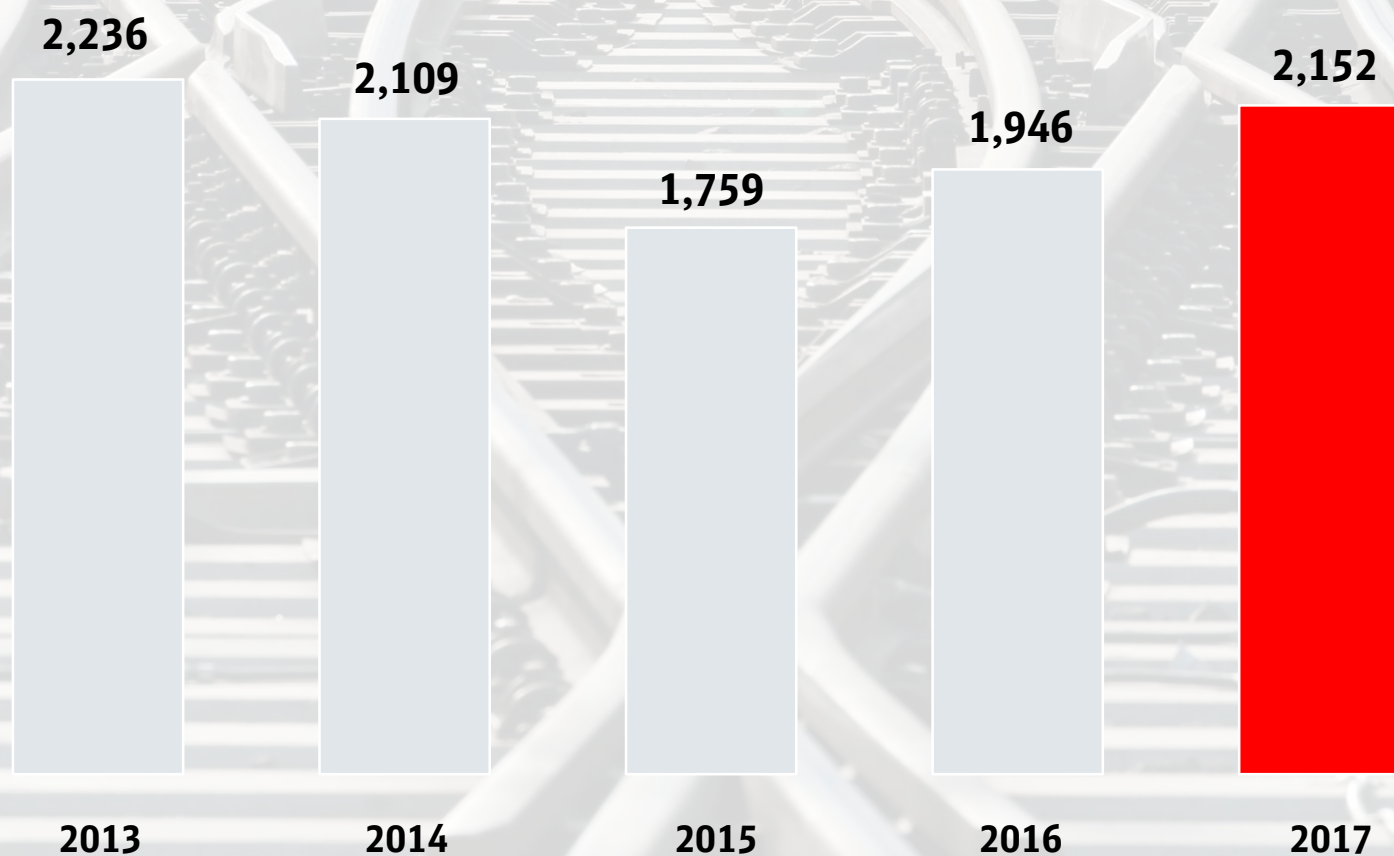




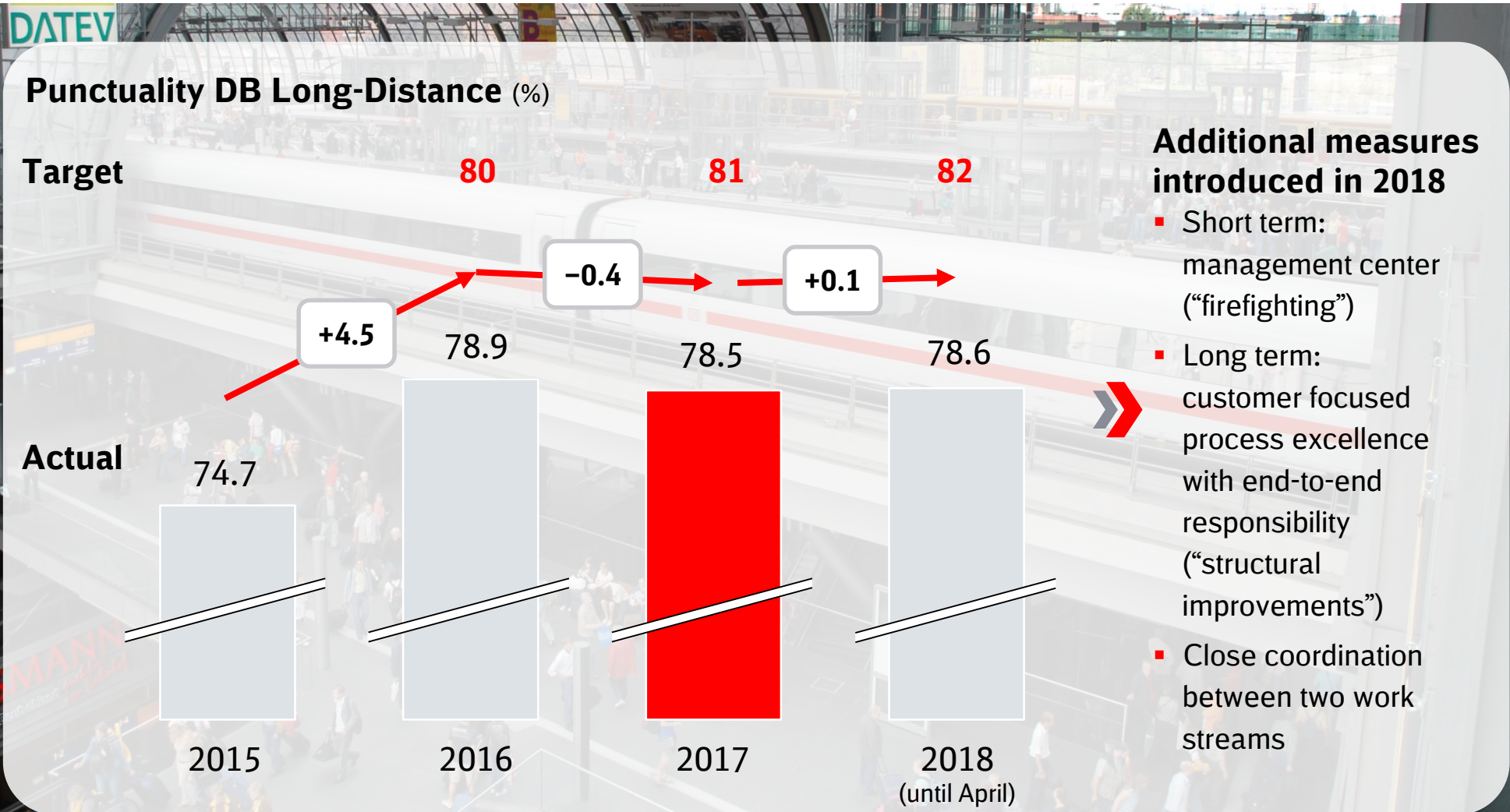
# Despite the challenges DB Group managed to stay on track in terms of improving operating profits



**EBIT development (€ mn)**



Our focus is on short and long term improvement of punctuality, unsatisfactory development in 2017 and 2018 so far





# Additionally we have addressed major digital challenges and opportunities with Group programs



## Mobimeo

- Make urban mobility faster and smarter and seamless
- Multi-modal and multi-service platform
- White label offer to urban transport companies



## ioki

- Digital system provider (ioki) for on-demand mobility
- For transport in cities and rural areas
- Focus on Germany and Europe



## Smart Cities

- New and smart solutions for urban areas
- Integrated offer of mobility and logistics services
- Use of rail stations as central hubs



## Digital Rail for Germany

- Digitalize rail operations
- Integrated real time production system
- Optimize quality, capacity and productivity



## Technological Excellence

- Upgrade internal processes
- Piloting and rolling out new technologies
- Improve quality and productivity





**We transform to stay on top.  
Setting the course for tomorrow.**



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# Positive development in 2017 financial year



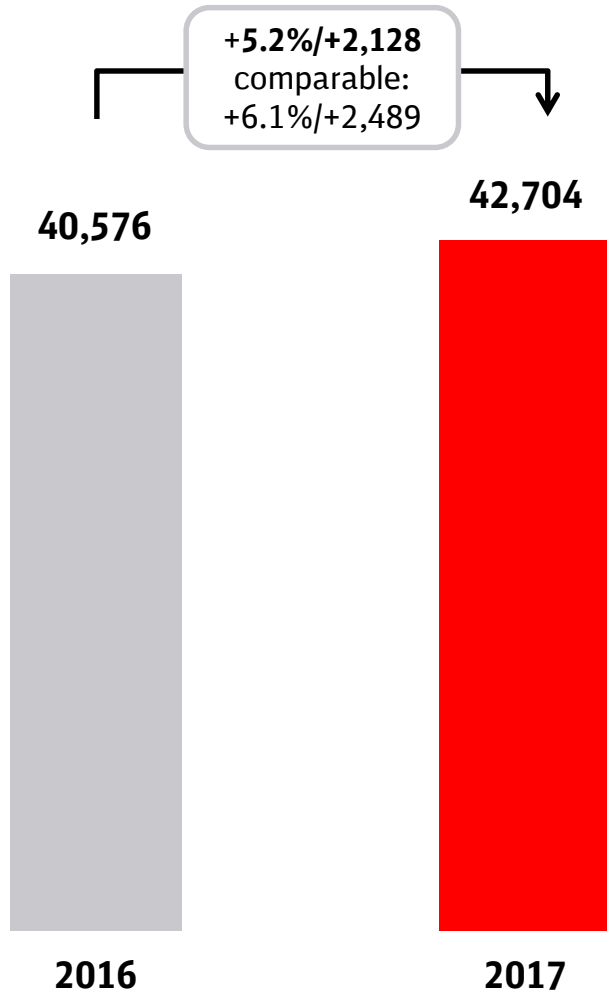
 (€ mn)	2017	2016	+/- €	+/- %	Comments
<b>Revenues adjusted</b>	<b>42,704</b>	<b>40,576</b>	+2,128	+5.2	<ul style="list-style-type: none"> <li>Performance increases drove development</li> <li>Almost all business units make a contribution</li> </ul>
<b>Revenues comparable</b>	<b>43,041</b>	<b>40,552</b>	+2,489	+6.1	<ul style="list-style-type: none"> <li>Negative impact from FX effects (€-415 mn)</li> </ul>
<b>EBIT adjusted</b>	<b>2,152</b>	<b>1,946</b>	+206	+10.6	<ul style="list-style-type: none"> <li>DB Long-Distance drove development</li> </ul>
<b>Net profit</b>	<b>765</b>	<b>716</b>	+49	+6.8	<ul style="list-style-type: none"> <li>Burdens from operational restrictions (rail), tariff effects and quality improvement measures</li> </ul>
<b>Dividend</b> (payment in the following year)	<b>450</b>	<b>600</b>	-150	-25.0	<ul style="list-style-type: none"> <li>Dividend payment to the Federal Government will be fully invested in rail infrastructure</li> </ul>
<b>Gross capex</b>	<b>10,464</b>	<b>9,510</b>	+954	+10.0	<ul style="list-style-type: none"> <li>Mainly due to significant increase in capex in rail infrastructure and rolling stock</li> </ul>
<b>Net capex</b>	<b>3,740</b>	<b>3,320</b>	+420	+12.7	<ul style="list-style-type: none"> <li>Mainly due to capex in new ICE trains</li> </ul>
<b>Net financial debt</b> as of Dec 31	<b>18,623</b>	<b>17,624</b>	+999	+5.7	<ul style="list-style-type: none"> <li>Driven by capex, payment with regard to the Disposal Fund Act and working capital</li> </ul>
<b>ROCE (%)</b>	<b>6.1</b>	<b>5.9</b>	-	-	<ul style="list-style-type: none"> <li>EBIT increased more than capital employed</li> </ul>
<b>Order book regional transport</b> (€ bn, as of Dec 31 )	<b>91.0</b>	<b>92.1</b>	-1.1	-1.2	<ul style="list-style-type: none"> <li>Decline due to services delivered and FX effects</li> </ul>



# Revenue development mainly positive, driven by DB Long-Distance, DB Netze Track and international business



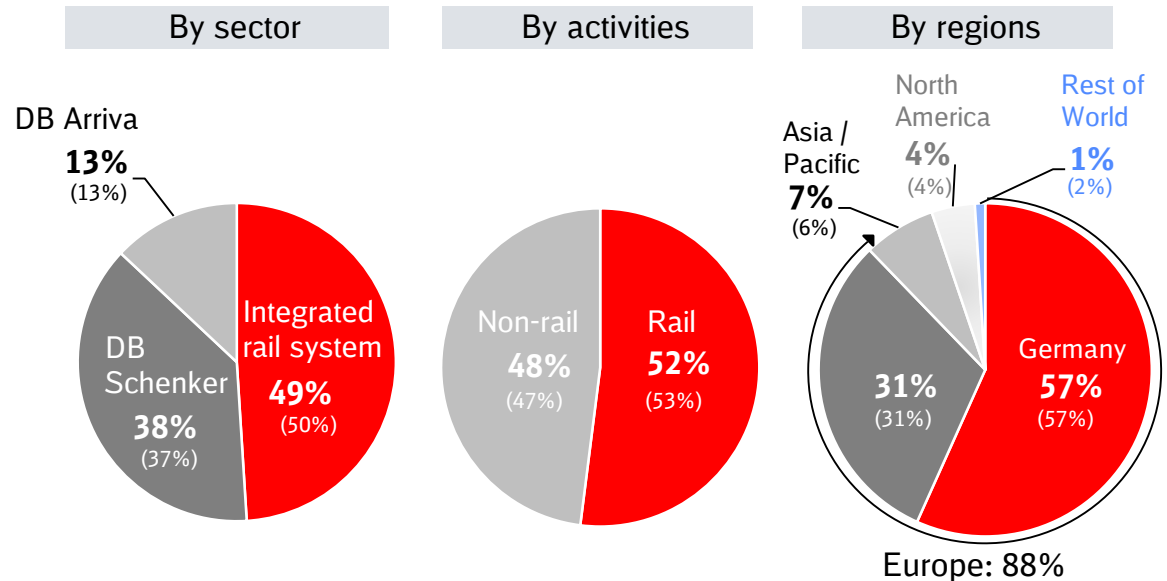
## Revenues (€ mn)



## Key impact factors

- ⊕ Development of freight rates DB Schenker
- ⊕ Increased performance (mainly DB Long-Distance and DB Schenker)
- ⊕ Growth DB Arriva
- ⊖ Restrictions in rail services
- ⊖ FX effects

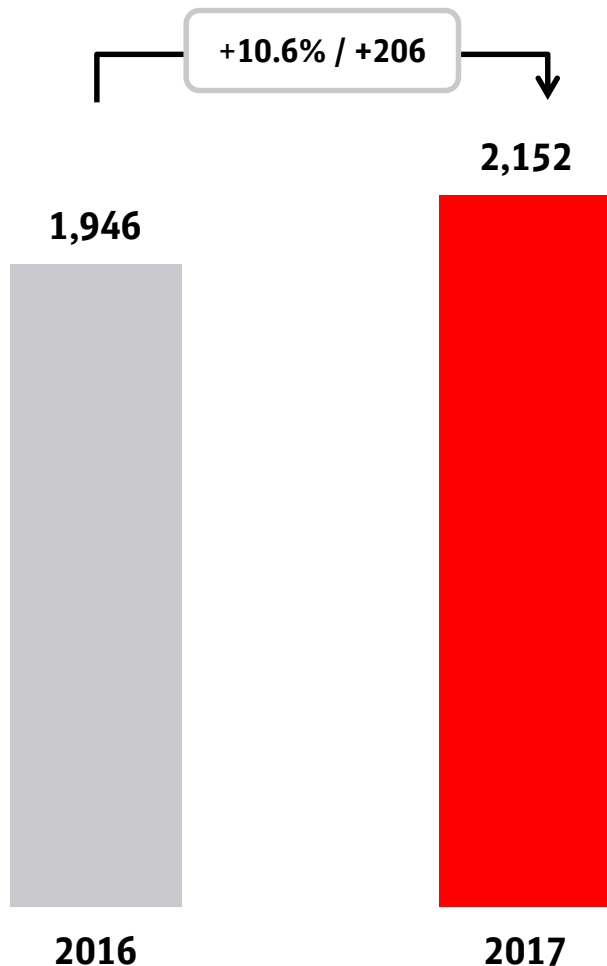
## No changes in revenue structure





# EBIT development mainly driven by DB Long-Distance and DB Netze Track as well as the international business

## EBIT adjusted (€ mn)



## Key impact factors

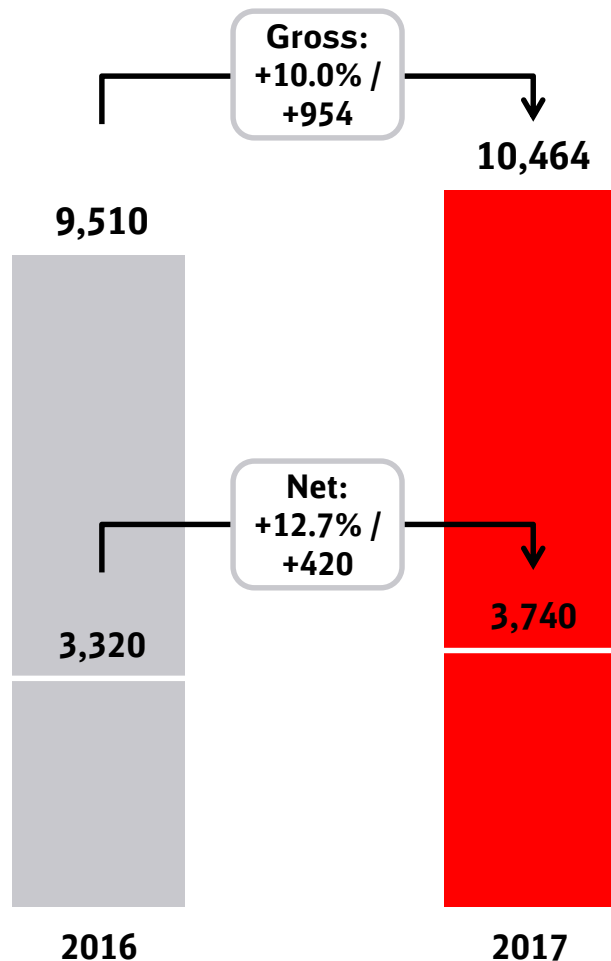
- ➕ Increased performance mainly at DB Long-Distance and DB Schenker
- ➕ Price and performance effects at DB Netze Track
- ➕ Growth due to new services and M&A at DB Arriva
- ➖ Restrictions in rail services in Germany
- ➖ Additional measures to improve quality
- ➖ Tariff development, particularly in Germany



# Capex increase significantly due to higher investment grants and higher rolling stock capex



## Capital expenditures (€ mn)



## Highlights

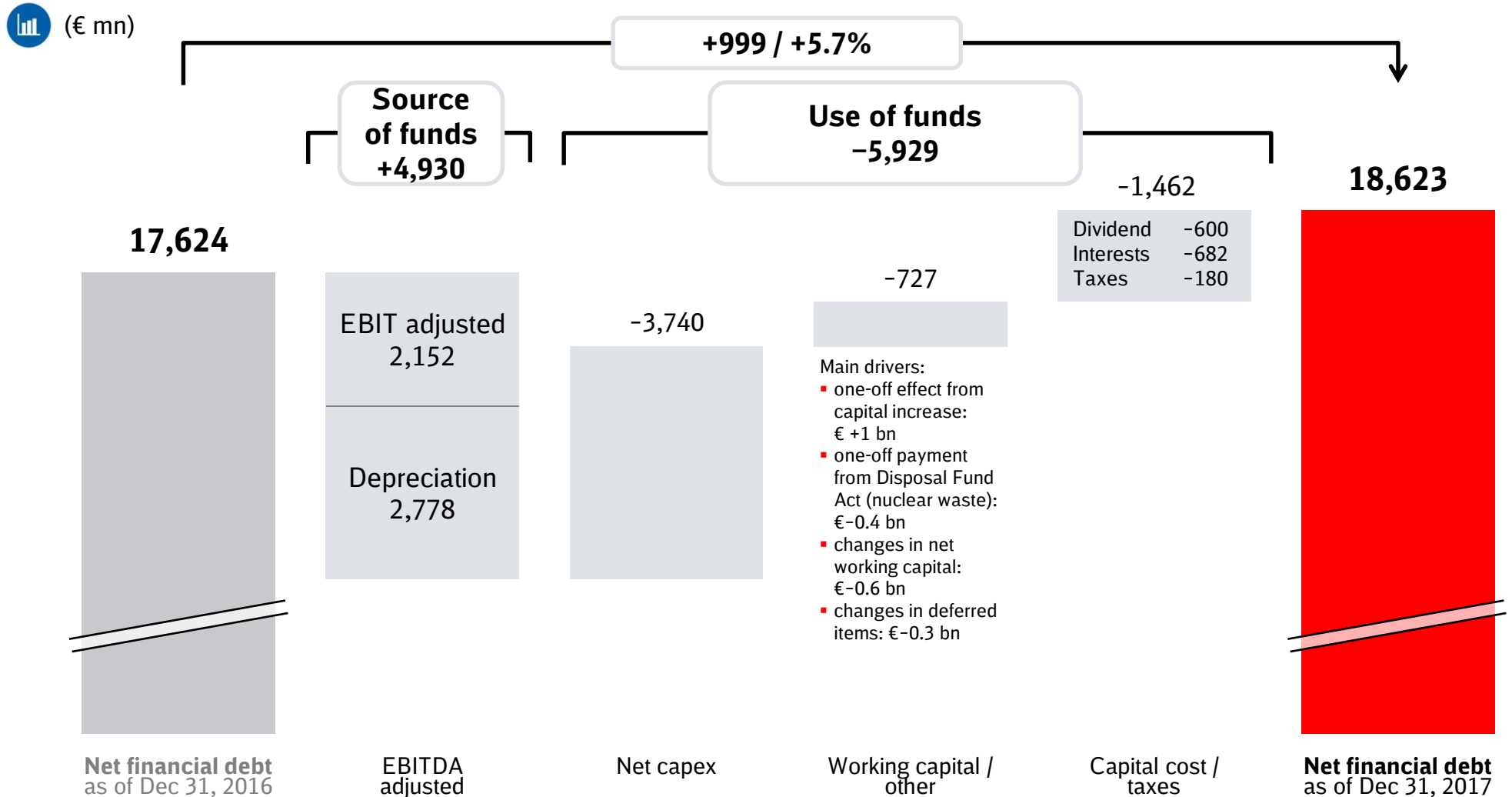
- Focus of gross capex unchanged:
  - 94% integrated rail system<sup>1)</sup> (thereof 72% infrastructure)
  - 95% Germany
- Net capex defined as gross capex less investment grants

## Key impact factors

- + Higher rolling stock capex at DB Long-Distance
- + Higher infrastructure capex due to LuFV II
- Decrease of capex in Other

<sup>1)</sup> Mainly passenger transport activities in Germany, rail freight transport activities, operational service units and rail infrastructure companies.


# Net financial debt increased significantly, among others due to higher capex and a major one-off payment





# Weak start to the 2018 financial year



 <b>Key figures</b> (€ mn)	Q1 2017	Q1 2018	2017	<b>2018 Outlook</b> (as of March 2018)	<b>Comments to expected development</b>
<b>Revenues</b>	10,429	10,552 +1.2%	42,704	~44,000	▪ Growth mainly at DB Schenker, DB Arriva and DB Long-Distance
<b>Revenues comparable</b>	10,491	10,741 +2.3%	43,041	-	
<b>EBIT adjusted</b>	470	304 -35.3%	2,152	≥2,200	▪ Positive effects from revenue growth – tariff effects and measures to improve quality have a dampening effect
<b>Net profit</b>	271	52 -80.8%	765	>1,200	
<b>Gross capital expenditures</b>	1,612	1,895 +17.6%	10,464	>12,000	▪ Increase due to higher investment grants for infrastructure and higher rolling stock capex, especially at DB Long-Distance
<b>Net capital expenditures</b>	785	919 +17.1%	3,740	>4,500	
<b>Net financial debt</b> as of Dec 31 / Mar 31	18,630	19,486 +4.6%	18,623	≤20,000	▪ Net financial debt will rise due to high capex levels
<b>ROCE (%)</b>	5.6	3.4	6.1	~6.0	▪ Driven by higher capital employed

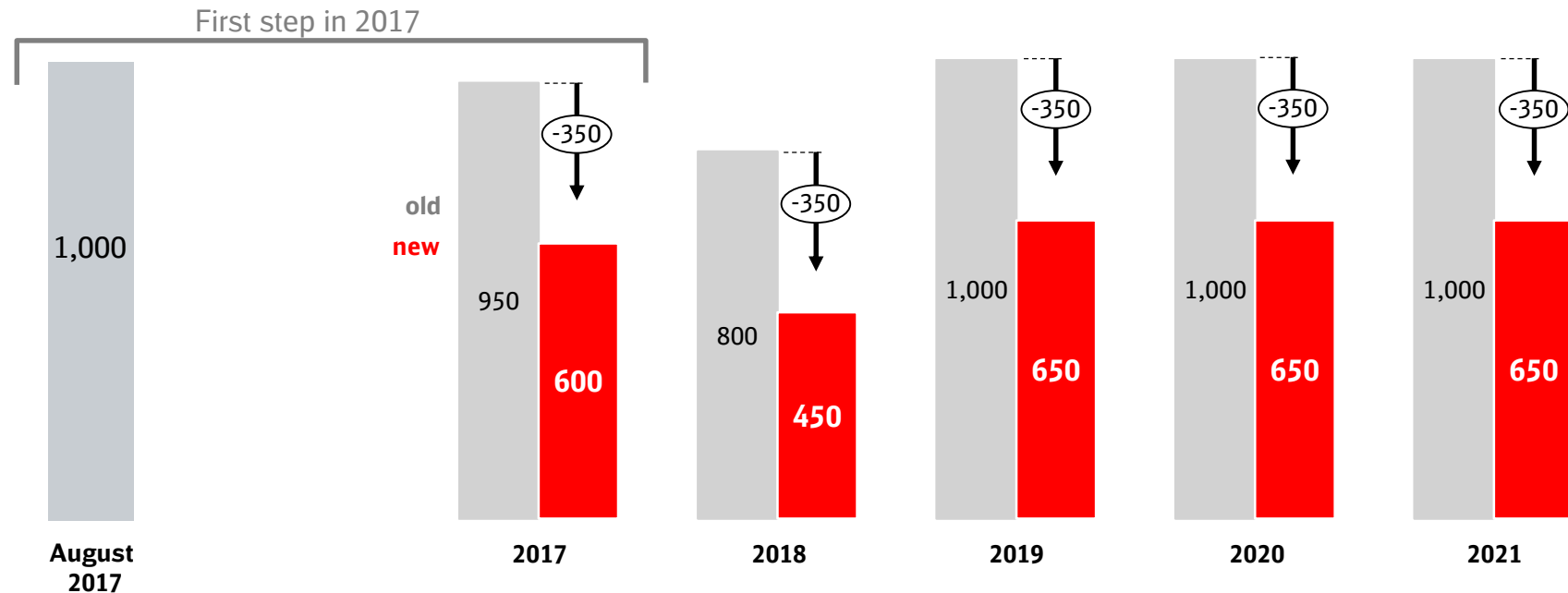
# First step of the Government support package implemented: reduction of dividend payment and € 1 bn capital increase



## Government support package (€ mn)

**Capital increase  
Federal Government**

**Planned  
dividend payments**

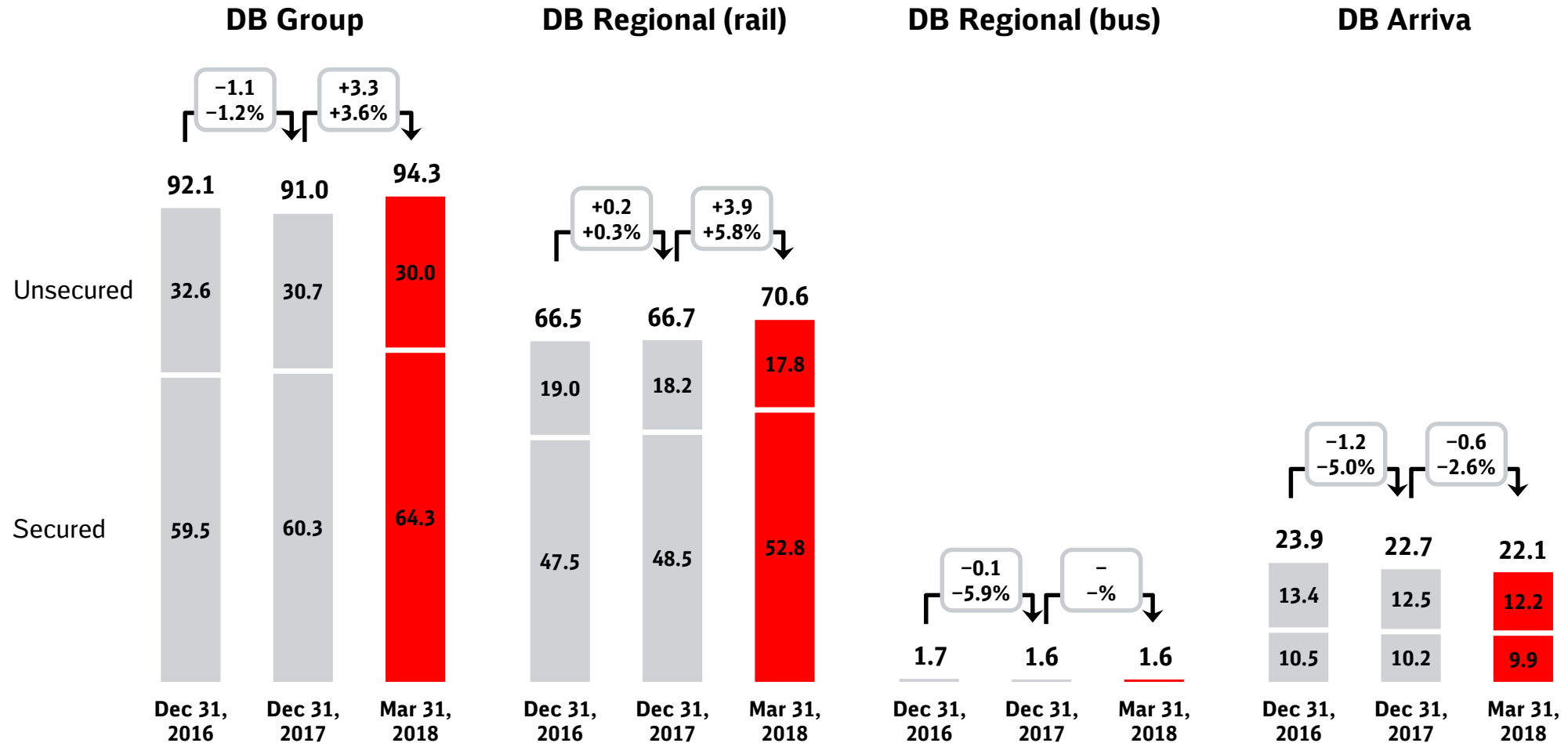


All profits of infrastructure companies will be paid out as dividends and then reinvested by the Federal Government in the rail infrastructure (investment grants)



# Very strong order book with increase again in Q1 2018, after slight decline in 2017

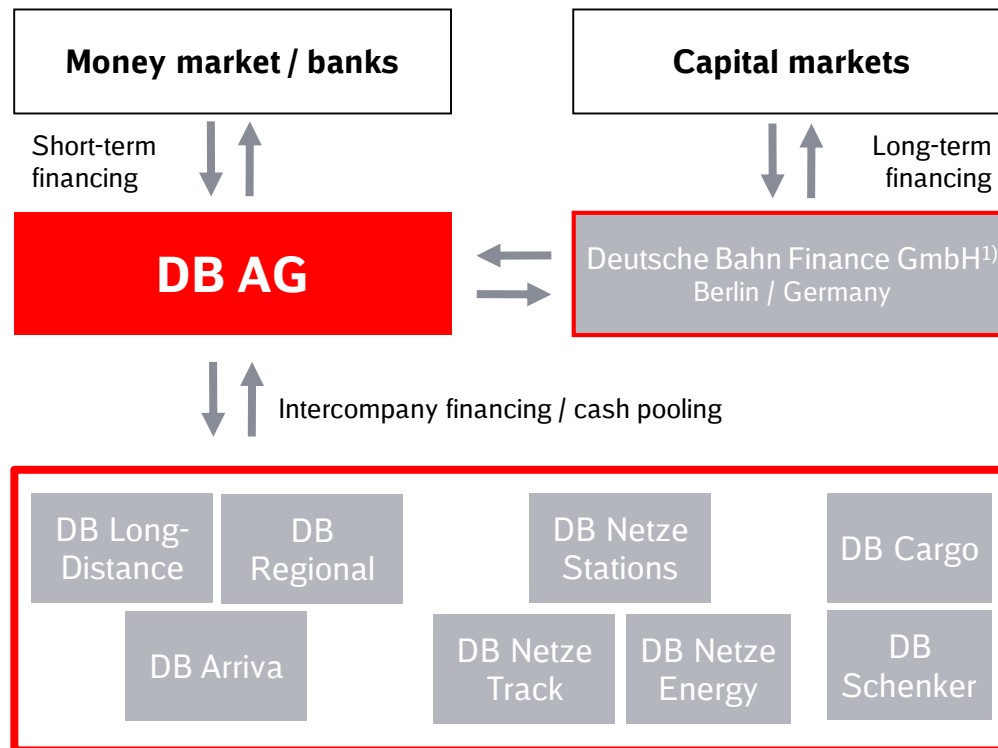
## DB order book<sup>1)</sup> (€ bn)



<sup>1)</sup> Secured and unsecured revenues. Unsecured revenues consist mainly of fare-box revenues.

# Relocation of DB Finance to Germany implemented, concept of DB Group financing unchanged

## Cash management and financing of DB Group



## Comments

- DB AG's central Treasury department manages all financing, liquidity and hedging activities
- External Group financing procured exclusively by DB AG and DB Finance
- Internal funding conditions at arm's length
- Cash pooling with 307 subsidiaries in 21 countries; 2 regional cash pools
- Relocation of DB Finance to Germany (B.V. → GmbH) in 2017 to save costs and reduce complexity
- Two debt issuance programs, issuer DB AG / DB Finance guaranteed by DB AG:
  - Euro debt issuance program (since 2001), volume € 25.0 bn
  - Kangaroo debt issuance program (since 2017), volume AUD 5.0 bn
- Discussing merits of amortizing bonds, including those with an annuity-type repayment profile

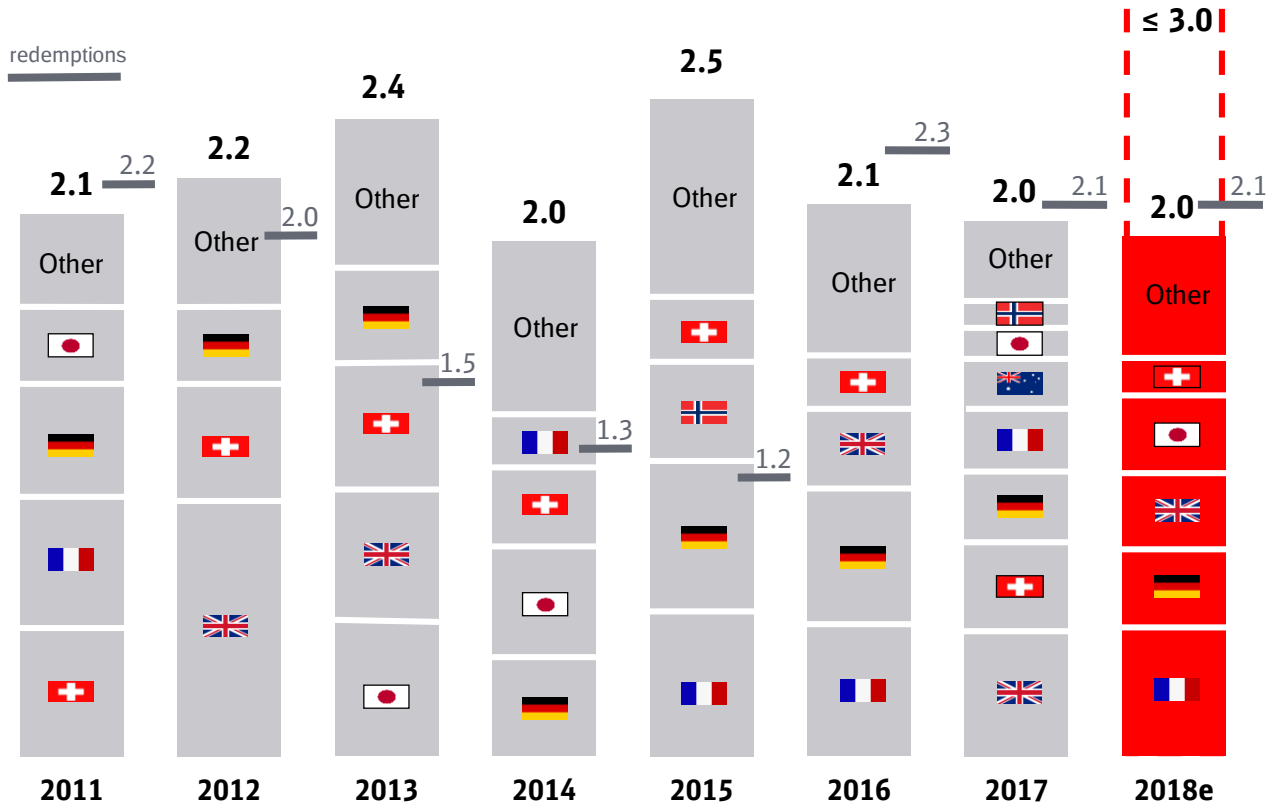
<sup>1)</sup> Since September 1, 2017. Formerly Deutsche Bahn Finance B.V., Amsterdam / the Netherlands.



# Four bonds issued so far in 2018, up to € 1 bn more possible until year-end



redemptions



Bond issues

Ø Term (years)

Ø interest all in (%)

Currencies

Rating Moody's / S&P<sup>1)</sup>Placement  
by regions<sup>1)</sup> As of Dec 31.

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## Appendix

# Strong Group portfolio with three strong pillars



## DB Group (2017)



- International provider of mobility and logistics services
- Active in more than 130 countries
- Vertically integrated Group structure
- DB AG acts as management holding company
- Ratings: Aa1 / AA-

### Integrated rail system



- 2.7 bn rail and bus passengers
- >7.4 mn rail and bus passengers/day
- ~271 mn t rail freight

### DB Arriva



- >1.9 bn rail and bus passengers
- >5.3 mn rail and bus passengers/day

### DB Schenker



- >100 mn shipments
- 1.3 mn t air freight
- ~2.2 mn TEU ocean freight

<b>Total revenues</b>	<b>42,704</b>	<b>+5.2%</b>	<b>21,265</b>	<b>+2.8%</b>	<b>5,345</b>	<b>+4.9%</b>	<b>16,430</b>	<b>+8.6%</b>
<b>EBIT adjusted</b>	<b>2,152</b>	<b>+10.6%</b>	<b>1,375</b>	<b>+9.6%</b>	<b>301</b>	<b>+7.5%</b>	<b>477</b>	<b>+16.3%</b>
<b>EBITDA adjusted</b>	<b>4,930</b>	<b>+2.8%</b>	<b>3,687</b>	<b>+0.4%</b>	<b>569</b>	<b>+8.4%</b>	<b>676</b>	<b>+12.9%</b>
<b>Capital expenditures</b>	<b>10,464</b>	<b>+10.0%</b>	<b>9,836</b>	<b>+11.2%</b>	<b>374</b>	<b>+4.2%</b>	<b>246</b>	<b>+17.7%</b>
<b>Employees</b> (as of Dec 31)	<b>310,935</b>	<b>+1.5%</b>	<b>184,397</b>	<b>+0.3%</b>	<b>54,650</b>	<b>+0.9%</b>	<b>71,888</b>	<b>+5.1%</b>

Excl. Other/ consolidation. Key figures vs. 2016.



# Successfully developed transport networks ensure top market positions

## (1) DB Group in Germany



**No. 1 (>99%)**  
Long-distance rail passenger transport



**No. 1 (~67%)**  
Local rail passenger transport



**No. 1 (~50%)**  
Bus transport (regional)



**No. 1 (~57%)**  
Rail freight transport

(market share)

## (2) DB Group in Europe



**No. 2**  
Long-distance rail passenger transport



**No. 1**  
Local rail passenger transport



**No. 1**  
Bus transport



**No. 1**  
Rail infrastructure



**No. 1**  
Rail freight transport



**No. 1**  
Land transport

## (3) DB Group worldwide



**No. 3**  
Air freight

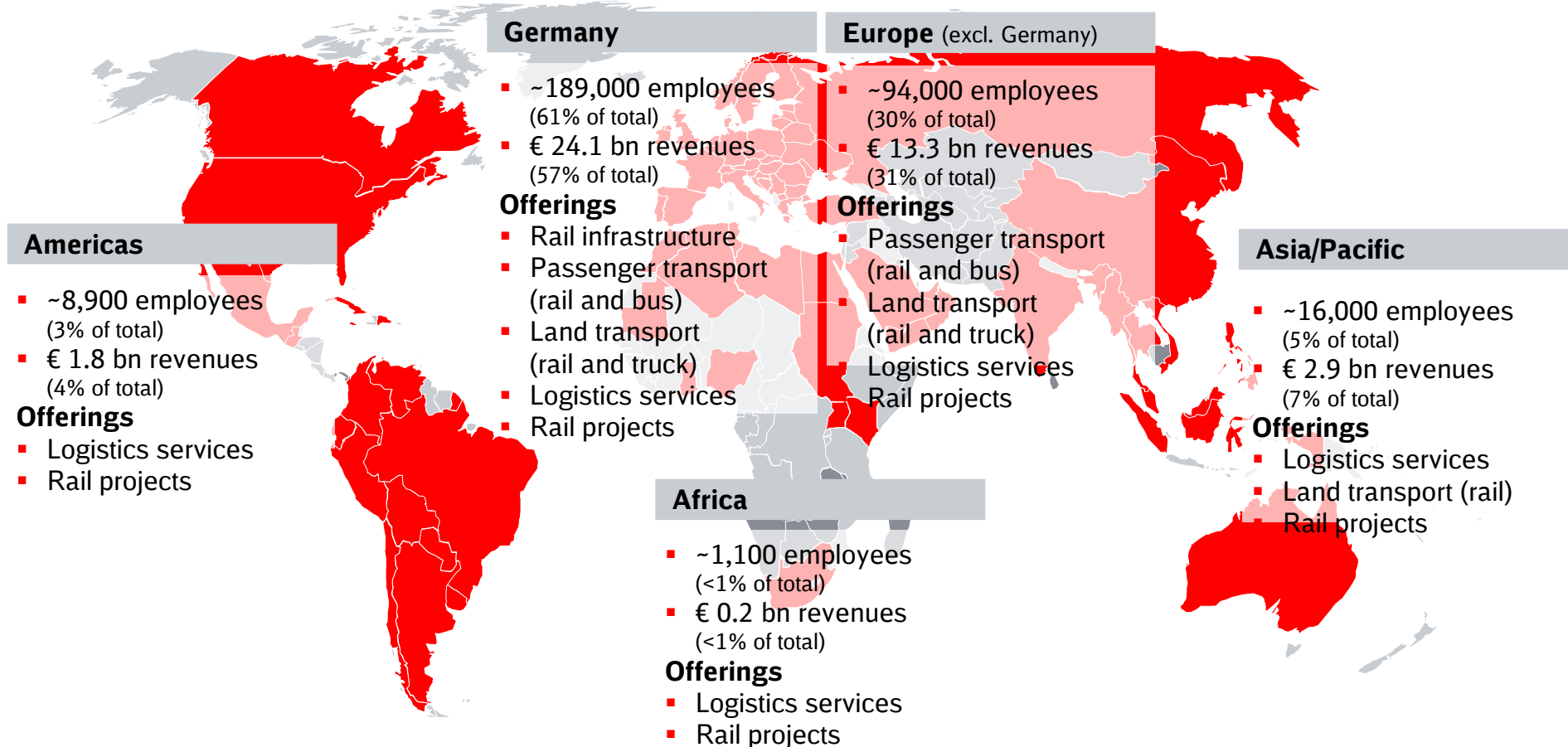


**No. 3**  
Ocean freight



**No. 5**  
Contract logistics/SCM

# We are acting worldwide in more than 130 countries





# DB Group enjoys good assessments in established sustainability ratings from CDP, oekom and EcoVadis



## DB honored as “Sector Leader Transportation”

- CDP assesses DB Group with the best possible climate score: Total assessment „**A**“ makes DB Group to the most climate-friendly railway company in Europe
- CDP emphasized particularly the above-average performance of DB Group with regard to CO<sub>2</sub> reduction and the continuous efforts to improve data validity



## DB with “Prime” status continuously since 2010

- DB Group was rated as one of the very best in the transport & logistics/rail sector with **prime status** thanks to its good “**B-**” assessment
- Oekom emphasized the high share of renewable energies, the Group-wide safety system and the environment issue management as particularly



## DB with “Gold” status for the second time in a row

- Since 2014 DB Group enjoys the **gold status** rating from EcoVadis and sets the benchmark with 80/100 points particularly in the area “Environment”
- In its 2017 rating EcoVadis acknowledged particularly the significant improvement in the area “Sustainable Procurement”

# Key aspects of DB Group's business in Germany and world-wide

## Balanced business mix

- Revenue split:
  - 52% rail / 48% non rail
  - 57% Germany / 43% Rest of World (incl. Asia/Pacific 7%)

## Strong position in Germany

- Dominant player in German rail market
- Market share: Long-Distance: >99%, Regional: 67%, Cargo: 57%

## Growth potential in international business

- DB Schenker operates in >130 countries / leading market positions
- DB Arriva in 14 European countries

## State support for capex

- German Government has obligation to finance infrastructure capex
- 64% of gross capex financed by investment grants

## Stable cash flows from transport contracts

- Different transport authorities order regional rail transport services
- Contract grants right to exclusively operate network

## Clear strategic targets

- DB2020 strategy in place since 2012, updated to DB2020+
- Ambitious targets for all dimensions (economic, social, environmental)



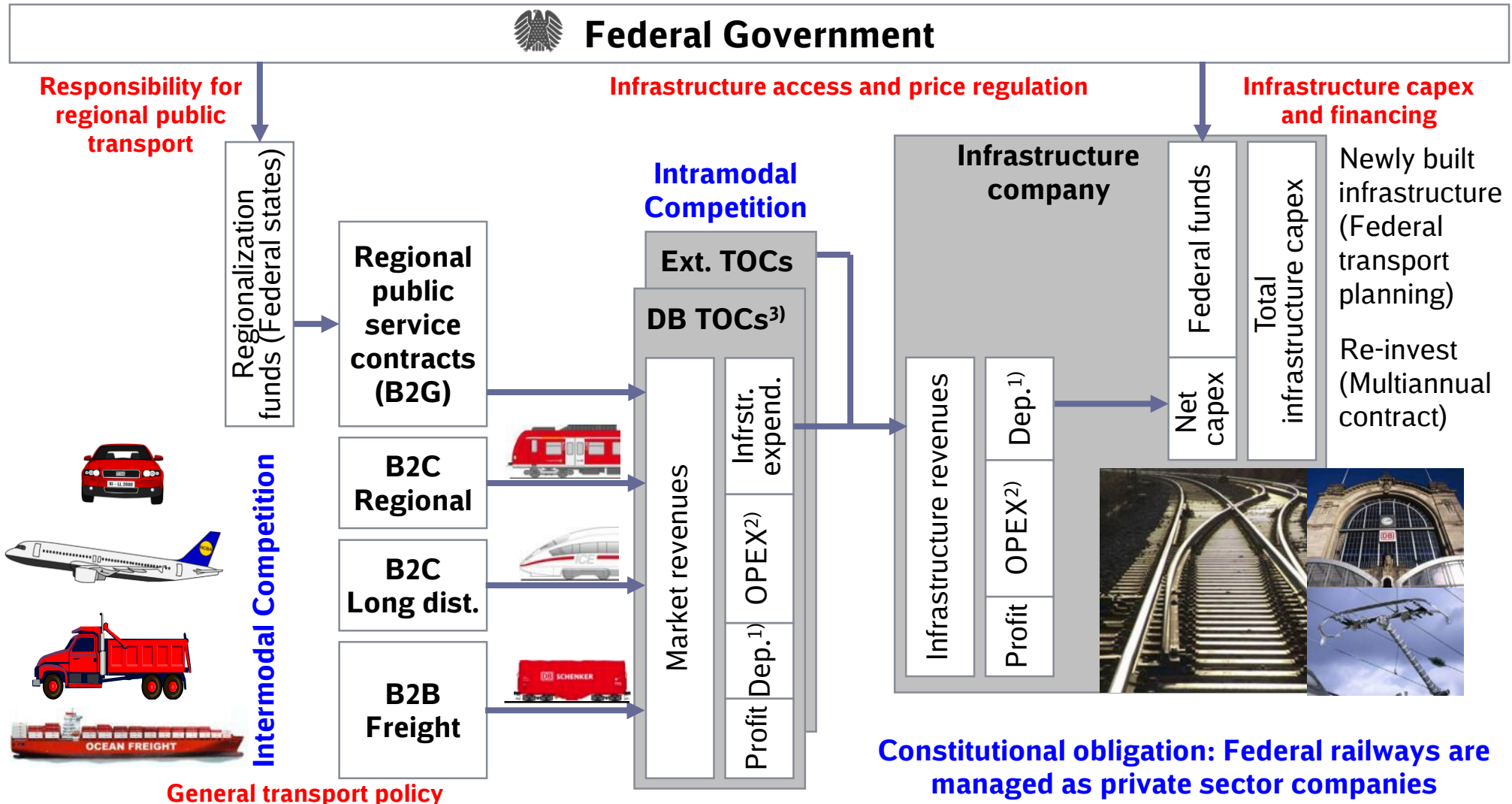
# The German Constitution sets legal grounds to organize DB Group as a private sector company

## Art. 87e Basic Law

**(3)** Federal railways shall be operated as enterprises under private law. They shall remain the property of the Federation to the extent that their activities embrace the construction, maintenance and operation of the tracks. The transfer of Federal shares in these enterprises under the second sentence of this paragraph shall be effected pursuant to a law; the Federation shall retain a majority of the shares. [...]

**(4)** The Federation shall ensure that in developing and maintaining the Federal railway system as well as in offering services over this system, other than local passenger services, due account is taken of the interests and especially the transport needs of the public. Details shall be regulated by a Federal law.



# The “Big Picture”: Finance, regulation and transport policy at a glance



<sup>1)</sup> Depreciation of fixed assets. <sup>2)</sup> Operating expenses. <sup>3)</sup> Train operating companies.

# DB Group is active in its market segments with independent commercial services and publicly mandated services



 Independent commercial services  
 Publicly mandated services



## Passenger Transport

- Long-distance transport services
- Direct competition, above all, with cars and airplanes
- End-customer business
- Intensive level of fixed assets

### Local public transport services

- Contracted services, tender competition
- Customers here are both the contracting organization<sup>1)</sup> as well as the passenger (end customer)
- Intensive level of fixed assets

## Freight transport and logistics

### Rail freight transport services

- Rail competes directly with other modes of transport
- Big customer business, clear sector focus
- Intensive level of fixed assets

### Freight forward. and logistical services

- Direct competition (world-wide)
- Full service forwarder, large customer base, broad mix of industries
- Less intensive level of fixed assets

## Infrastructure

### Provision of infrastructure

- No competition, monopoly position in regulated markets, public-sector contracts for reliable and efficient provision of infrastructure at competitive prices
- Customer: Carriers (derived demand)
- Very intensive level of fixed assets

<sup>1)</sup> Contracting organizations can be states, state-run enterprises, transport associations, or regional bodies.



# Coalition agreement of March 2018: Good basis for future investment and innovation in railways

## Infrastructure and Financing

- Continuing increase in capex and financing of new infrastructure from Federal Transport Infrastructure Plan 2030 (BVWP), relief of bottlenecks
- Negotiation of Performance and Financing Agreement (LuFV) III
- Tripling of Community Transport Financing Act-funds (GFVG) to annually € 1 bn

## Rail Freight Transport

- Implementing the “Master Plan for Rail Freight Transport” including inter alia:
  - Support program for reduction of track access fees, € 350 mn annually
  - Realization of a German network for 740 meter freight trains by 2020

## Innovation and Digitalization

- Digitalization offensive including promotion and enhanced roll-out of European Train Control system (ETCS) and digital signaling technology
- Creation of a rail research program
- Coverage with latest mobile phone technology on all railway lines

## Planning and Building of Infrastructure

- Adoption of a law accelerating the infrastructure planning
- Application of Building Information Modeling (BIM) for all new infrastructure projects



# DB2020+, with its strong focus on quality and three areas for action, provides our strategic framework

Our customers benefit from first-class, environmentally-friendly mobility and logistics solutions, driven by dedicated employees and digital expertise.



**Profitable quality leader**



**Top employer**



**Eco-pioneer**

**We drive progress and shape the future.**

**Culture of quality**

Operational excellence and customer focus

**Digital expertise**

Innovative solutions in our core and new businesses

**High performance**

Shared responsibility and strong performance

# High performance drives quality and digitalization – and thus customer satisfaction





# We are using digitalization to make our business fit for the future

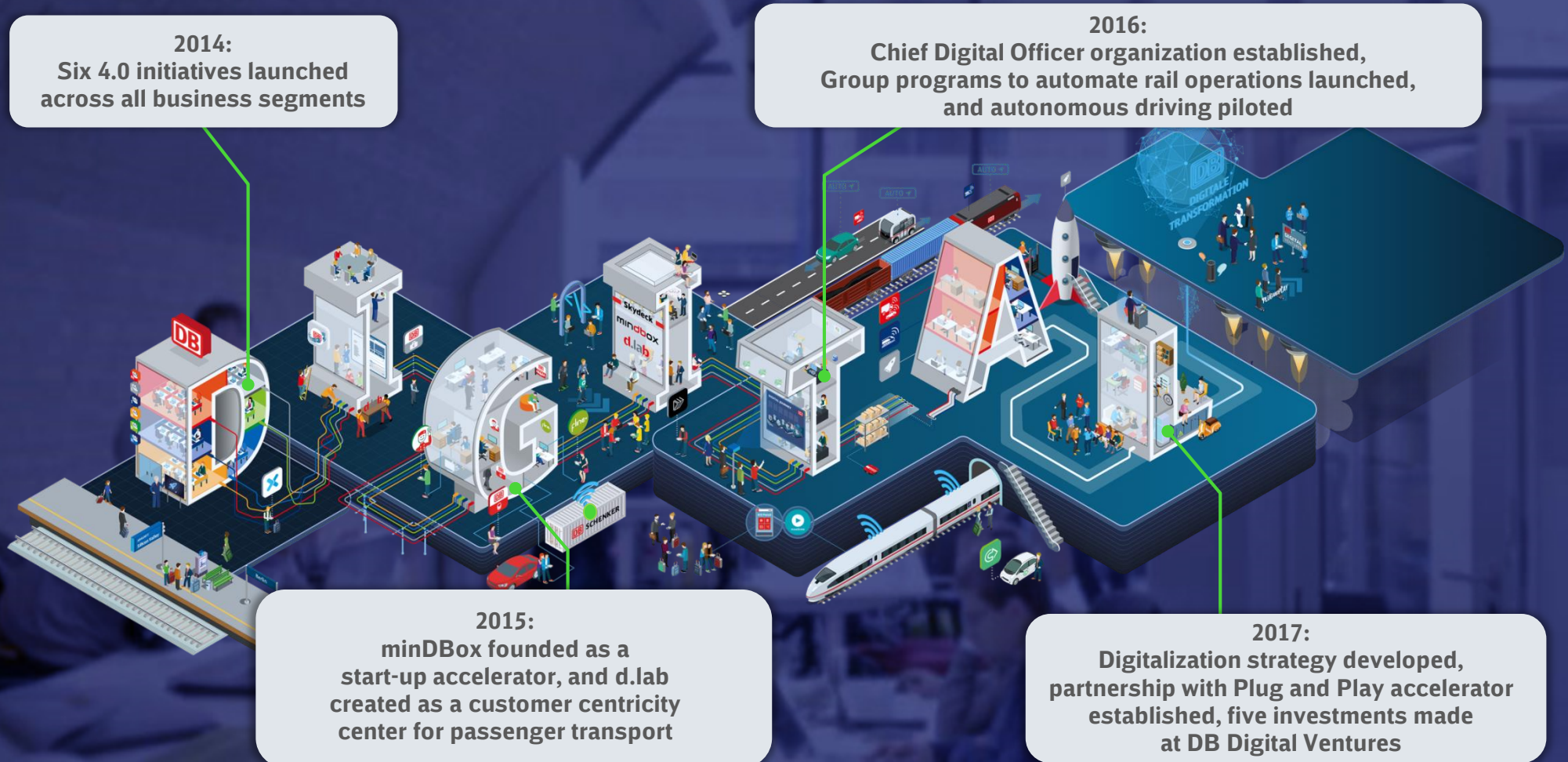


**ioki:** on-demand mobility in public transport

**Platooning:** autonomous and connected vehicle driving

**Digital Rail for Germany:** smart rail network

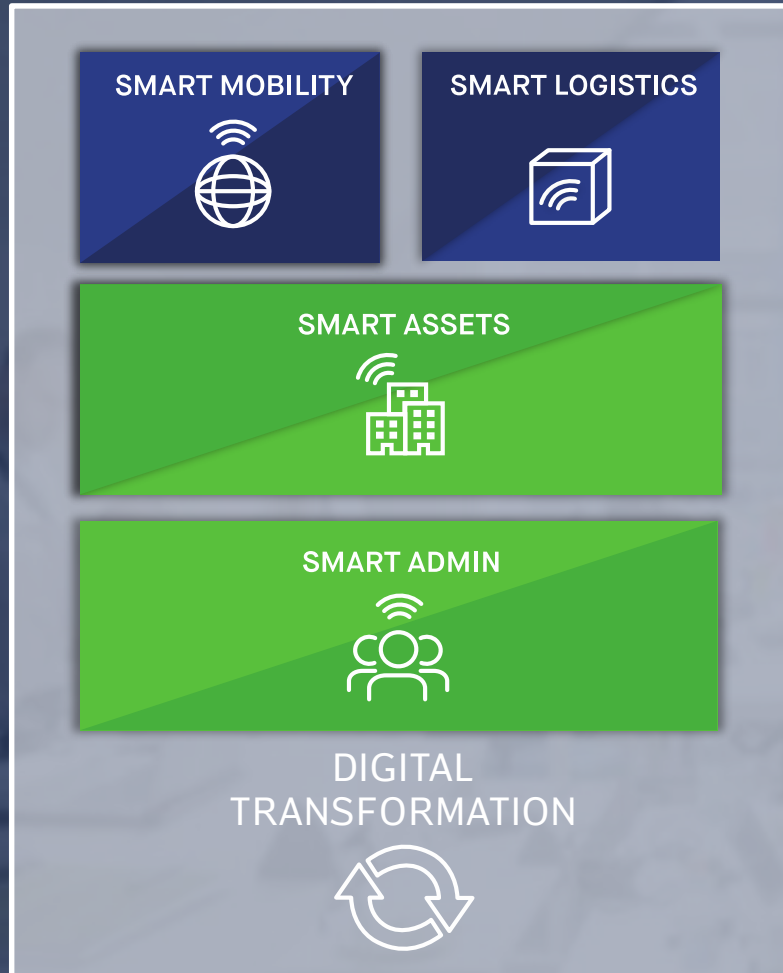
# We have already accomplished much in the field of digitalization in the last three years



EXCERPT

# DB Group's digitalization strategy sets out areas for action for products and processes and the accompanying transformation

## Components of the digitalization strategy

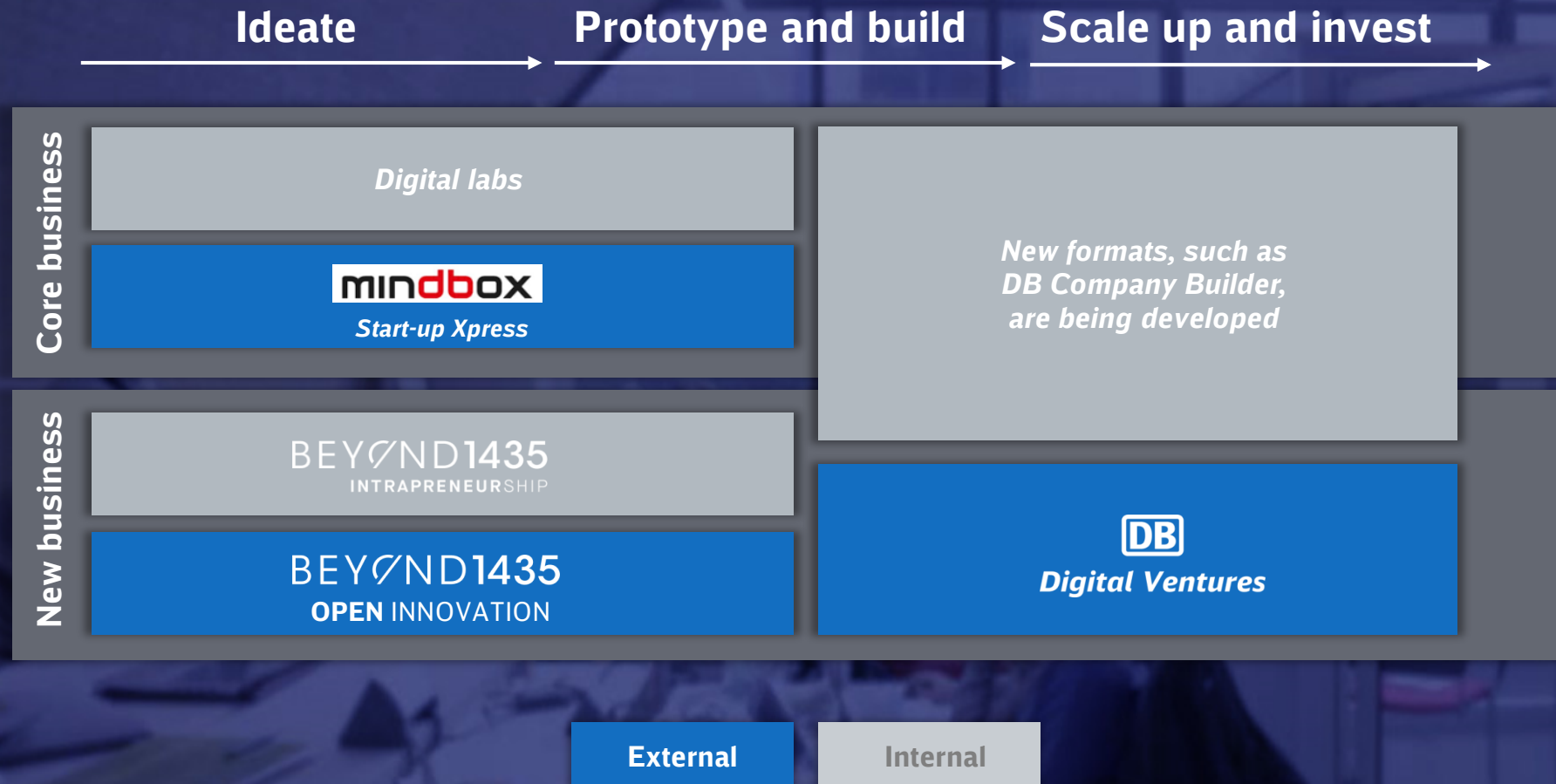


## Areas for action

- Digitalization of our core business
  - New business models
- 
- Digital Rail for Germany
  - Digital construction
  - Digital maintenance
- 
- Finance
  - Human resources
- 
- Digital ecosystem
  - IT
  - Data strategy
  - Digital transformation



# DB Group's digital ecosystem covers all phases of innovation



# With its eight business units DB Group is active in all segments of the transport market



## Passenger transport:

Domestic and European-wide mobility services

- **DB Long-Distance**  
Long-distance passenger transport<sup>1)</sup>
- **DB Regional**  
Regional and local passenger transport (GER)
- **DB Arriva**  
Regional and local passenger transport (EU)<sup>2)</sup>



## Transport and logistics:

Intelligent logistics services via land, air and the sea

- **DB Cargo**  
European rail freight transport
- **DB Schenker**  
Global freight forwarding and logistics services



## Infrastructure:

Efficient and future-oriented rail infrastructure in Germany

- **DB Netze Track**  
Rail network
- **DB Netze Stations**  
Passenger stations
- **DB Netze Energy**  
Traction current

<sup>1)</sup> Within Germany as well as cross-border traffic. <sup>2)</sup> In the UK with CrossCountry also long-distance passenger transport.

# Passenger transport: #2 in the European passenger transport market



- **4.6**  
billion passengers per year  
in our trains and buses
- **12.7**  
million passenger per day
- **271**  
high speed trains (ICE)
- **9**  
neighboring countries can  
be reached directly

**DB Long-Distance**



**DB Regional**



**DB Arriva**



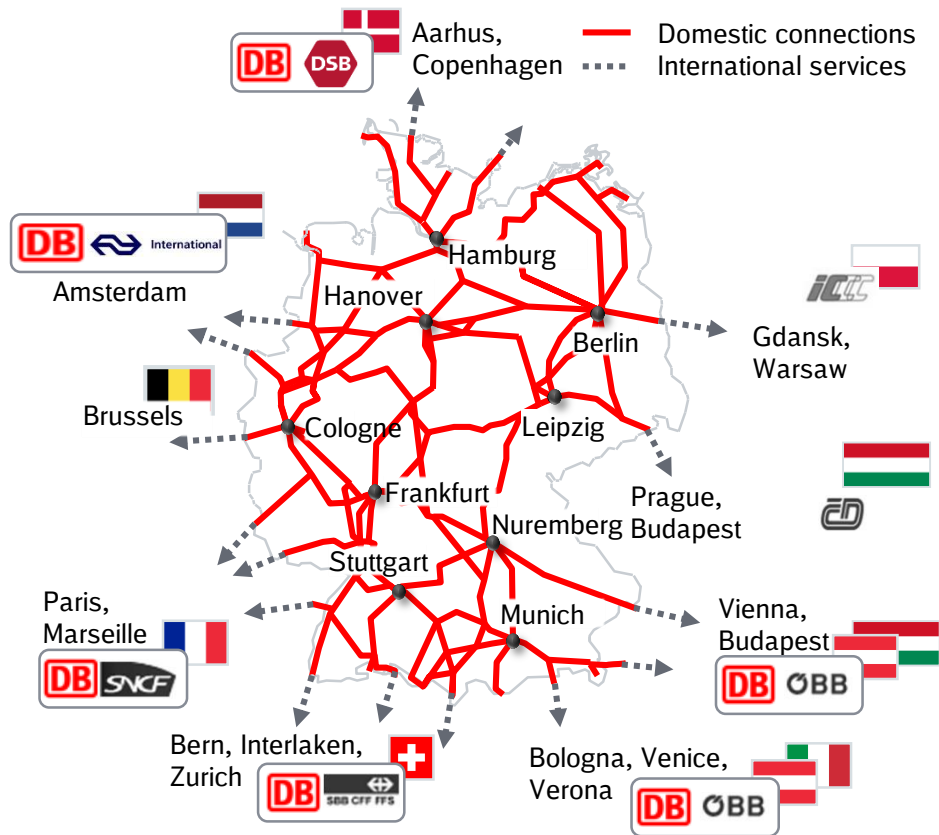
**DB Sales**





# DB Long-Distance: Long-distance rail network connections with European neighbors

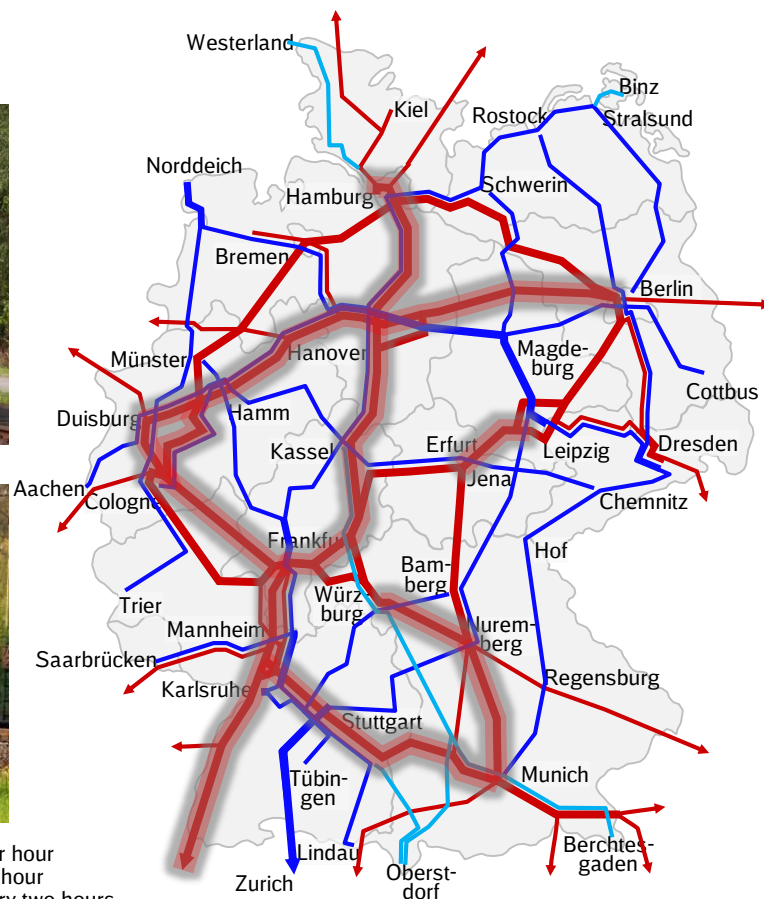
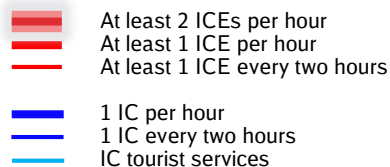
## Market overview for DB Long-Distance



## Significant characteristics

- DB Long-Distance operates its services on a purely commercial basis
- Germany is the home market – DB Long-Distance is currently the only network provider with full-coverage connections between German cities
- German long-distance transport market completely open for competition since rail reform in 1994
- Market liberalization in many countries is not yet advanced, so often only cross-border connections in cooperation with the national railways can be offered
- DB Long-Distance links the most important neighbouring cities with point-to-point connections from the German network

# DB Long-Distance: More rail service for metropolitan areas and regions



**Target network:**  
~161 mn train km

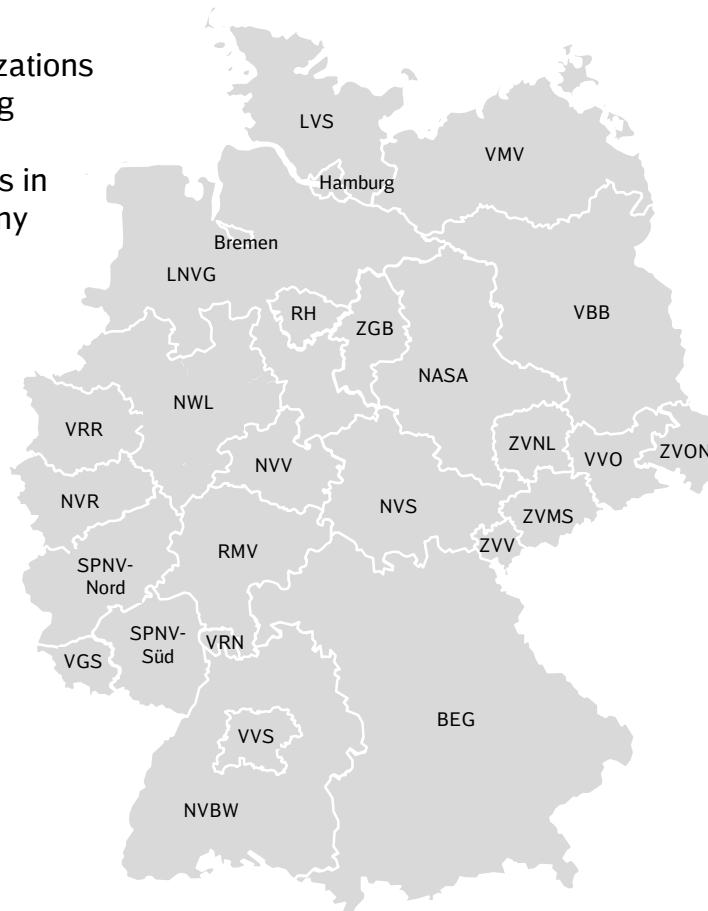
## GERMANY IN SYNC

- Major increase in long-distance service: around 25% by 2030
- Five million citizens newly connected to the long-distance network and compared to 2014 50 mn more passengers by 2030
- More ICE connections, with two trains an hour on main corridors
- Integration of regions into the long-distance network, with two hourly services
- Annual CO<sub>2</sub> emissions cut by 1.7 mn tons (equivalent to the annual carbon emissions of 600,000 cars) by 2030
- Planned capex of € 12 bn in long-distance until 2030

# DB Regional: 27 client organizations order local rail passenger transport services

## Market overview for DB Regional Rail

Organizations  
ordering  
LRPT<sup>1)</sup>  
services in  
Germany

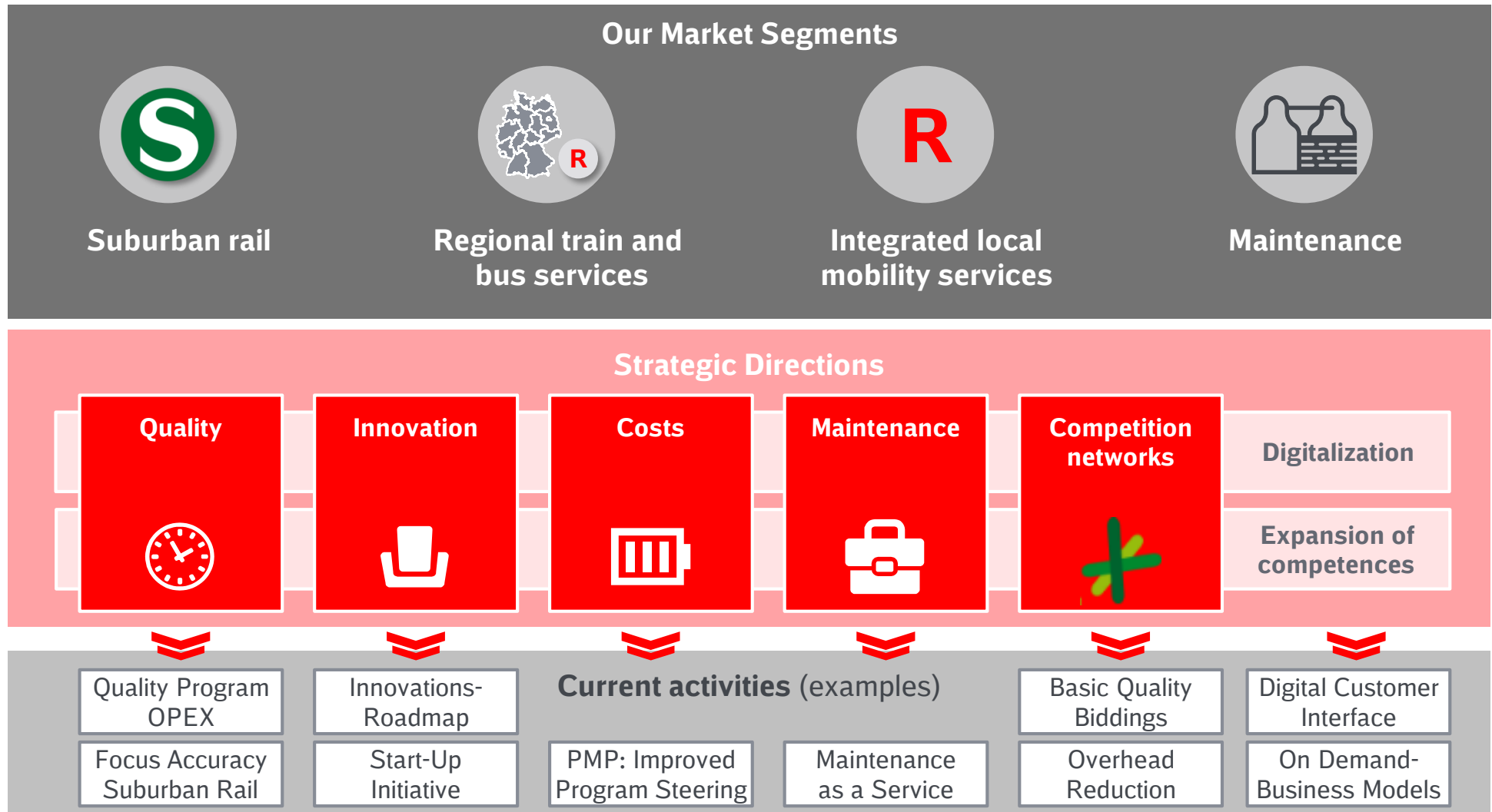


- In 1996 responsibility for local rail passenger transport (LRPT) was transferred from the German government to the individual German states
- To finance this, the Federal Government makes regionalization funds (2017: € 8.35 bn; 2018: € 8.5 bn) available to the Federal states
- 27 client organizations order LRPT services from train operating companies on behalf of the states
- Market volume is about 669 mn train km in 2017
- The market in Germany is completely liberalized. With a market share of around 67 % in 2017 DB Regional is the backbone of the LRPT market

<sup>1)</sup> LRPT = local rail passenger transport



# DB Regional: Market segmentation and strategic directions specified with defined activities



# DB Arriva: Established growth platform in 14 European countries



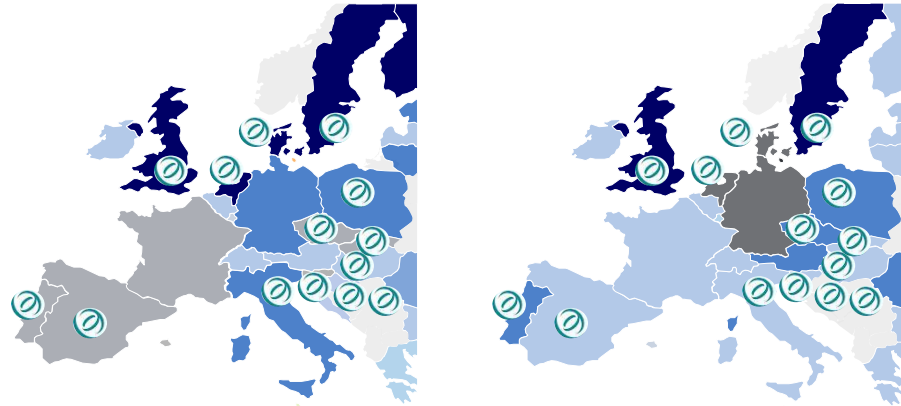
## Market overview DB Arriva



Bus



Rail



mature
  mid-liberalization
  emerging
  yet to liberalize
  not defined

## Significant characteristics

- Europe sees varying degrees of liberalization
- Heterogeneous markets throughout Europe – in terms of both market liberalization and competition – complete liberalization means a redistribution of contracts
- DB Arriva is a growth platform in Europe and is already well-established in 14 countries with 20,700 buses and 1,300 trains (light and heavy rail), 21 waterbuses, 350 electric cars, more than 500 bikes and 312 patient transport vehicles
- Thanks to its diversified portfolio, DB Arriva is well positioned for further market opening (broad geographical coverage, various modes of transport and business models)
- DB Arriva has proven its ability to generate profitable growth in the past

# Arriva UK Trains is one of the leading providers with a diversified portfolio



## Arriva UK Trains – facts and figures



- Important rail operator in UK with five rail contracts
- Entered UK rail market in 2000
- 23% market share of rail passenger transport
- 12,500 employees
- Fleet of 745 trains operating 5,700 services every weekday
- Managing 835 stations
- Broad portfolio of products and services: light rail, commuter transport, regional and long-distance transport
- Over a decade of experience in a highly competitive, deregulated rail transport market
- Close relationships with customers, transport associations and client bodies
- Operation and development of open access transport services through Grand Central Railway and Alliance Rail Holdings



# Arriva UK Bus provides urban and regional transport services

## Arriva UK Bus – facts and figures



## Regions outside of London

- Third-largest provider of bus services in regional markets (outside London) with rural, urban and inter-urban bus services
- Entered market in 1996
- 16,100 employees
- Fleet of 5,650 buses
- On-demand transport services through ArrivaClick and non-emergency patient transport services also part of the portfolio
- Predominantly commercial transport services

## London Bus

- One of the market leaders, operating ~18% of bus services
- Entered market in 1980 (privatization in 1994)
- 5,500 employees
- Management of a fleet of 1,700 buses
- Mainly contracted transport services
- First company to operate new Routemaster buses and first all-electric bus route

# DB Arriva – Accelerate program: Creating value... through three drivers:



The best employees



A strong foundation



A bigger and better Arriva



Preferred by our customers



## New business



New Modes and Business Models

Tendering

M&A in existing countries

New Territories

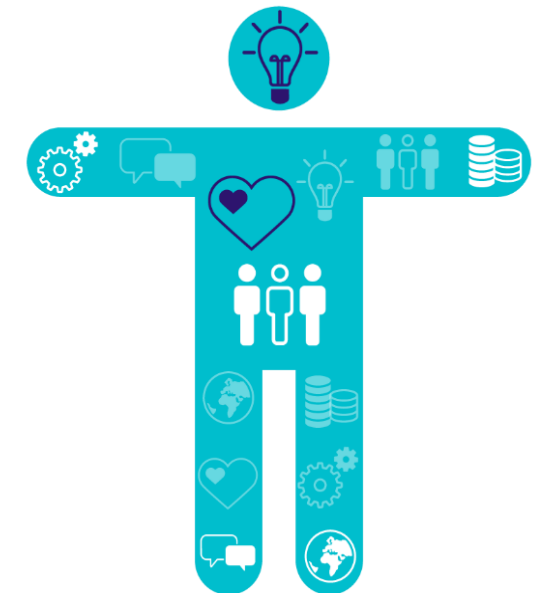
## Existing business



Operational efficiency

Commercial effectiveness

## Leadership



# Accelerate: Introducing hothouses



The best employees



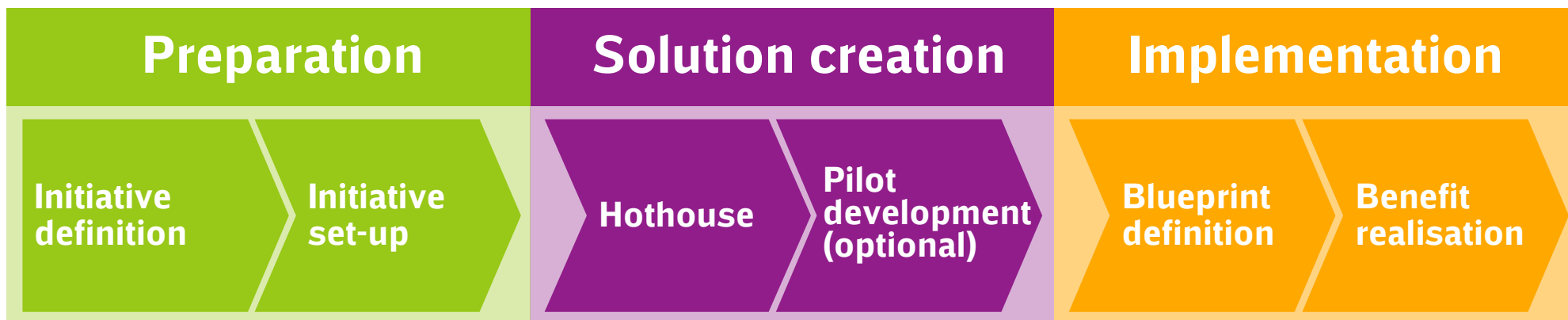
A strong foundation



A bigger and better Arriva



Preferred by our customers



## What is it?





# Accelerate: The hothouse process is targeting business critical areas

Accelerate



The best employees



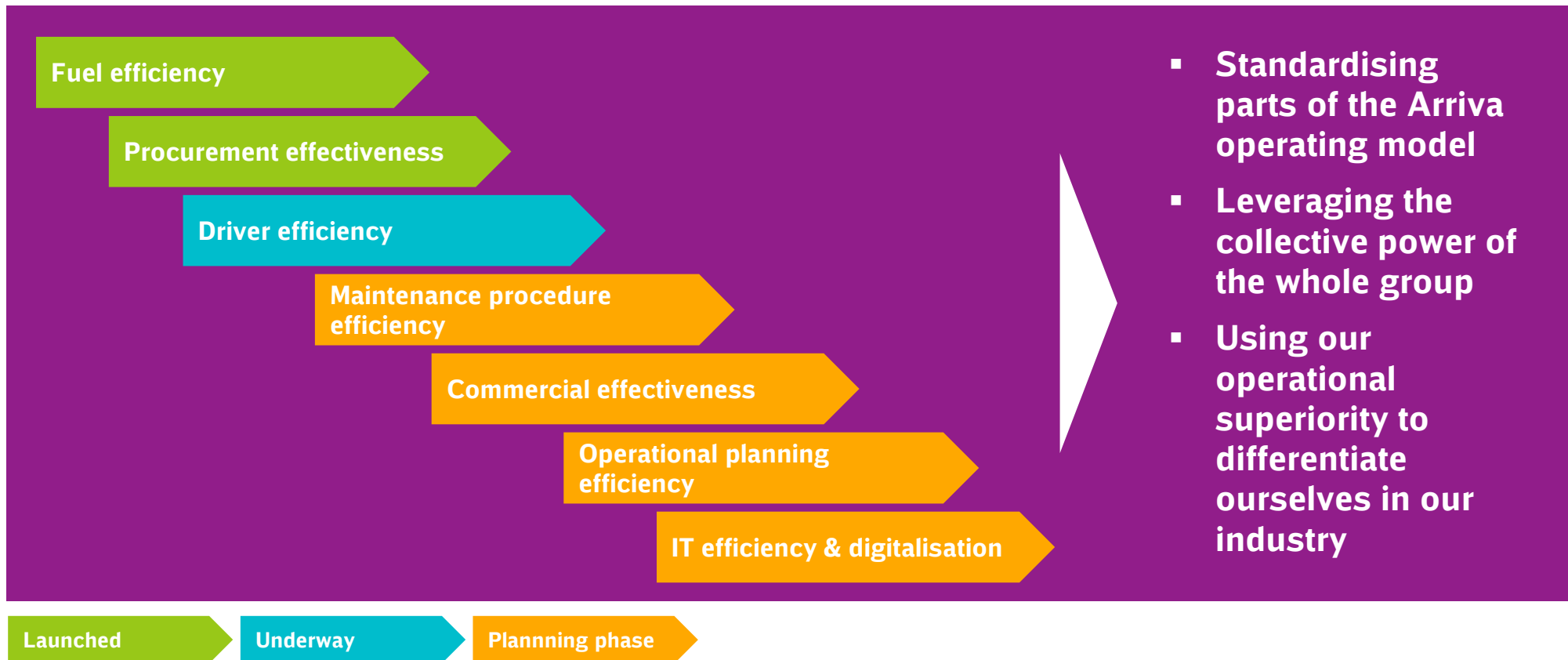
A strong foundation



A bigger and better Arriva



Preferred by our customers



# Accelerate/Hothouse #1: Procurement effectiveness



## Objective

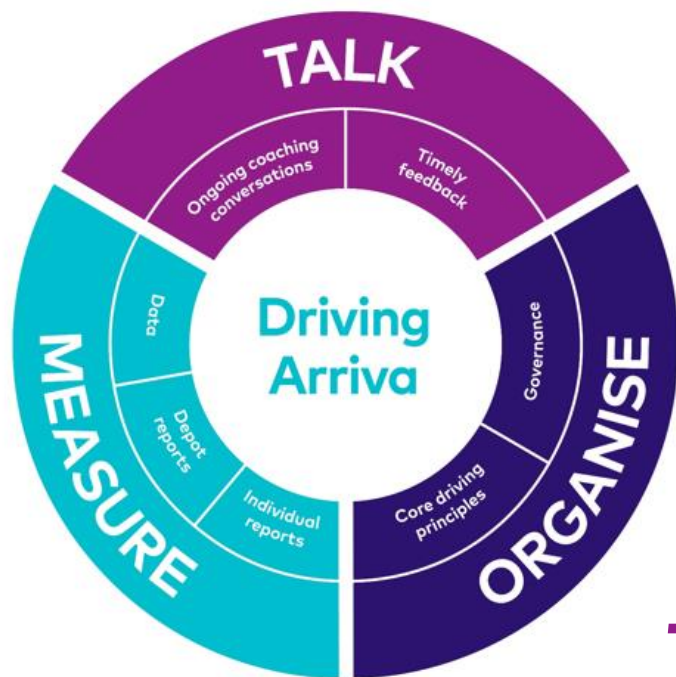
To highlight the largest gaps in procurement value, critically examining barriers and identifying the levers to achieve higher performance

### 4 addressable categories

### Pilots to address identified value gaps

- |          |                         |  |
|----------|-------------------------|--|
| <b>1</b> | <b>Bus spare parts</b>  | “Greater value will be delivered through transparency” |
| <b>2</b> | <b>Tyres</b>            | Optimise access to global supply markets               |
| <b>3</b> | <b>Vehicle cleaning</b> | “Optimise specifications we give suppliers”            |
| <b>4</b> | <b>Temporary labour</b> | “Enhanced controls to effectively manage demand”       |

# Accelerate/Hothouse #2: Fuel efficiency



**The Blueprint moves Arriva teams in 14 countries to a single way of Driving Arriva**



# Accelerate next steps



The best employees



A strong foundation



A bigger and better Arriva



Preferred by our customers



## Value creation



**Blueprint implementation**



**Continuous learning**



**Launch next hothouse**



**PMO tracking and measurement**

# Transport and logistics: DB Group is one of the biggest worldwide freight transport and logistics services provider



- **>2,100**  
locations in over 130 countries
- **>4,200**  
freight trains per day through Europe
- **>100**  
million shipments sent per year via European land transport
- **8**  
million square meters of storage space around the world

## DB Cargo



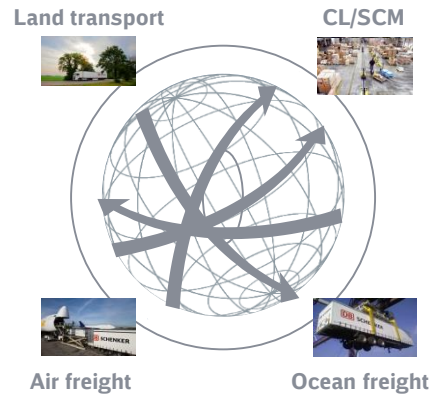
## DB Schenker



# DB Schenker has a broad global customer base and an asset-light business model

## DB Schenker business model

### Network business



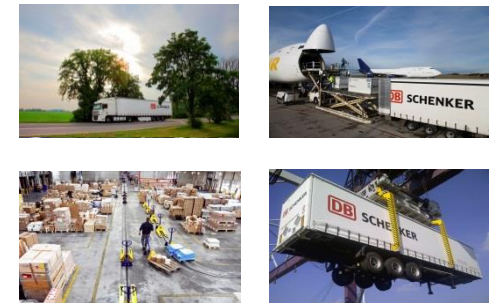
- Size is key for a high supply density and for economies of scale when purchasing transport capacity
- Door-to-door solutions thanks to a global presence in 140 countries

### Broad customer base



- Approximately 700,000 customers with a wide range of industries
- Large anchor customers and small/medium-sized customers
- Wide range of customers/industries makes business less prone to crisis

### Asset-light business model

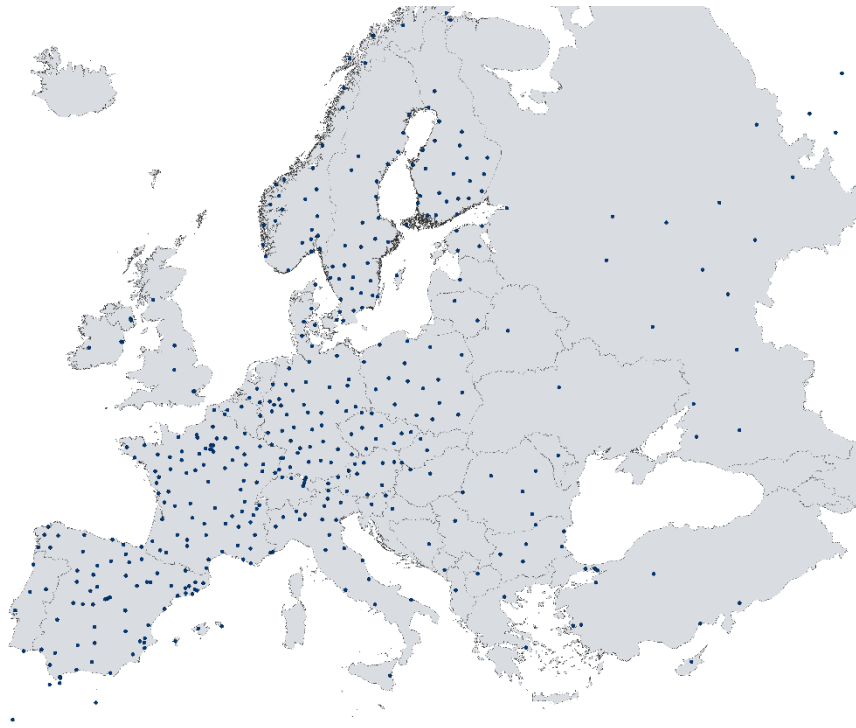


- Own vehicles and swap bodies only in parts of land transport
- Predominately leased logistics locations
- Asset-light business model creates flexibility



# No other provider links as many places in European land transport as DB Schenker

## Land Transport network - Europe



● DB Schenker European Land Transport Terminals

## Competitive advantage

- Fully integrated network with 430 operational branches
- More than 720 locations in 36 countries with own national organizations
- 100 mn shipments in European land transport in 2017
- Fleet of around 31,000 trucks
- Daily departures to all European terminals
- About 32,000 scheduled services per week
- Defined door-to-door lead times
- Timely customer information through tracking

# DB Schenker possesses a global network for air and ocean freight solutions

## Air Freight



- No. 3 worldwide
- Global presence with 700 sites worldwide
- Worldwide network with regional hubs
- Organization of "door-to-door" transports
- > 1000 dedicated charter flights p.a.
- > 1.3 mn t air freight volume (exports) 2017

## Ocean Freight



- No. 3 worldwide
- Global presence with 600 sites worldwide
- Organization of "door-to-door" transport services
- LCL services with 600 direct connections
- 2.2 mn TEU (exports) ocean freight volume in 2017

- 
- Preferred-carrier strategy
  - Paperless transport (digital transport documentation)
  - DB Schenker sky bridge (combined air and sea traffic)
  - Supply chain solutions (value added services)

# DB Schenker takes advantage of market opportunities in contract logistics



## Contract logistics



- No. 5 worldwide
- Global presence in over 56 countries
- Around 750 locations overall
- 8 mn m<sup>2</sup> warehouse space
- Products along the supply chain: procurement – warehousing – fulfillment – value-added services – aftermarket/reverse
- Focus on industry branches:
  - Automotive
  - Consumer
  - Electronics
  - Healthcare
  - Industrial
- XSite global business excellence program
- Global profitability program G4P (Go-for-Performance) successfully transferred to line organization



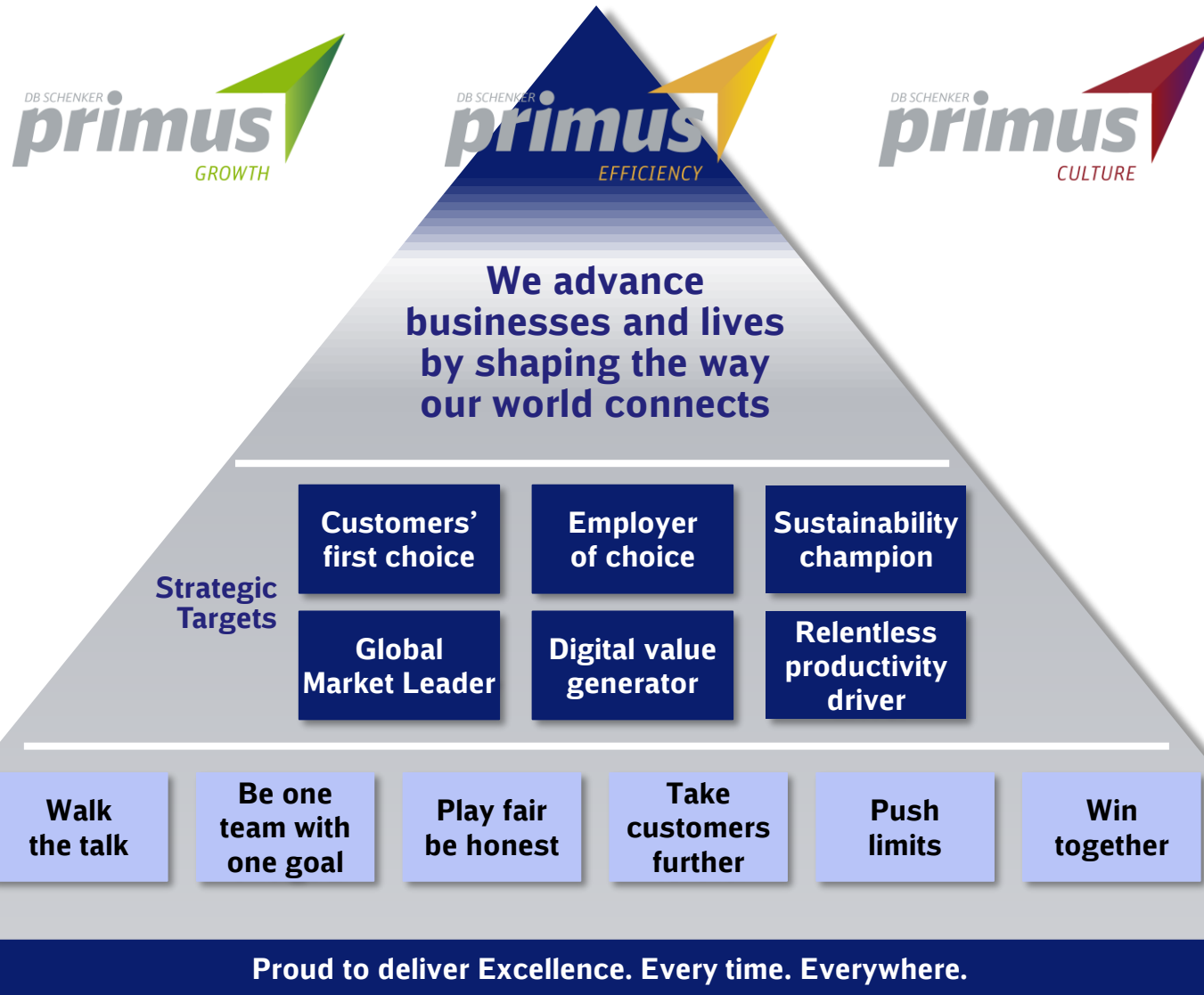
# DB Schenker: The PRIMUS strategic framework is the next evolution of the PRIMUS journey

**Our purpose**  
why we exist:

**Our ambition**  
what we want to be:

**Our values**  
how we want to act:

**Rallying Cry**  
what unites us



# Strategic targets express, specify and substantiate DB Schenker's PRIMUS Ambition

## **Customers' first choice**

When customers think of logistics, they think of Schenker first. We foresee customers' needs and are easy to do business with. We deliver on our quality and service commitment. Customers trust us to get the job done

## **Employer of Choice**

We attract, retain and develop employees, so they can thrive at all levels. We deliver better results because we have a diverse workforce. We employ outstanding leadership at all levels

## **Sustainability Champion**

We adhere to the highest standards, in the way we act and in the business we engage in. We make a positive contribution to society and continuously improve our ecological footprint

## **Global Market Leader**

We strive to be the best in what we do. We extend our reach around the globe. We continue to grow stronger. In a world of change and uncertainty, we succeed and deliver results

## **Digital value generator**

We create value and growth from digital and data-driven business models and services. We are at the forefront of our industry, delighting customers with our innovative value proposition

## **Relentless productivity driver**

We are agile and use ingenuity and technology to realize value creation potentials. We drive efficiency in structures, processes and systems to maintain financial sustainability

# Execution of PRIMUS initiatives: selected examples

## Growth



- Half of our PRIMUS target will be fulfilled by core business growth
- The other half will be conducted by the program “Go for Business” (G4B)
- G4B consists of 14 initiatives, which are grouped into Find, Get, Keep and Growth
- Five examples:

1. Push Asia HQ companies
2. Hyper grow MEA
3. Develop underpenetrated companies
4. Boost SME Sales
5. Drive e-commerce



1. Find



2. Get



3. Keep



4. Grow

## Efficiency



### Global Business Services

- GBS organization and GBS Centers in Bucharest and Manila established
- First transitions successfully completed
- Process standardization and upcoming RPA/automation implementations leverage efficient service delivery

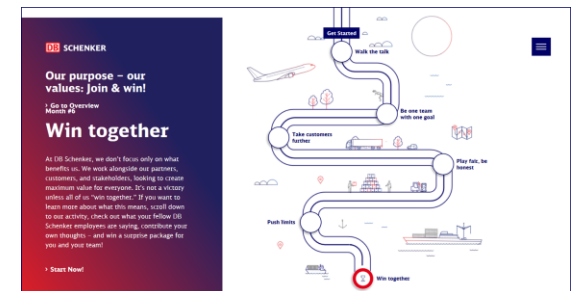
### Smart Cost Management

- Spend transparency & standardize KPIs for main OPEX cost categories
- Global best practice & innovation exchange
- Further implementation of cost saving initiatives via established global Category Owner Network
- Development of one standardized controlling & monitoring solution for PRIMUS Efficiency

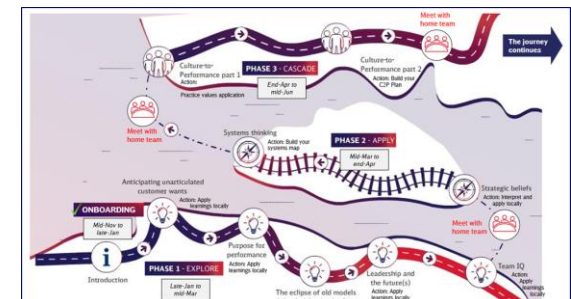
## Culture



- New company purpose & values rolled out to global organization, i.e. via Culture Campaign Site:



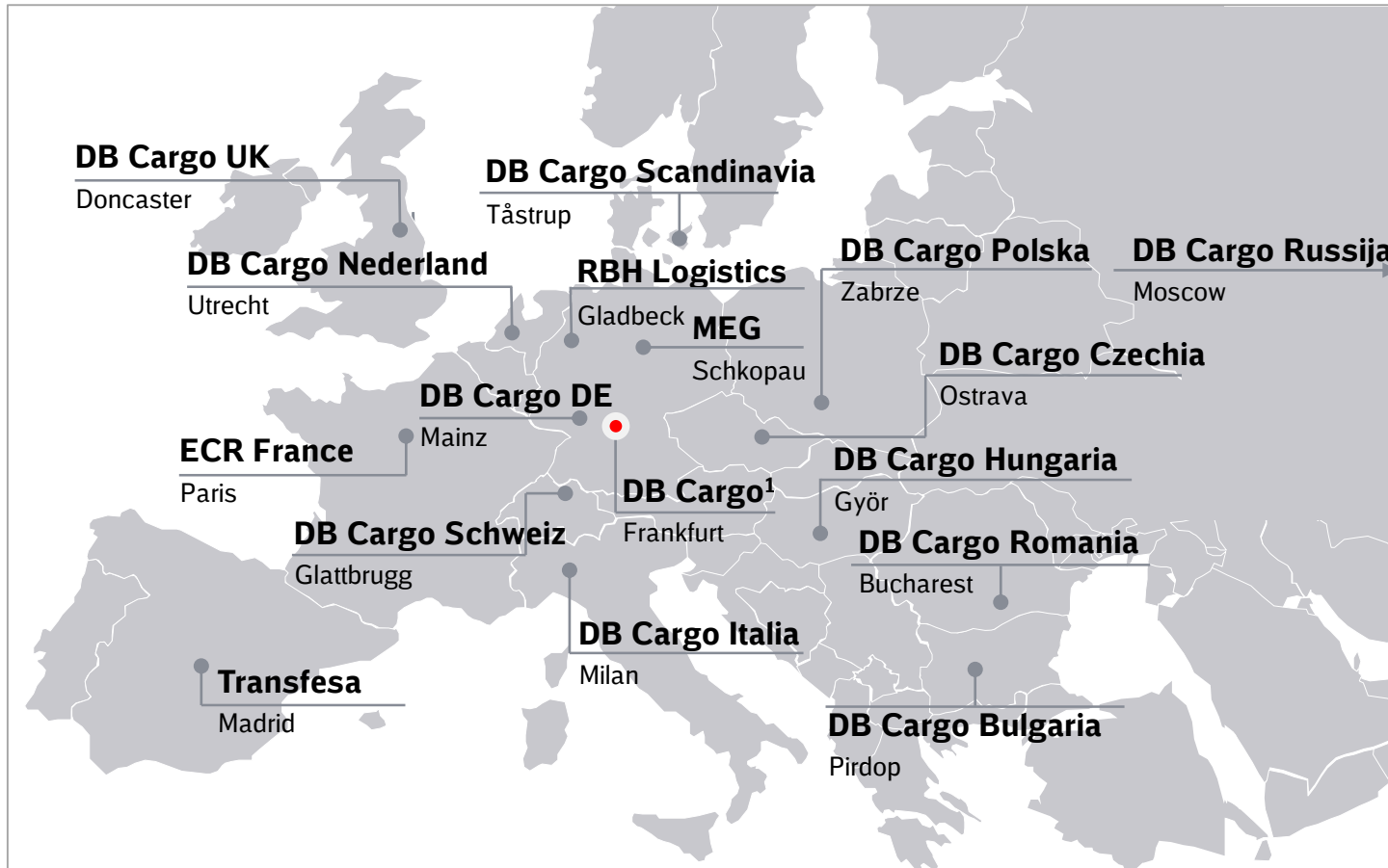
- 700 Leaders involved in *The Future is Here* Leadership Program





# DB Cargo offers its customers a comprehensive European network

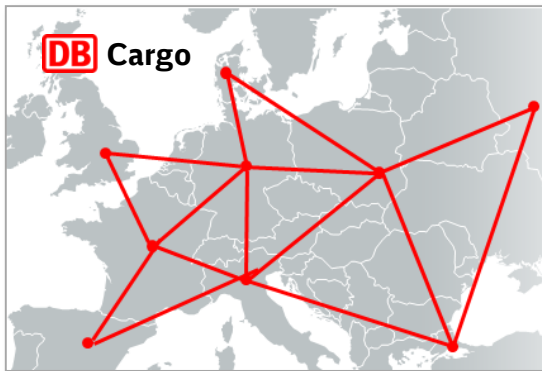
## DB Cargo in Europe



<sup>1</sup> European Headquarter

# Three decisive factors shape the business model of DB Cargo

## European network



- International network alongside the major European rail freight corridors
- Organizational benefits from scale effects through size

## Clear sector and customer focus



- Bulk logistics: Building material, fertilizer, metal and coal industry
- Industrial and commercial logistics: Automotive, chemical, petroleum, consumer goods, pulp and paper industries
- Combined transport: Operators, freight forwarders and shipowners

## High asset investment



- Own production
- Fleet<sup>1)</sup> of 2,758 locomotives and around 83,386 wagons
- High specialization of rolling stock

<sup>1)</sup> Own and finance lease.

# DB Cargo offers a wide range of services and industry products, supplemented with additional services

## Core products



### Block train transport

For transporting large volumes within the European transport network



### Single wagon transport

For transporting small to mid-size volumes within the European transport network



### Container logistics

Combines rail transport with other modes, including first and last mile by road and terminal handling

## Additional services



### Door-to-door logistics services

Door-to-door transport and logistics solutions



### Rail logistics

Intermodal logistics solutions, including Railports



### Sidings

Set up and maintenance of private sidings



### Maintenance

Range of operational maintenance services (locomotives, cars)



### Eco Plus

Entirely carbon-free transport of goods



# DB Group operates the biggest rail network in the heart of Europe



- **5,700**  
stations serve as railway gateways in Germany
- **33,500**  
km long rail network – three times as long as the German Autobahn network
- **25,000**  
bridges make its way through rivers and valleys
- **5th**  
largest provider of energy in Germany – annual volume of available energy equal to energy consumed by Berlin metropolitan area

**DB Netze Track**



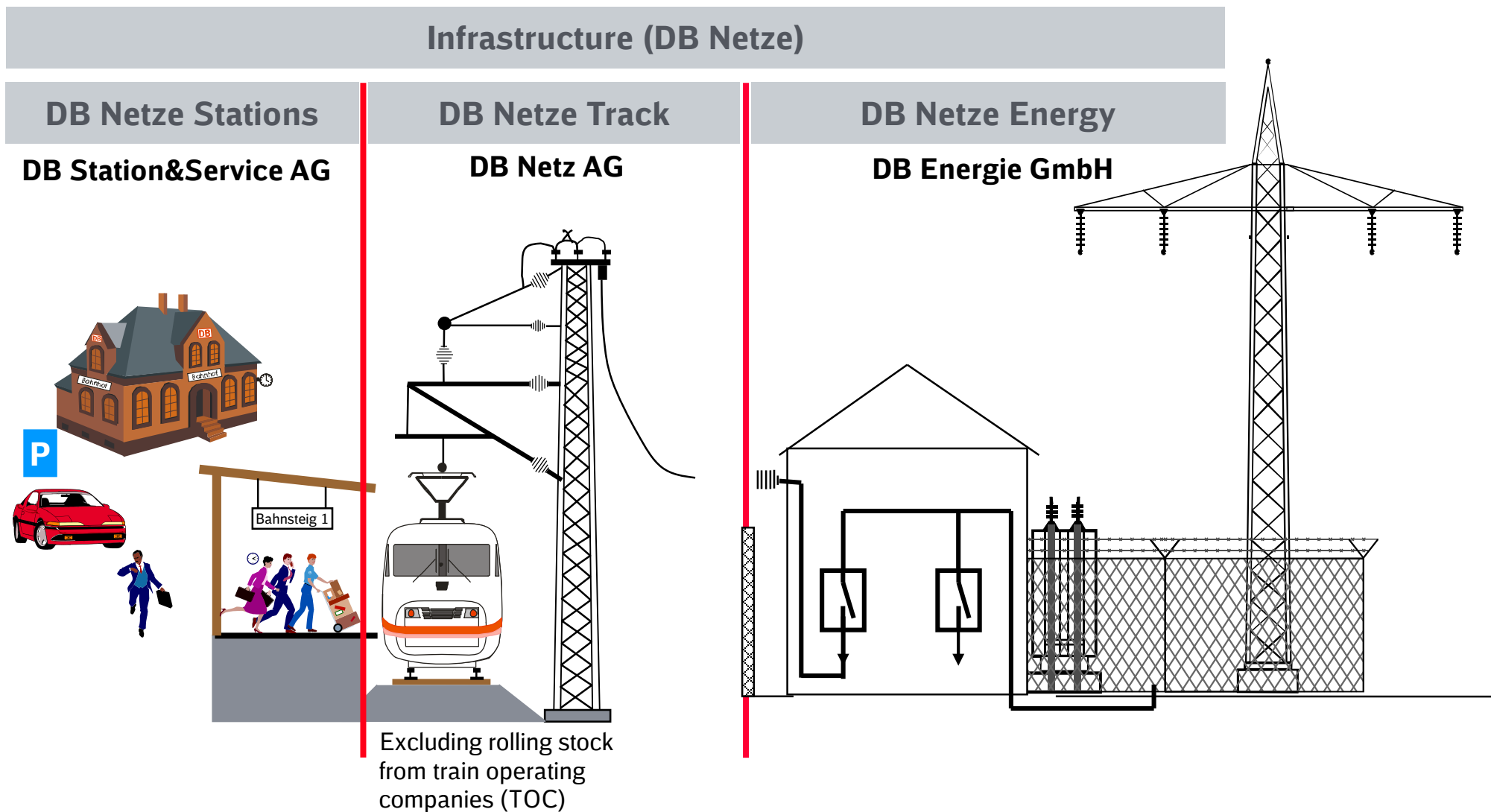
**DB Netze Stations**



**DB Netze Energy**



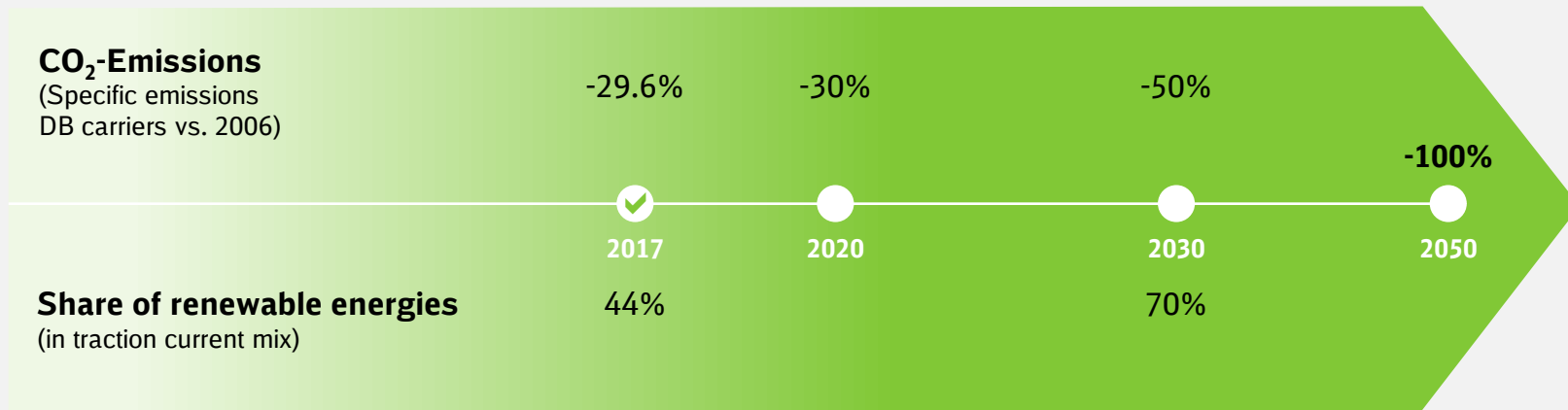
# The public rail infrastructure is clearly allocated to one of the three infrastructure business units



# DB Netze Energy manages Germany's energy transition for DB Group and for the transport sector



## DB2020+ Target Eco-pioneer



In 2017, the share of renewable energies in the DB traction current mix reached 44%, thereby exceeding the share of renewable energies in Germany's final energy consumption (36% in 2017) significantly.

DB Group has set new green energy targets for 2030 to further enhance the share of renewables in the traction current mix to 70% as well as to reduce overall CO<sub>2</sub> emissions by 50% compared to 2006.

Enabling DB Group's vision to become CO<sub>2</sub>-free by 2050, DB Netze Energy actively supports the energy transition (Energiewende) in Germany and provides sustainable, reliable and affordable energy to its customers.



# Good development of top targets in social and environmental dimensions

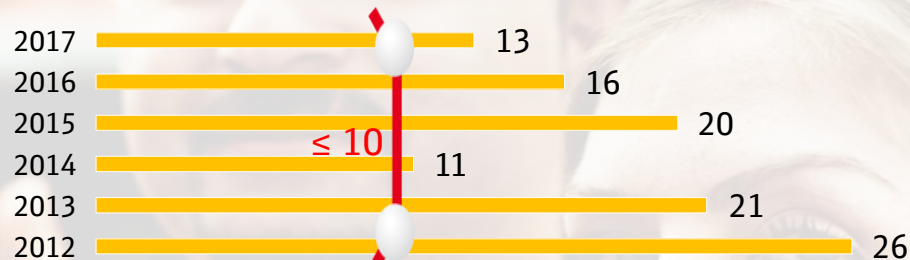


## Top employer

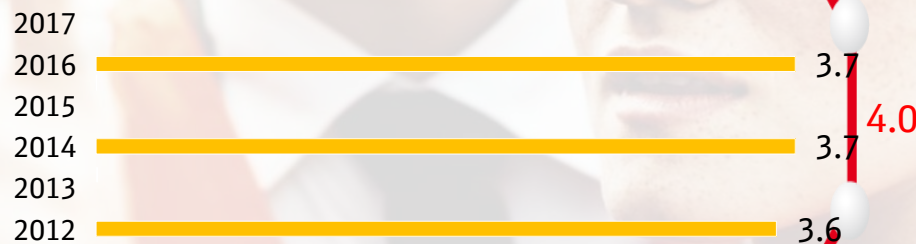
As a **Top employer**, we attract and retain **qualified employees** who are enthusiastic about working for us and our customers.



### Employer attractiveness (rank, in Germany)



### Employee satisfaction<sup>1)</sup> (index)



<sup>1)</sup> Survey every two years. Scale from 1 (worst) to 5 (best).



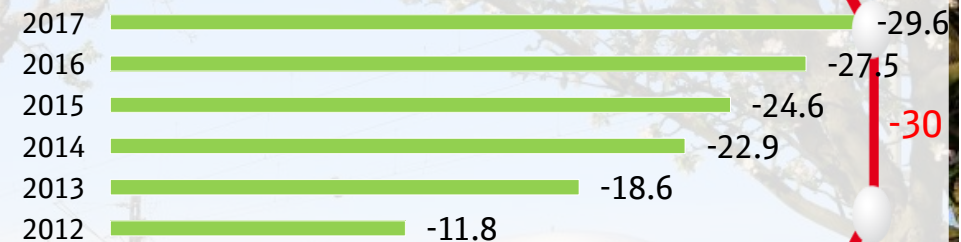
## Eco-pioneer

Target  
2020

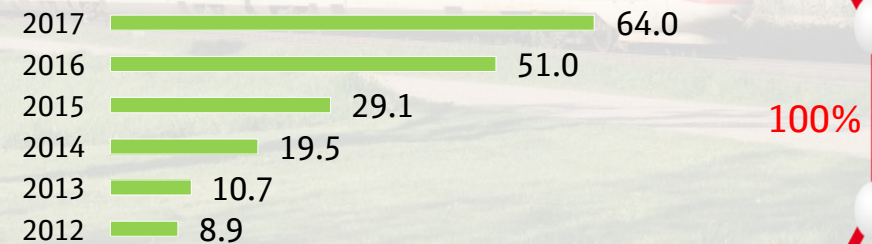
As an **Eco-pioneer**, we set benchmarks with our products for efficient use of available resources.



### Reduction specific CO<sub>2</sub>e emissions (carriers) compared to 2006 (%)



### Noise reduction (freight cars with whisper breaks in Germany, %)



# Mixed development of top targets in economic dimension



## Profitable quality leader

Target  
2020

As a **profitable quality leader** we offer our **customers** first-class mobility and logistics solutions ...



### Customer satisfaction (passengers, SI)



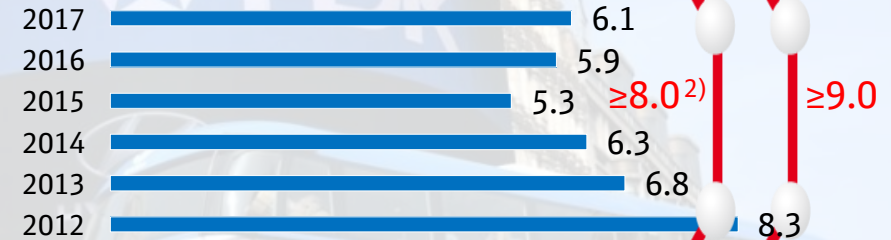
### Product quality (punctuality DB rail in Germany, %)



... and our shareholder and investors **appropriate returns** and financial stability.



### Appropriate returns (ROCE, %)



### Financial stability (Redemption coverage, %)



<sup>1)</sup> Low interest rates in last years leads to new target. <sup>2)</sup> WACC 7.0.

# Mixed performance development of rail business in Germany



## Key performance indicators (rail)

**Long-distance**  
(bn pkm)



market: ↗

**Regional<sup>1)</sup>**  
(bn pkm)



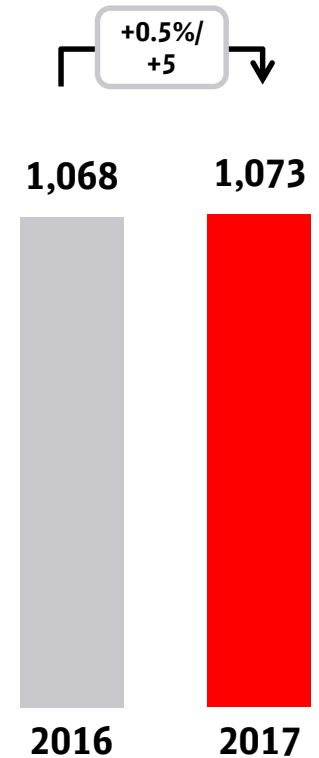
market: ↗

**Freight**  
(bn tkm)



market: ~-0.0%

**Infrastructure**  
(mn train-path km)



Share of non-DB customers: 30.9%

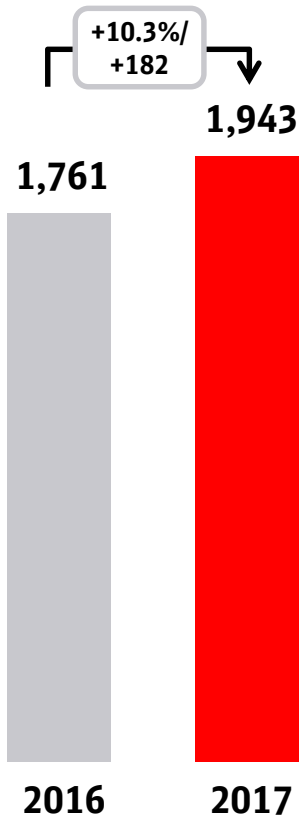
<sup>1)</sup> DB Regional and UBB Usedomer Bäderbahn GmbH.

# Positive performance development of DB Arriva

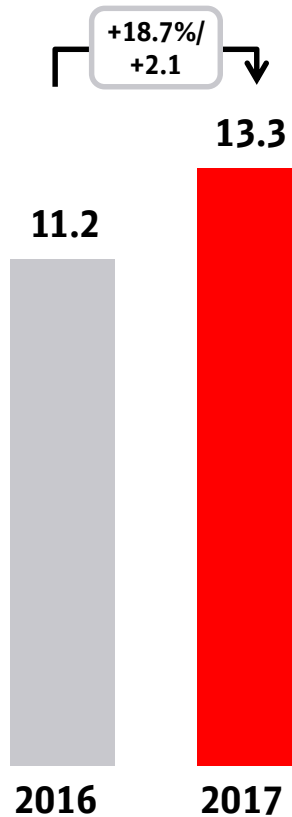


## Performance indicators DB Arriva

**Passengers**  
(million)



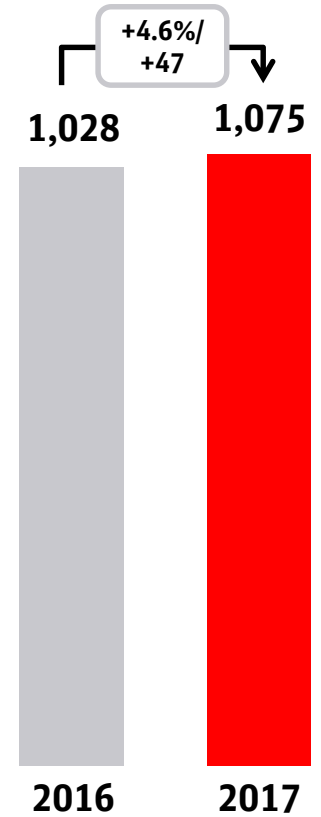
**Volume sold rail**  
(billion pkm)



**Volume produced rail**  
(million train-path km)



**Volume produced bus**  
(million buskm)





# Positive performance development in the freight forwarding and logistics business

## Volumes DB Schenker

**Land transport**  
(mn shipments)

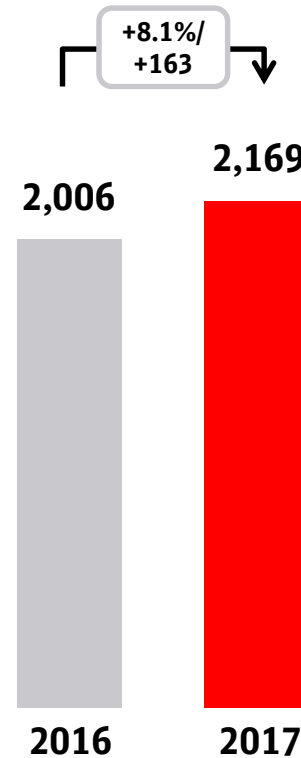


**Air freight**  
(thousand t<sup>1)</sup>)



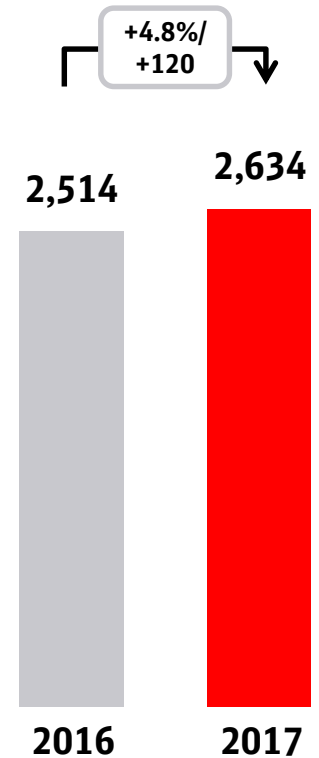
market: +10.0%

**Ocean freight** (thousand TEU<sup>1)</sup>)



market: +4.8%

**Contract logistics** (€ mn)

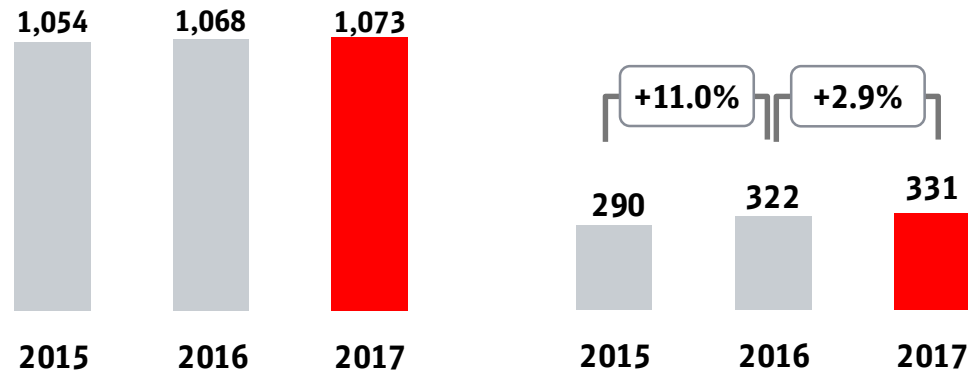


market: +3.0%

<sup>1)</sup> Exports.

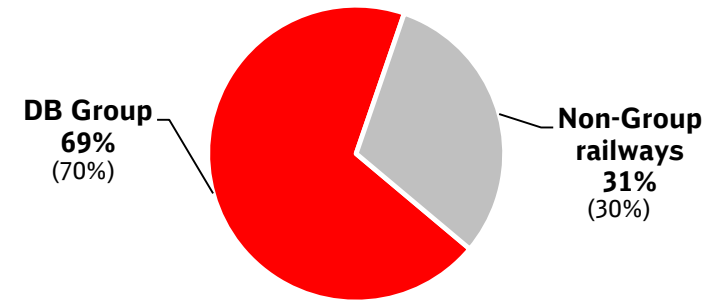
# Further intensification of non-Group infrastructure usage

**Train-path usage total/non-Group** (mn train-path km)

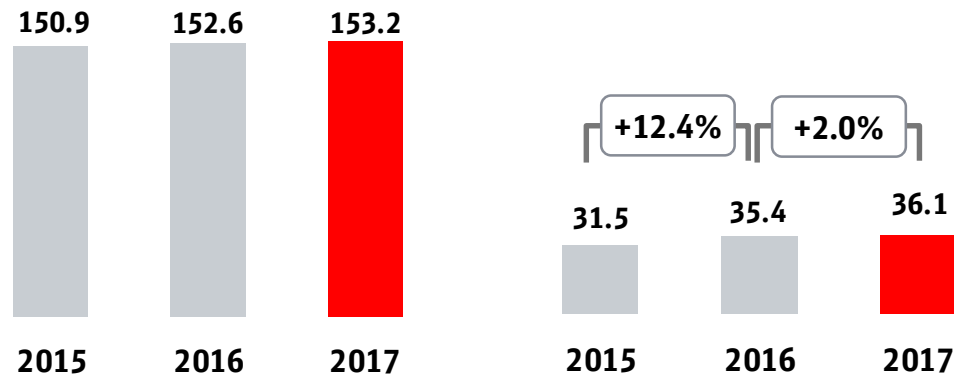


**Structure of train-path usage (%)**

(2016)

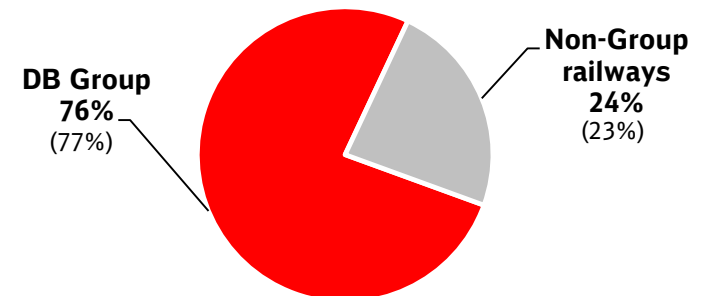


**Station stops total/non-Group** (mn stops)



**Structure of station stops (%)**

(2016)



# Comparable revenue structure also mainly positive, FX effects mainly at DB Arriva and DB Schenker



## Total revenues (€ mn)

	2017 effective	Adjustments Consol. <sup>1)</sup> FX <sup>2)</sup>		2017 comp.	2016 comp.	+/- €	+/- %
DB Long-Distance	4,347	-	-	4,347	4,159	+188	+4.5
DB Regional	8,734	-	-	8,734	8,630	+104	+1.2
DB Arriva	5,345	-41	+227	5,531	5,093	+438	+8.6
DB Cargo	4,528	-9	+17	4,536	4,560	-24	-0.5
DB Schenker	16,430	-27	+171	16,574	15,128	+1,446	+9.6
DB Netze Track	5,364	-	-	5,364	5,228	+136	+2.6
DB Netze Stations	1,265	-	-	1,265	1,233	+32	+2.6
DB Netze Energy	2,794	-	-	2,794	2,779	+15	+0.5
Other/consolidation	-6,103	-1	-	-6,104	-6,258	+154	-2.5
<b>DB Group</b>	<b>42,704</b>	<b>-78</b>	<b>+415</b>	<b>43,041</b>	<b>40,552</b>	<b>+2,489</b>	<b>+6.1</b>

<sup>1)</sup> Changes in the scope of consolidation. <sup>2)</sup> Effects from changes in exchange rates.

# Stable revenue structure compared to 2016

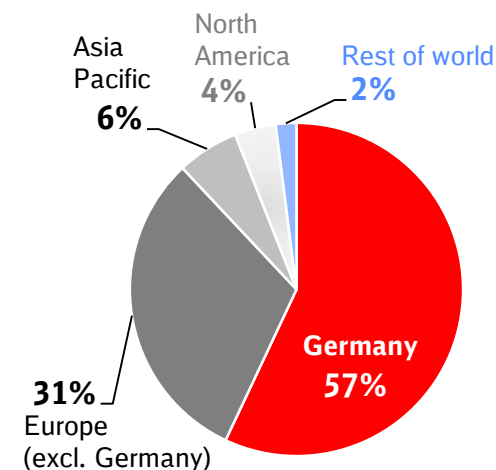
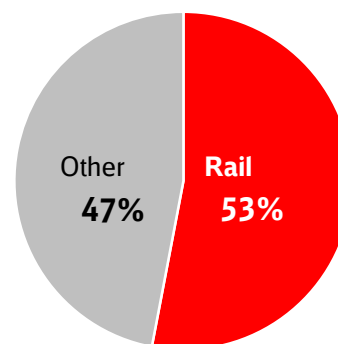
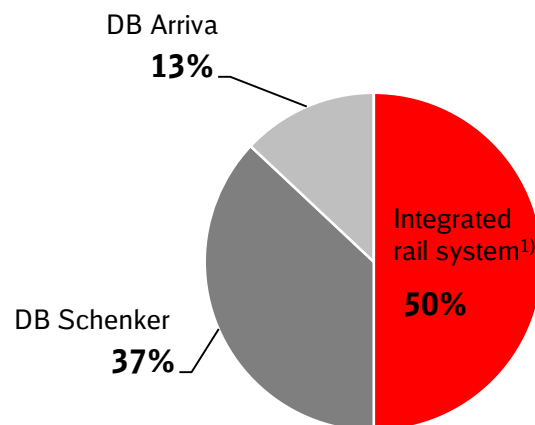


## By divisions

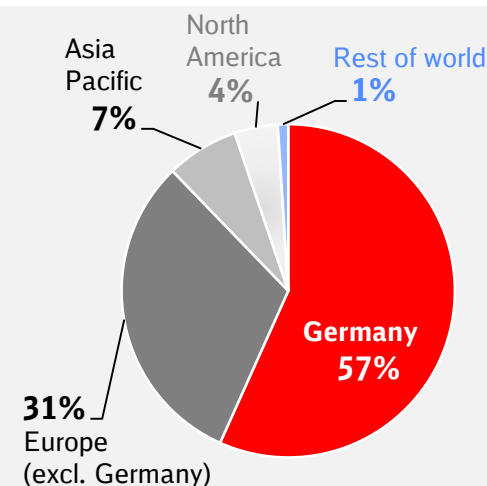
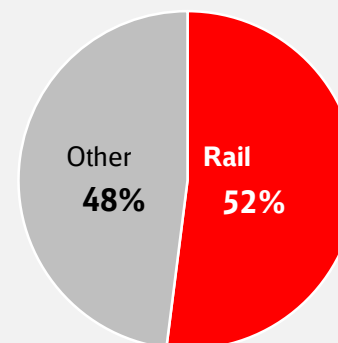
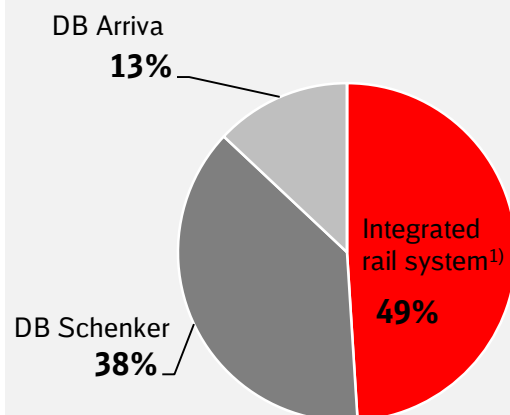
## By activities

## By regions

2016



2017

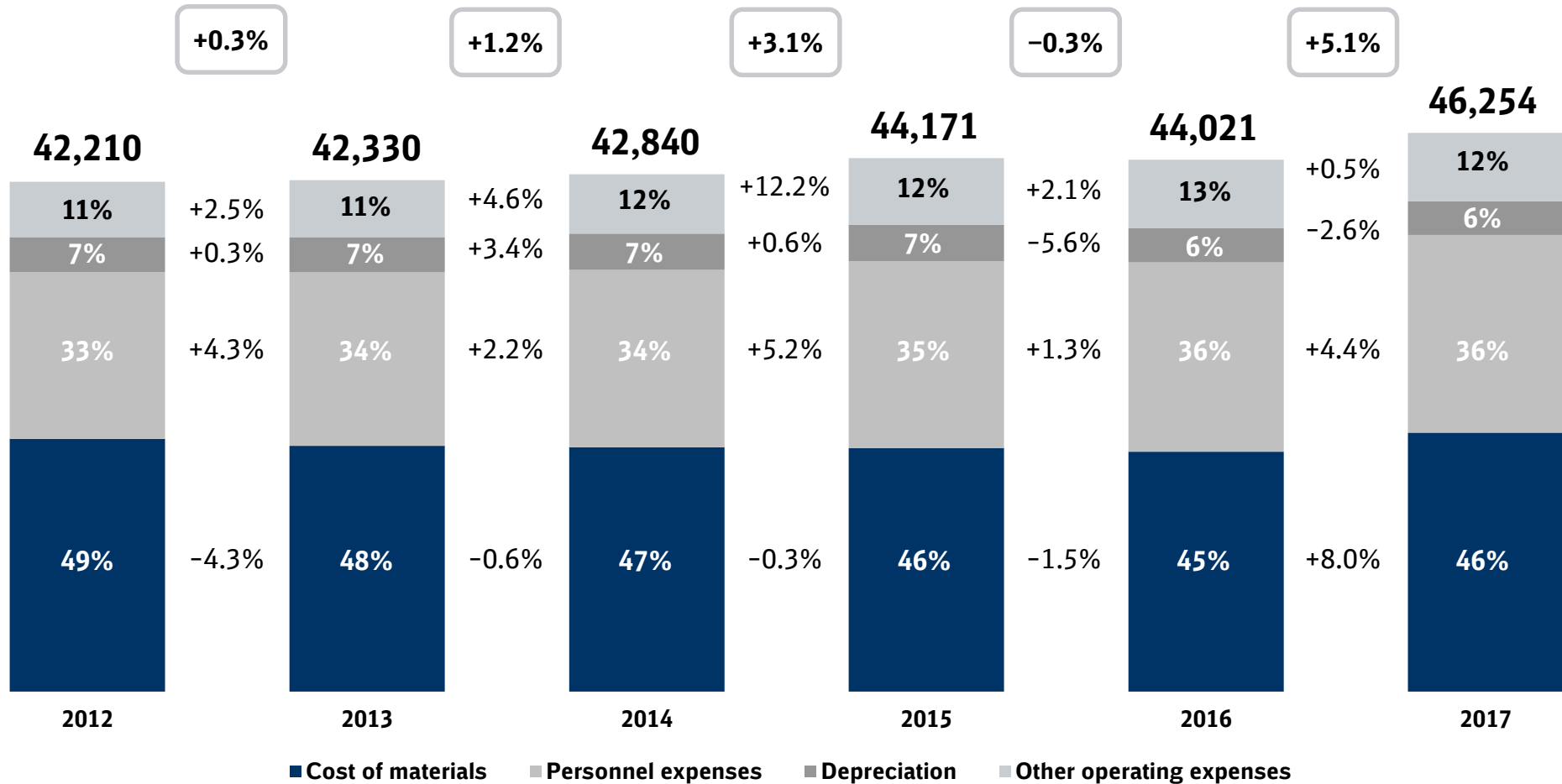


<sup>1)</sup> Mainly passenger transport activities in Germany, rail freight transport activities, operational service units and rail infrastructure companies.













# Structure of expenses mainly driven by personnel expenses and cost of materials

## Expenses – internal view (€ mn)














# EBITDA development positive, with exception of DB Regional and DB Netze Energy

 <b>EBITDA adjusted</b> (€ mn)	<b>2017</b>	<b>2016</b>	<b>Changes</b>		
DB Long-Distance	<b>611</b>	419		+192	+45.8%
DB Regional	<b>1,156</b>	1,272		-116	-9.1%
DB Arriva	<b>569</b>	525		+44	+8.4%
DB Cargo	<b>130</b>	108		+22	+20.4%
DB Schenker	<b>676</b>	599		+77	+12.9%
DB Netze Track	<b>1,484</b>	1,484		-	-
DB Netze Stations	<b>372</b>	359		+13	+3.6%
DB Netze Energy	<b>141</b>	197		-56	-28.4%
Other/consolidation	<b>-209</b>	-166		-43	+25.9%
<b>DB Group</b>	<b>4,930</b>	<b>4,797</b>		<b>+133</b>	<b>+2.8%</b>

# Mixed EBIT development across business units



 <b>EBIT adjusted</b> (€ mn)	<b>2017</b>	<b>2016</b>	<b>Changes</b>		
DB Long-Distance	<b>381</b>	173		+208	+120%
DB Regional	<b>508</b>	636		-128	-20.1%
DB Arriva	<b>301</b>	280		+21	+7.5%
DB Cargo	<b>-90</b>	-81		-9	+11.1%
DB Schenker	<b>477</b>	410		+67	+16.3%
DB Netze Track	<b>687</b>	561		+126	+22.5%
DB Netze Stations	<b>233</b>	221		+12	+5.4%
DB Netze Energy	<b>72</b>	126		-54	-42.9%
Other/consolidation	<b>-417</b>	-380		-37	+9.7%
<b>DB Group</b>	<b>2,152</b>	<b>1,946</b>		<b>+206</b>	<b>+10.6%</b>

# Passenger transport:

## Business units developed differently

### DB Long-Distance

- Volume sold increased, as a result of measures to promote services, the introduction of free Wi-Fi, including in second class and market-driven stimuli.
- Revenues improved, due to better performance, price effects and effects from a less intense competitive environment.
- Operating profit increased driven by income development and lower cost of materials. Higher personnel expenses due to tariff increases had a dampening effect.

(€ mn)	2017	2016	+/- %
Pkm (rail; bn)	40.5	39.5	+2.6
Revenues	4,347	4,159	+4.5
EBIT adj.	381	173	+120
EBITDA adj.	611	419	+45.8

### DB Regional

- Performance development was differentiated. Rail: positive effects from awarded contracts more than compensate effects of contract losses. Bus: volume sold and produced declined inter alia as a result of the discontinuation of the long-distance bus business in the fall of 2016.
- Revenues were slightly higher. Mainly driven by performance and price effects. Concession fees increased slightly.
- Operating profit decreased due to a disproportionate rise in expenses.

(€ mn)	2017	2016	+/- %
Pkm (rail; bn)	48.9	48.4	+1.1
Revenues	8,734	8,653	+0.9
EBIT adj.	508	636	-20.1
EBITDA adj.	1,156	1,272	-9.1

### DB Arriva

- Performance figures increased (rail and bus). Mainly driven by acquisitions and start of operations in the previous year.
- Increase in revenues was mainly driven by the full-year inclusion of Arriva Rail North, Arriva Rail London and the Limburg transport services in the Netherlands. Additionally acquisitions (Mainland Europe) and the operating development of UK Trains had a positive impact. Inter alia exchange rate effects had an adverse impact.
- Operating profit increased.

(€ mn)	2017	2016	+/- %
Train-path (bn)	177.6	170.6	+4.1
Buskm (bn)	1,075	1,028	+4.6
Revenues	5,345	5,093	+4.9
EBIT adj.	301	280	+7.5
EBITDA adj.	569	525	+8.4



# Transport and logistics: Strong development of DB Schenker, DB Cargo still under pressure

## DB Cargo

- Performance development was weak. Volume of freight carried and volume sold decreased. Mainly driven by limitations due to operating restrictions, and strained transport quality (resource problems with personnel, and in some cases locomotives and cars).
- Economic situation remained tense. Slightly lower income was offset by lower expenses, so that adjusted EBITDA rose. Due to higher depreciation (+16.4 %; inter alia capex driven), the development of adjusted EBIT was negative.
- Central: Weaker development of rail-based goods (inter alia coal), negative impact of operating restrictions in Germany.
- West: drop in coal and chemical industry, quality restrictions in France, positive exchange rate effects.
- East: Positive development mainly driven by Poland, structural adjustments in the customer portfolio in Southeastern Europe.

(€ mn)	2017	2016	+/- %
Volume sold (bn tkm)	92.7	94.7	-2.2
Revenues	4,528	4,560	-0.7
EBIT adjusted	-90	-81	+11.1
EBITDA adjusted	130	108	+20.4

## DB Schenker

- Market and competitive environment with positive stimuli.
- Volume development was positive in European land transport and air and ocean freight.
- Main driver of the positive revenue development were the air and ocean freight rate trends. Exchange rate effects had a dampening impact (in all lines of business).
- Development of operating profit was positive.
- European land transport: Positive revenue development due to higher shipment volume and the increased price of diesel.
- Air and ocean freight: Revenues increased in both air and ocean freight. Main drivers were freight rate and volume developments.
- Contract logistics: Revenue development remained noticeable positive due to positive business development with existing and new customer business.

(€ mn)	2017	2016	+/- %
Revenues	16,430	15,128	+8.6
EBIT adjusted	477	410	+16.3
EBITDA adjusted	676	599	+12.9

# Infrastructure:

## Mixed development of infrastructure business units

### DB Netze Track

- Higher demand from non-Group customers, especially in freight but also in passenger transport.
- Total revenues increased, negative effects of operating restrictions offset by price adjustments and increases in demand.
- Cost of materials (+3.3%) and personnel expenses (+6.5%) rose; depreciation (-13.7%) declined.
- Positive profit trend was offset by increased expenses, leaving the adjusted EBITDA at the previous year's level. Adjusted EBIT with positive development.

(€ mn)	2017	2016	+/- %
Train-path (bn)	1,072	1,066	+0.6
Revenues	5,364	5,228	+2.6
EBIT adj.	687	561	+22.5
EBITDA adj.	1,484	1,484	-

### DB Netze Stations

- Station stops slightly increased due to higher schedule frequencies and additional traffic in regional transport.
- Higher station revenues as a result of volume and prices as well as higher revenues from rental and leasing. Development of external revenues reflects the increase in demand from non-Group customers.
- Cost of materials (-2.7%) fell; personnel expenses (+9.8%) and depreciation (+0.7%) rose.
- Higher income compensated for the increase in expenses, resulting in an improvement in operating profit.


(€ mn)	2017	2016	+/- %
Stops (mn)	150.0	149.4	+0.4
Revenues	1,265	1,233	+2.6
EBIT adj.	233	221	+5.4
EBITDA adj.	372	359	+3.6

### DB Netze Energy

- Positive development of demand from non-Group customers in stationary energy, counteracted by decline in internal demand for traction current.
- Revenues were slightly up, driven by higher non-Group demand as well as increased revenues from mineral oil products driven by market prices. Internal revenues declined due to the drop in demand.
- 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.


(€ mn)	2017	2016	+/- %
Revenues	2,794	2,779	+0.5
EBIT adj.	72	126	-42.9
EBITDA adj.	141	197	-28.4

# Significant positive profit development – income growth exceeds higher operating expenses

 <b>Adjusted P&amp;L</b> (€ mn)	<b>2017</b>	<b>2016</b>	<b>+/- €</b>	<b>+/- %</b>	<b>Key impact factors</b>
Revenues	42,704	40,576	+2,128	+5.2	<ul style="list-style-type: none"> <li>Revenue development dampened by negative FX effects</li> <li>Other operating income increased, partly due to the reimbursement of nuclear fuel tax</li> </ul>
Total income	48,406	45,967	+2,439	+5.3	
Cost of materials	-21,441	-19,858	-1,583	+8.0	
Personnel expenses	-16,363	-15,669	-694	+4.4	<ul style="list-style-type: none"> <li>Operating expenses increased mainly due to the development of freight rates at DB Schenker and tariff effects in Germany</li> </ul>
Other operating expenses	-5,672	-5,643	-29	+0.5	
<b>EBITDA adjusted</b>	<b>4,930</b>	<b>4,797</b>	<b>+133</b>	<b>+2.8</b>	<ul style="list-style-type: none"> <li>Among other things, burdens in connection with restrictions in rail services had a dampening effect</li> </ul>
Depreciation	-2,778	-2,851	+73	-2.6	
<b>EBIT adjusted</b>	<b>2,152</b>	<b>1,946</b>	<b>+206</b>	<b>+10.6</b>	<ul style="list-style-type: none"> <li>Continued competitive and cost pressure in all business units</li> <li>Development of the deferred tax position dampened the development</li> <li>Nevertheless, net profit developed significantly positive</li> </ul>
Financial result	-790	-843	+53	-6.3	
Extraordinary result	-394	-397	+3	-0.8	
<b>Profit before taxes</b>	<b>968</b>	<b>706</b>	<b>+262</b>	<b>+37.1</b>	
Taxes on Income	-203	10	-203	-	
<b>Net profit</b>	<b>765</b>	<b>716</b>	<b>+49</b>	<b>+6.8</b>	

# Changes on the equity and liability side in favor of equity

## - balance sheet without significant structural changes

 (€ mn, as of Dec 31)

### Assets

#### Non-current assets

Property, plant and equipment	39,608	38,884	+724	+1.9
Intangible assets	3,599	3,691	-92	-2.5
Deferred tax assets	1,416	1,511	-95	-6.3

#### Current assets

Trade receivables	4,571	3,974	+597	+15.0
Cash and cash equivalents	3,397	4,450	-1,053	-23.7

### Equity and liabilities

#### Equity

#### Non-current liabilities

Financial debt	19,716	20,042	-326	-1.6
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#### Current liabilities

Financial debt	2,360	2,439	-79	-3.2
Trade liabilities	5,157	5,100	+57	+1.1

#### Total assets

2017

2016

+/- € +/- %

 **Maturity structure**

#### Assets

Non-current assets  
(81%, 2016: 80%)

Current assets  
(19%, 2016: 20%)

**Total** € 56.4 bn

#### Equity and liabilities

Equity  
(25%, 2016: 22%)

Non-current liabilities  
(49%, 2016: 51%)

Current liabilities  
(26%, 2016: 27%)

**Total** € 56.4 bn



# Clear targets for yield management and creditworthiness

## ROCE

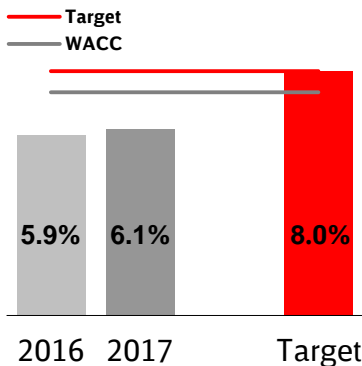
### Calculation

$$= \frac{\text{EBIT adjusted}}{\text{Capital Employed}}$$

### Rationale

- ROCE links requirements of controlling (success control, management instrument) with capital market requirements (derivability, acceptance)

### Targets

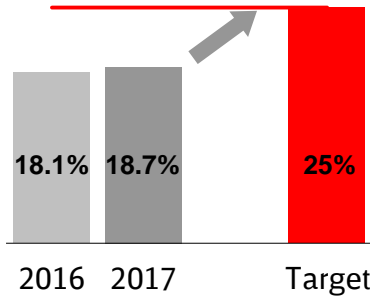


DB Group has to earn its cost of capital (WACC) in the mid-term; value generation: ROCEs > WACCs

## Redemption coverage

$$= \frac{\text{Operating cash flow after tax}}{\text{Adjusted net debt}}$$

- Connection of cash flow after tax and debt
- Key figure in rating assessment process
- Includes off balance sheet transactions

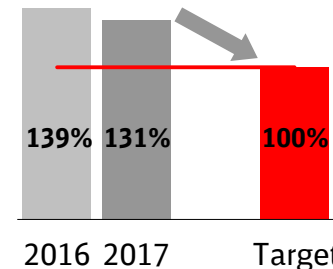


Access to the capital markets / preservation of a broad fixed income investor base  
Confirmation of credit ratings in the good investment grade area even on a stand alone basis

## Gearing

$$= \frac{\text{Net financial debt}}{\text{Equity}}$$

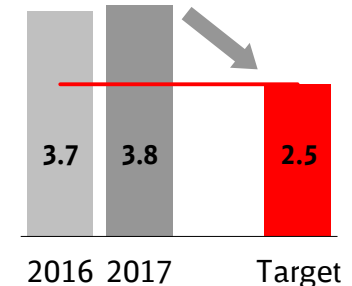
- Debt figure for assessment of financing risks
- Focus on relevant, directly manageable parameters



## Net financial debt / EBITDA

$$= \frac{\text{Net financial debt}}{\text{EBITDA adjusted}}$$

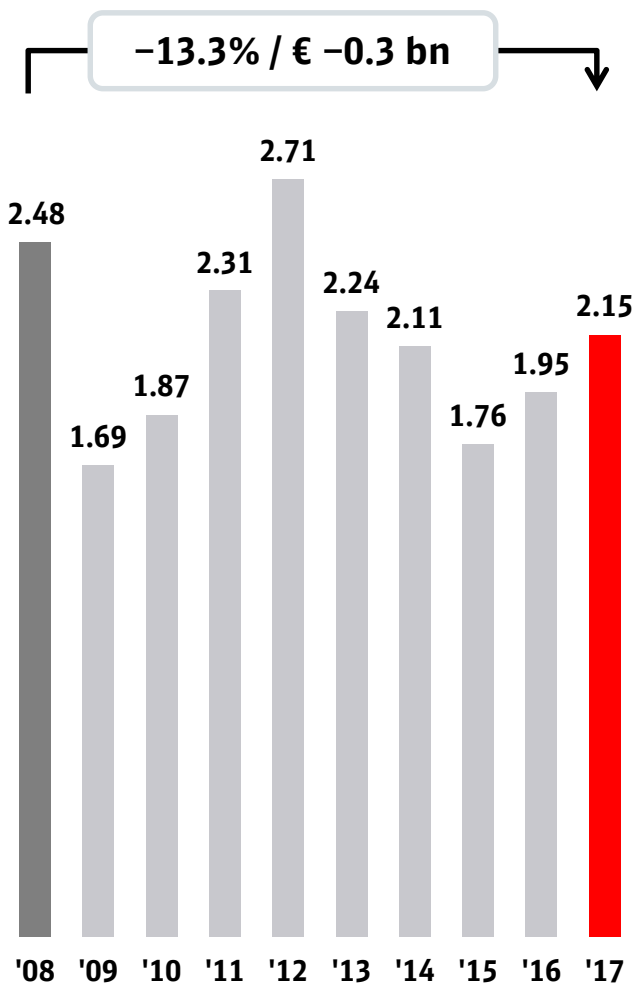
- Connection of cash flow and financial debt
- Key figure in rating assessment process
- Widely used in investment analysis



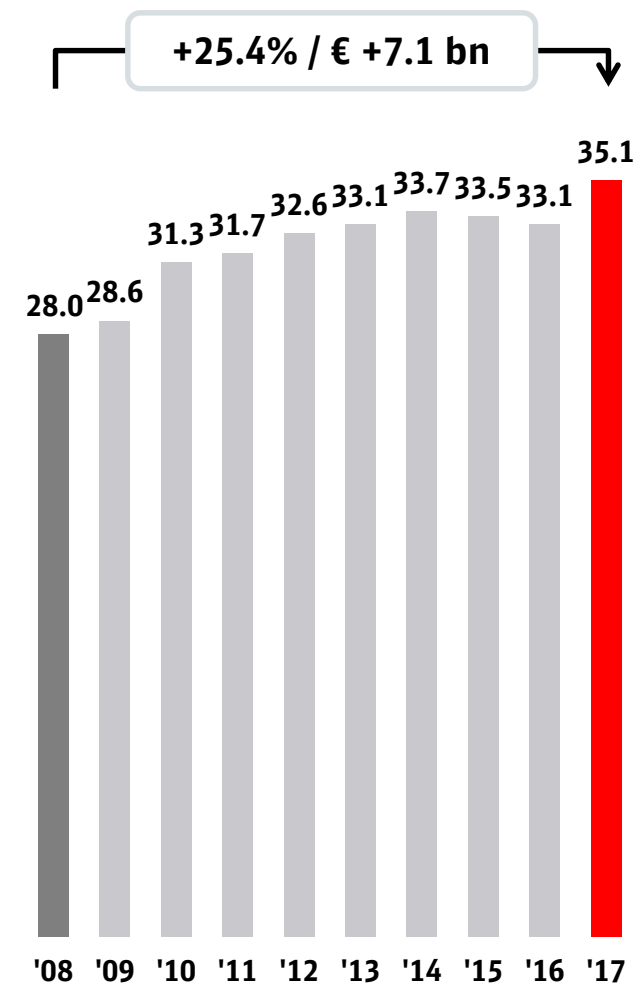
# Development of return on capital employed (ROCE)



**EBIT** (€ bn)



**Capital Employed** (€ bn)



**ROCE** (%)

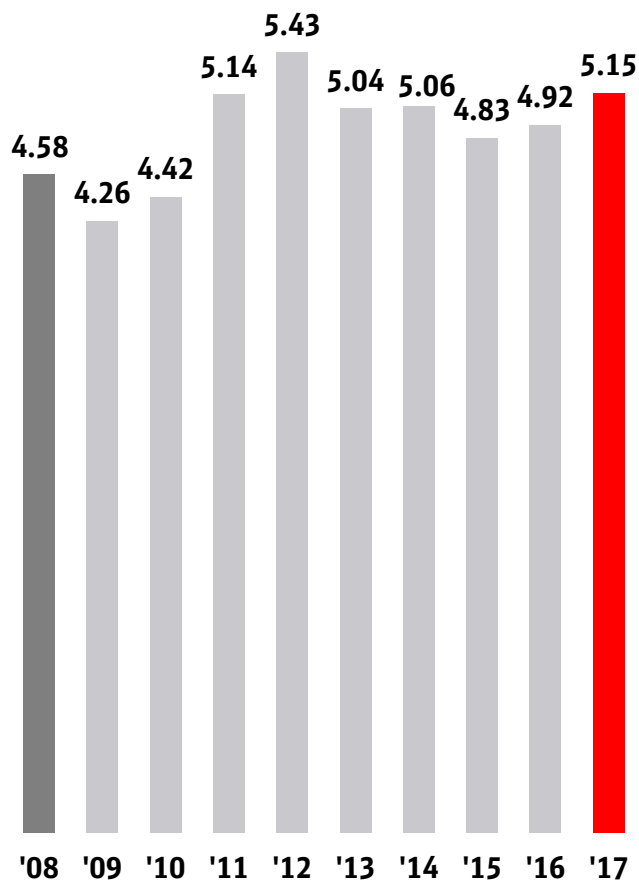


# Development of redemption coverage



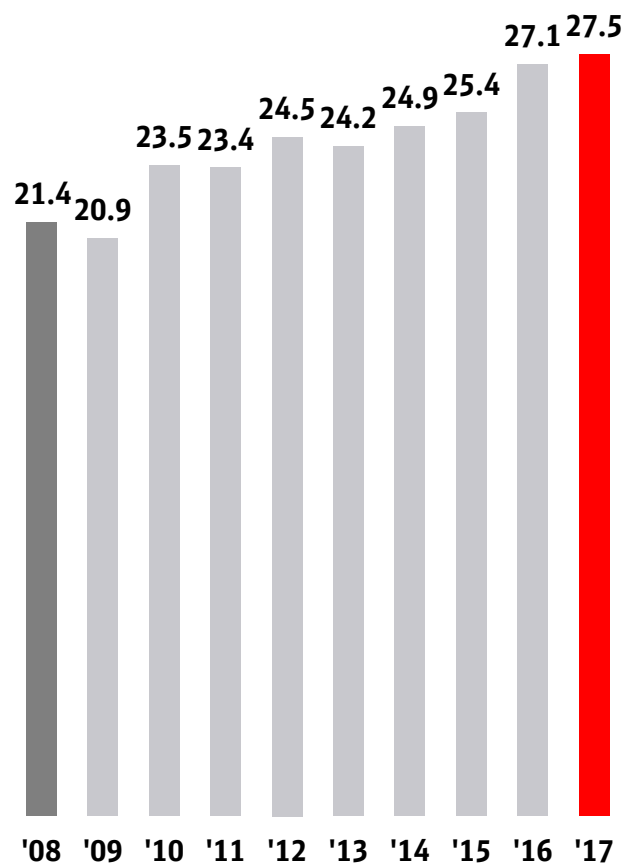
## Operating cash flow after taxes (€ bn)

+12.4% / € +0.6 bn



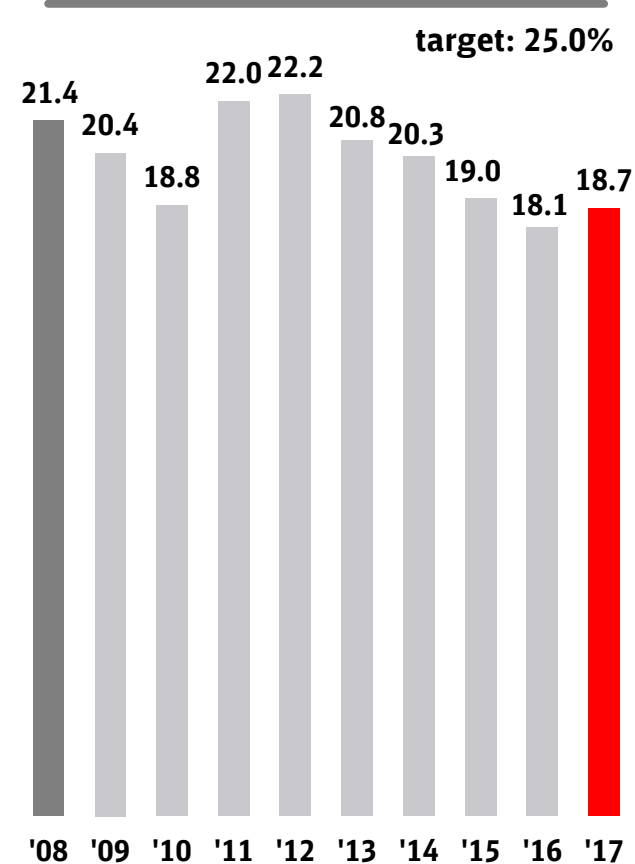
## Adjusted net debt (€ bn)

+28.5% / € +6.1 bn



## Redemption coverage (%)

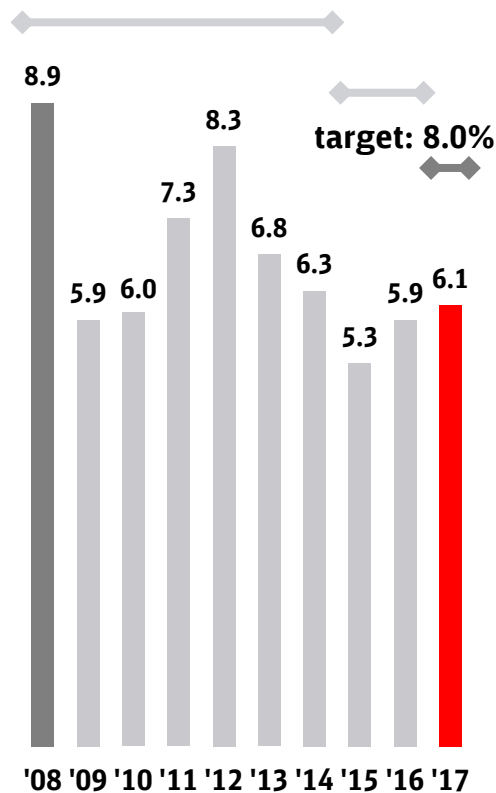
-2.7%-points



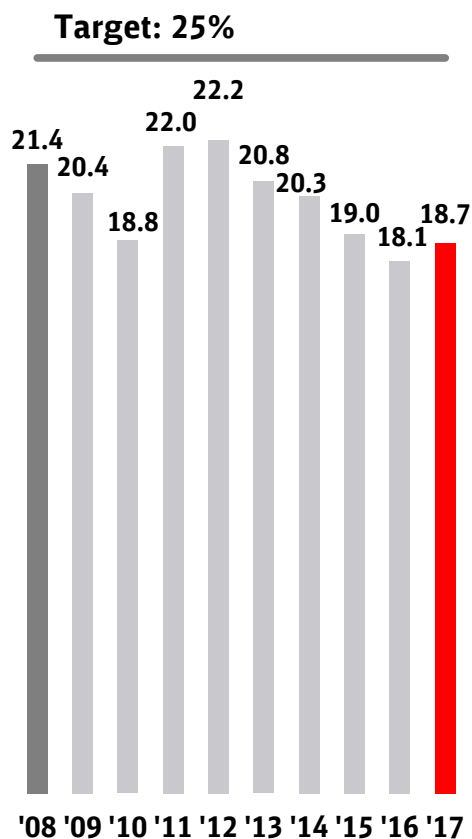
# Development of key value management figures



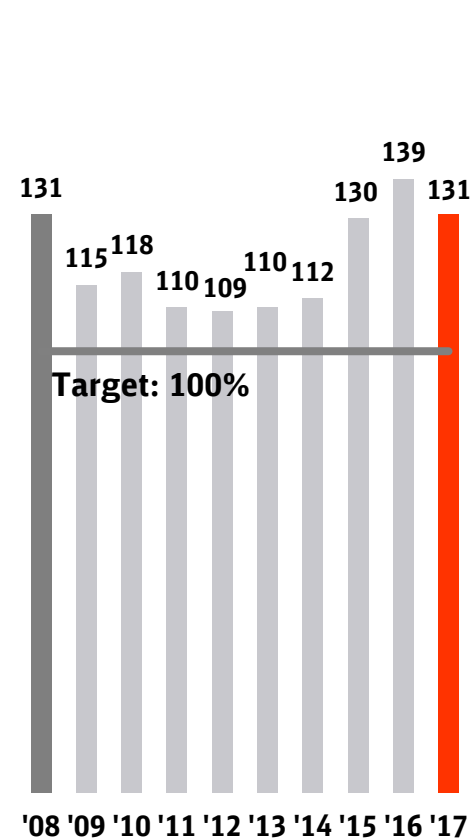
**ROCE**  
(%)



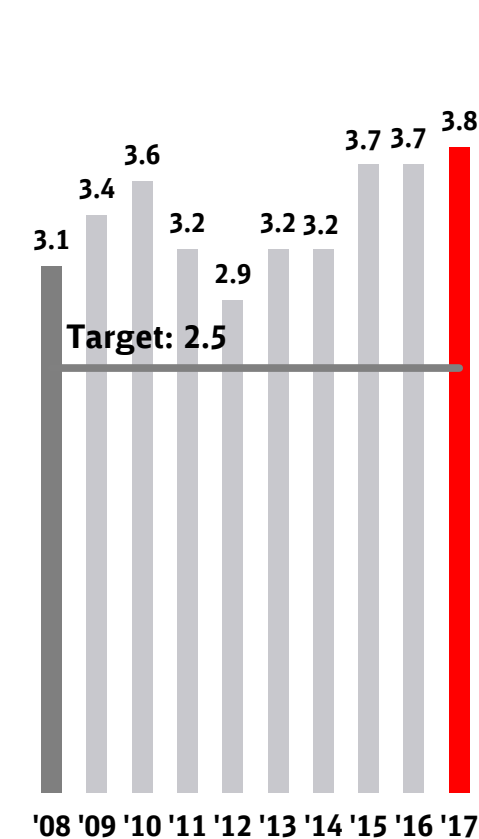
**Redemption coverage**  
(%)



**Gearing**  
(%)

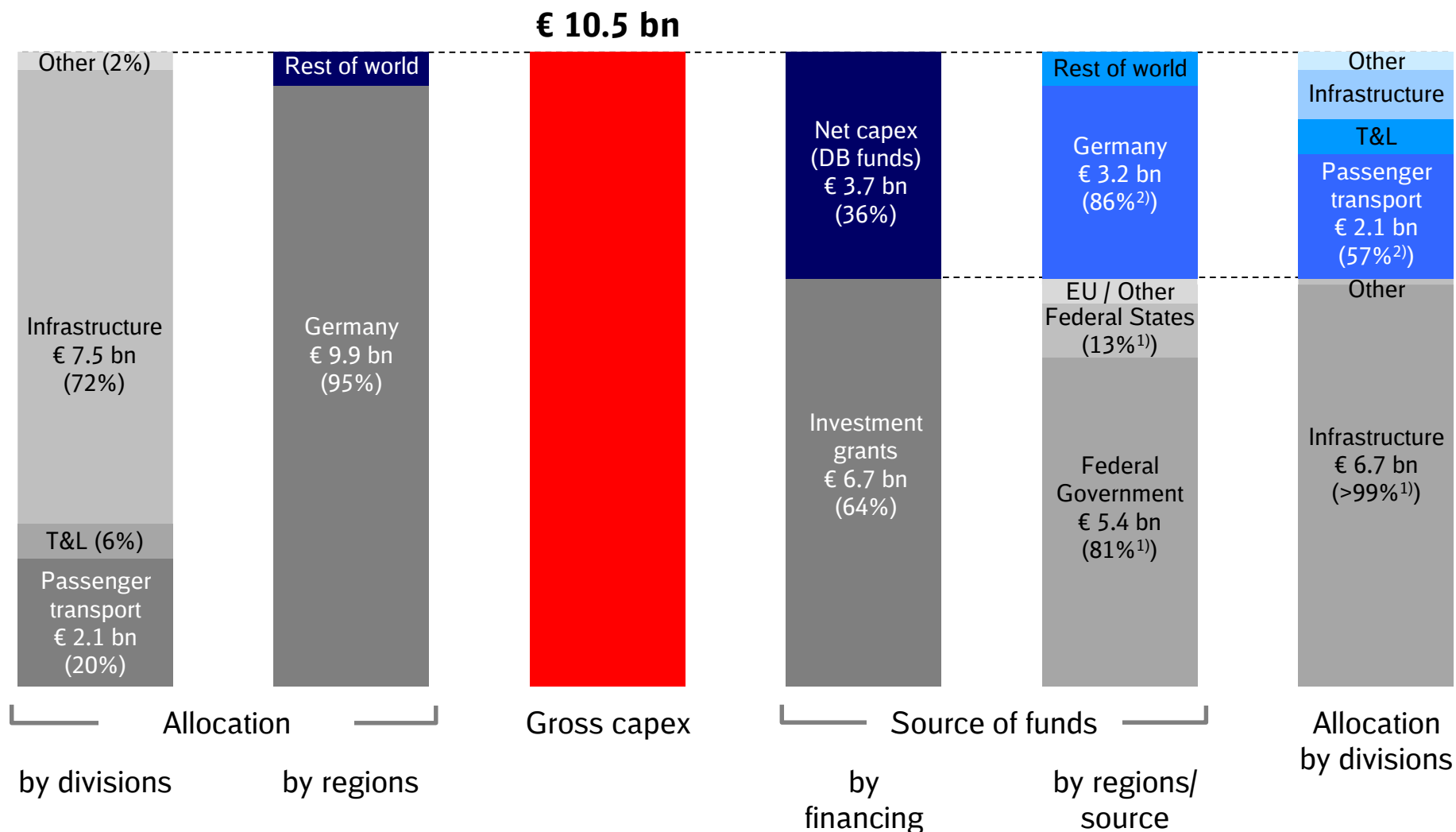


**Net financial debt/ EBITDA**  
(multiple)





# Gross capex financed roughly two thirds by investment grants and one third by DB funds



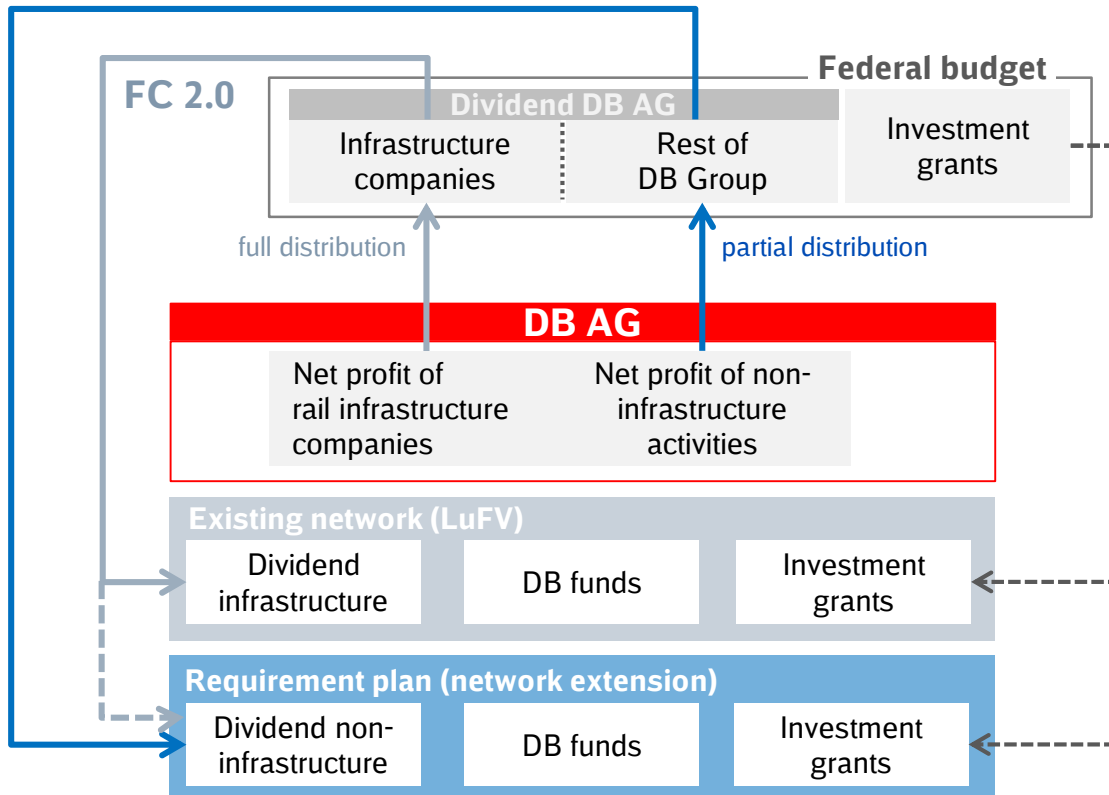
<sup>1)</sup> Share of total investments grants. <sup>2)</sup> Share of total net capex.

# Rail infrastructure financing in Germany

- profits of rail infrastructure companies will be reinvested

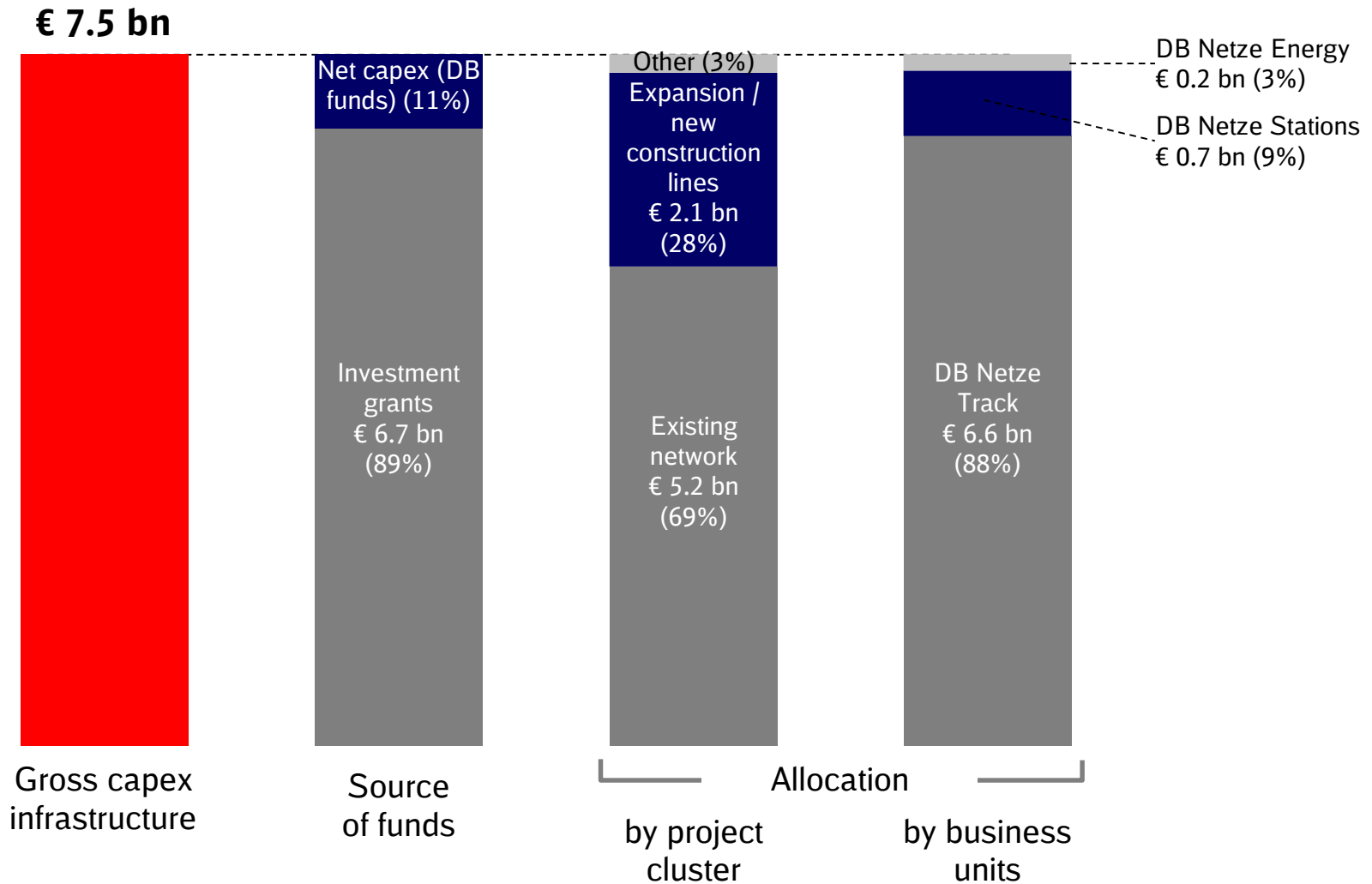
## Financing circle (FC)

### FC 1.0



- Closed financing circle for the infrastructure, meaning that all profits of DB AG rail infrastructure companies will be reinvested in the infrastructure.
- **FC 2.0:** Net profit of the rail infrastructure companies will be fully paid out to the Federal Government as part of the dividend of DB AG in the first step and then paid back to DB Group as non-repayable investment grants for existing network capex.
- **FC 1.0:** The net profit of the non-infrastructure activities of DB Group is paid out partly as dividend to the Federal Government, and afterwards paid back as construction grants to DB Group for the network extension. The profits of the non-infrastructure activities of DB Group are thus involved in co-financing in the construction and extension. The rest is used to finance growth projects.

# Infrastructure capex in Germany is mainly financed by the Federal Government



# Increased capex in 2017 mainly at DB Long-Distance, DB Netze Track and DB Netze Stations



## Capex (€ mn)

	Gross capex				Net capex			
	2017	2016	+/- €	+/- %	2017	2016	+/- €	+/- %
DB Long-Distance	<b>1,060</b>	416	+644	+155	<b>1,060</b>	460	+644	+155
DB Regional	<b>674</b>	693	-19	-2.7	<b>628</b>	632	-4	-0.6
DB Arriva	<b>374</b>	359	+15	+4.2	<b>372</b>	358	+14	+3.9
DB Cargo	<b>328</b>	304	+24	+7.9	<b>324</b>	303	+21	+6.9
DB Schenker	<b>246</b>	209	+37	+17.7	<b>246</b>	209	+37	+17.7
DB Netze Track	<b>6,601</b>	6,226	+375	+6.0	<b>660</b>	688	-28	-4.1
DB Netze Stations	<b>709</b>	584	+125	+21.4	<b>103</b>	117	-14	-12.0
DB Netze Energy	<b>177</b>	174	+3	+1.7	<b>53</b>	52	+1	+1.9
Other/consolidation	<b>295</b>	545	-250	-45.9	<b>294</b>	545	-251	-46.1
<b>DB Group</b>	<b>10,464</b>	<b>9,510</b>	<b>+954</b>	<b>+10.0</b>	<b>3,740</b>	<b>3,320</b>	<b>+420</b>	<b>+12.7</b>



# Infrastructure, vehicle fleet and IT systems stay focal points of our capex



Capital expenditures 2018–22 : about € 62 bn

## Passenger Transport

(about € 11 bn)



### Long-distance transport

- Procurement of new trains
- Modernization / redesign measures

## Transport and Logistics

(about € 4 bn)



### Freight transport

- Procurement of locomotives and freight cars

## Infrastructure

(about € 46 bn)



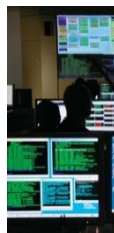
### Rail infrastructure

- Modernization/ expansion of network
- Modern command and control technology



### Regional transport

- Procurement of new vehicles
- Workshops



### IT landscape

- Standardization & automation of processes



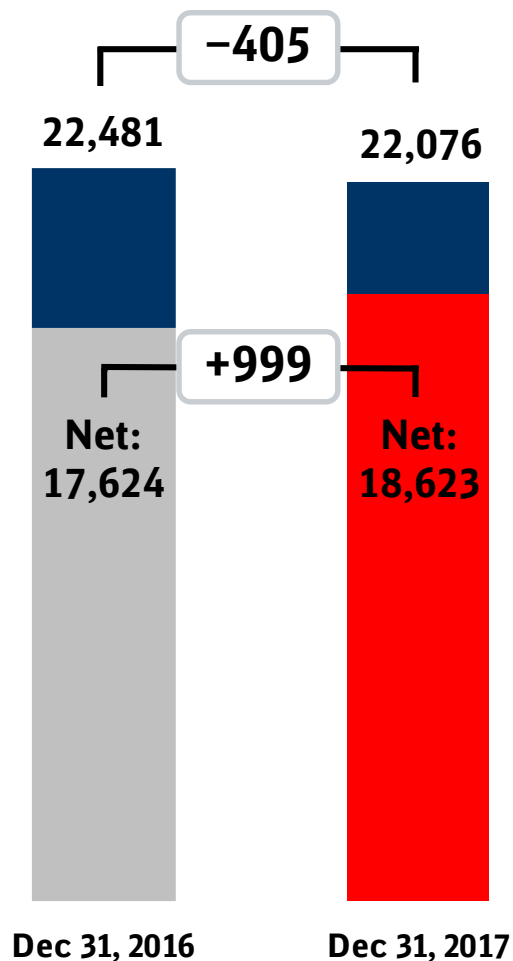
### Stations

- Renovation of small and mid-size stations
- Modernization initiative in individual Federal states

# Components of financial debt as of Dec 31, 2017



## Financial debt (€ mn)



	2017	2016	+/-
Bonds	19,616	19,740	-124
+ Interest-free loans (present value)	1,014	1,172	-158
+ Bank borrowings (incl. EIB)	531	729	-36
+ Finance lease (present value)	501	533	-32
+ EUROFIMA loans	200	200	-
+ Finance liabilities from transport concessions	52	58	-6
+ Commercial paper	0	0	-
+ Other finance liabilities	162	49	+113
<b>Financial debt</b>	<b>22,076</b>	<b>22,481</b>	<b>-405</b>
- Cash and cash equivalents and receivables from financing	3,528	4,584	-1,056
- Effects from currency hedges	-75	273	-348
<b>Net financial debt</b>	<b>18,623</b>	<b>17,624</b>	<b>+999</b>

# Rating and financing activities

## Ratings

### Very good ratings:

- Moody's: Aa1 / stable
- S&P: AA- / stable

### Key rating driver:

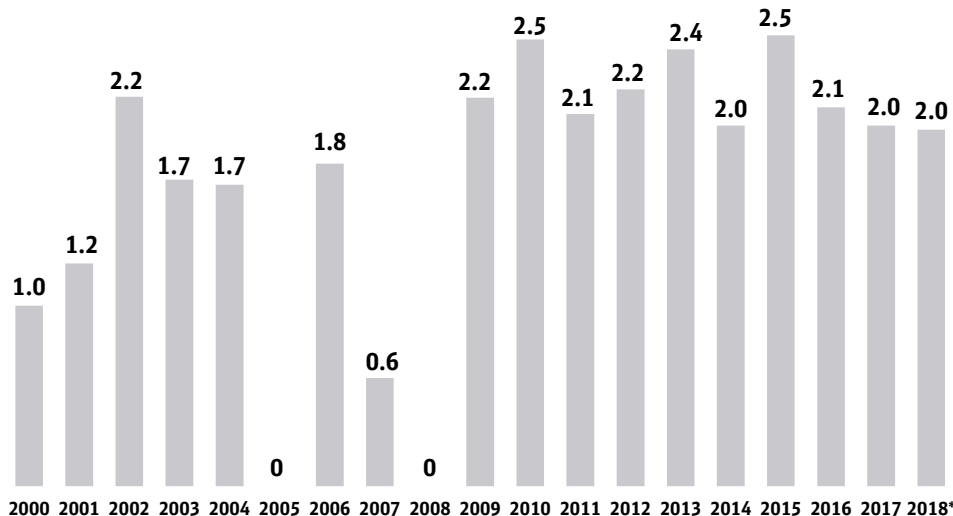
- Improvements in performance, revenues and profits

- Stable financial profile, sound financing structure and conservative funding strategy
- DB guarantees overall mobility in Germany and is Europe's largest company providing integrated mobility, transport and logistics services

- Federal obligations resulting from Art. 87e German Basic Law
  - "Infrastructure obligations": High share in funding of infrastructure capex in Germany,
  - "Public interest obligations": Funds for ordering local passenger transport services in Germany, amounting to around € 7 bn p.a.
  - Privatization threshold: constitutionally mandated Federal majority shareholding ("ownership clause")

## Bond issues (€ bn)

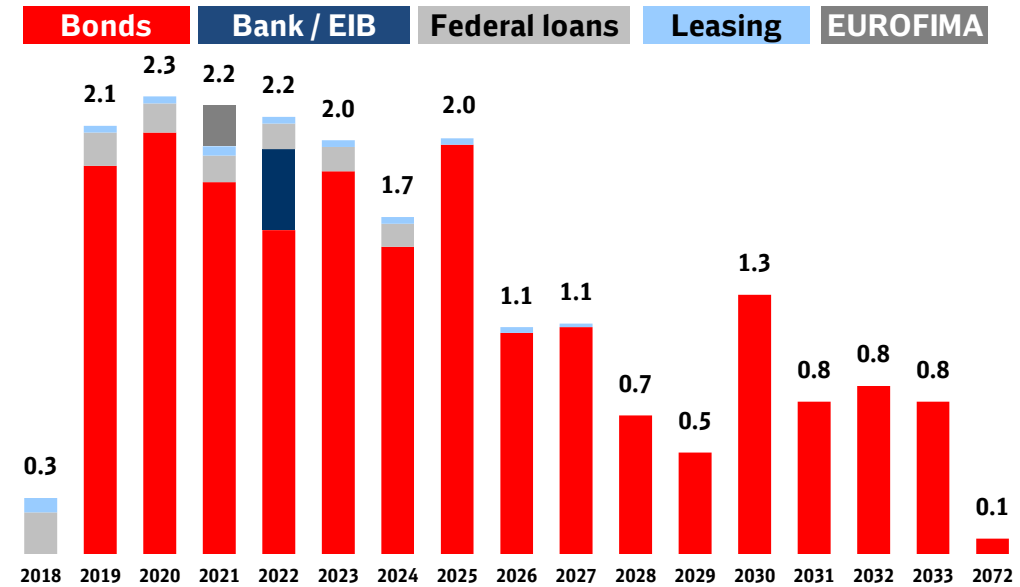
Total: € 30.2 bn, Ø p.a.: € 1.7 bn



\* As of May 2018.

## Maturity profile financial liabilities

(as of May 31, 2018; € bn; incl. swaps)

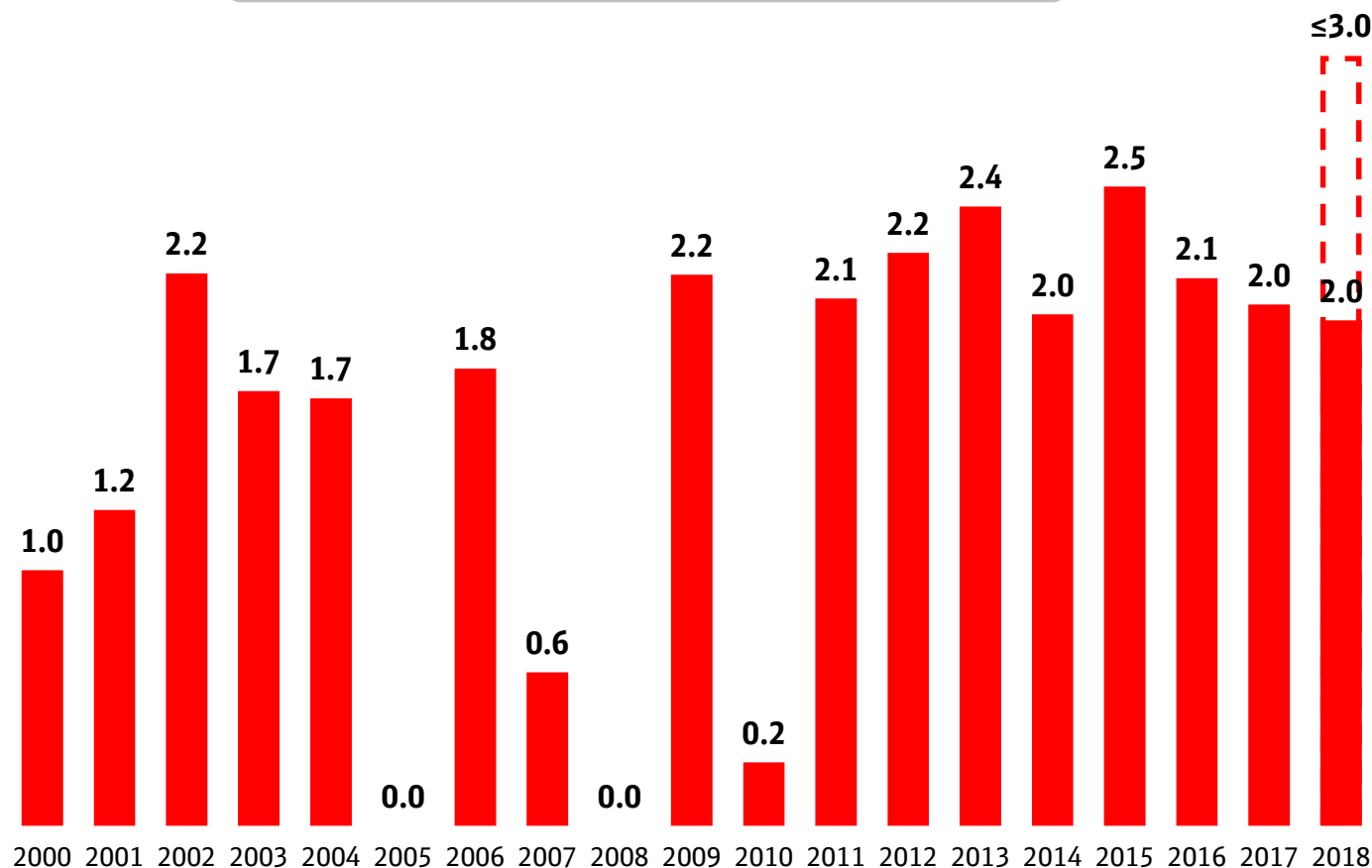


# DB Group has excellent access to bond markets



## Bond issues 2000-18 (€ bn)

Total: € 30.2 bn, Ø p.a.: € 1.7 bn



## Remarks

- DB Group has a very good access to capital markets
- We plan to issue further bonds in the capital markets and private placements in 2018



# Capital markets funding strategy

## Strategy

- Centralized Group funding by the Group Treasury located at DB AG
- Active management of maturity profile; max. € 2 bn in bond maturities per year
- Positioning as retail-friendly and sustainable issuer
- Committed Back-up facilities for Commercial Paper Program of DB AG

## Instruments

- Cash pool and internal loans for intra-Group financing
- EUR 25 bn EUR-Debt Issuance Program
- AUD 5 bn (€ 3.4 bn) AUD-Debt Issuance Program
- EUR 2 bn CP Program with a corresponding portfolio of committed Back-up facilities
- Global credit lines with working capital and guarantee facilities for Group companies
- Opportunistic leasing when favorable (e.g. rail franchises in UK and Germany)

## Terms and conditions

- Typically German Law documentation (Kangaroo program under Australian/NSW law), each with Negative Pledge, Pari Passu, no Cross Default, no MAC, no Rating Trigger, no Ownership Clause, no Ratio Requirements (no Financial Covenants at all)
- All derivatives under German Master Agreement (DRV)

## Documentation



EMTN  
Program



Kangaroo  
Program



CP  
Program

# Track record driven by restructuring programs and portfolio measures



## Driver of changes in DB Group

### (1) Internal – major Group-wide programs

**“Focus”**  
Restructuring of core business  
2001 – 2004

**“Qualify”**  
Improve performance  
2005 – 2008

**“reACT”**  
Coping with the crisis  
2009 – 2013

**“Railway of the Future”**  
Group quality program  
2015 –

### (2) External - major portfolio changes: **total M&A transactions (EqV) of about € 11 bn** (€ 4 bn divestitures and € 7 bn acquisitions)

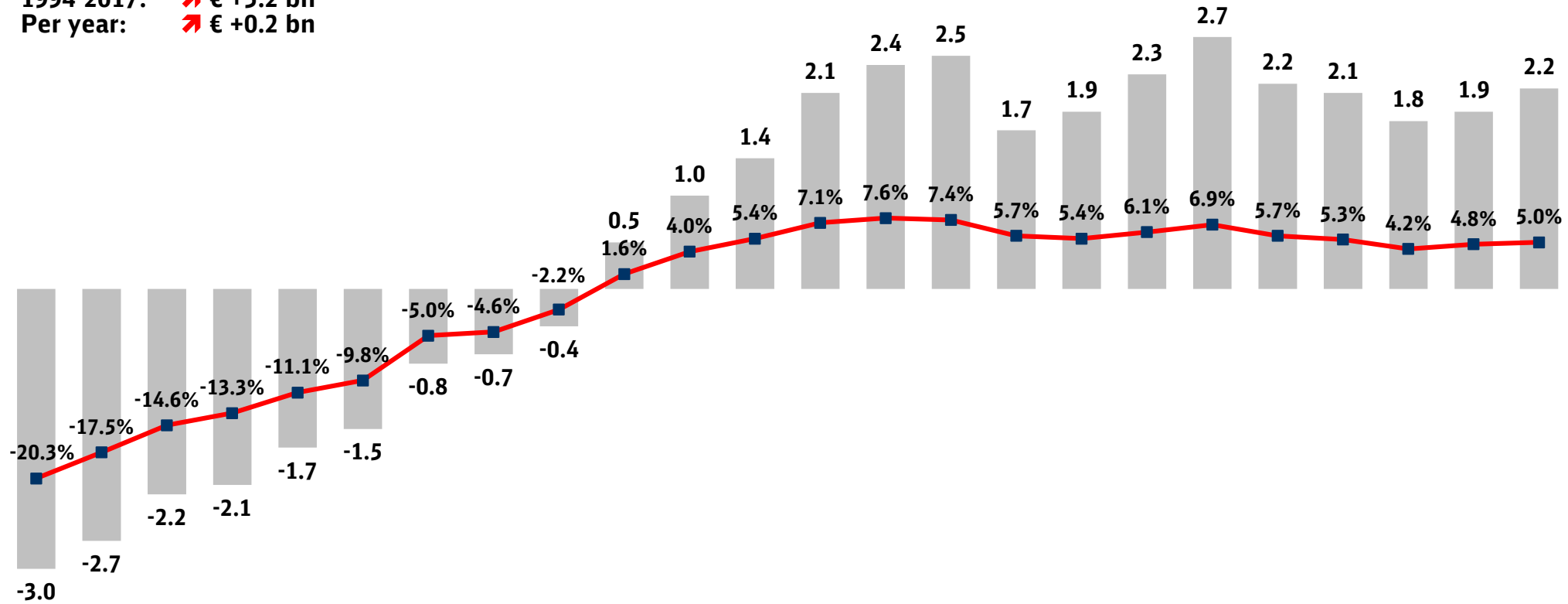
DB Cargo	'01 DSB Gods	'05 RAG Bahn	'07 EWS	'08 Transfesa	'09 PCC	'10 NordCargo	'11 COBRA	'12 Transfracht		
DB Schenker	'02 Stinnes, Joyau	'05 Linjegods	'06 BAX, StarTrans	'07 Spain-Tir	'08 Romtrans	'11 Jean Heck	'12 Suomen Kiitoautot	'15 SPA	'16 Redhead, Almoayed	'17 uShip
DB Arriva	'08 Chiltern, PanBus	'10 Arriva	'11 Grand Central	'12 Ambuline	'13 Veolia Eastern Europe	'14 CupTour	'15 GOTFRI, Liorbus, Bus Partners, Alpetour	'16 SAVDA, Kladno, Carballo	'17 Autotrans	
Divesti- tures	'04 Brenntag, Interfer, Mitropa	'05 Deutsche Eisenbahn- reklame	'06 SDS	'07 Scandlines, Aurelis, Nuclear Cargo	'08 Arcor	'14 Arriva Malta, The Original London Sightseeing Tour, Waggonbau Niesky	'17 Regional- verkehr Dresden			

# Strong track record since 1994



## EBIT adjusted and adjusted EBIT margin (€ bn or %)

1994-2017: ↗ € +5.2 bn  
Per year: ↗ € +0.2 bn

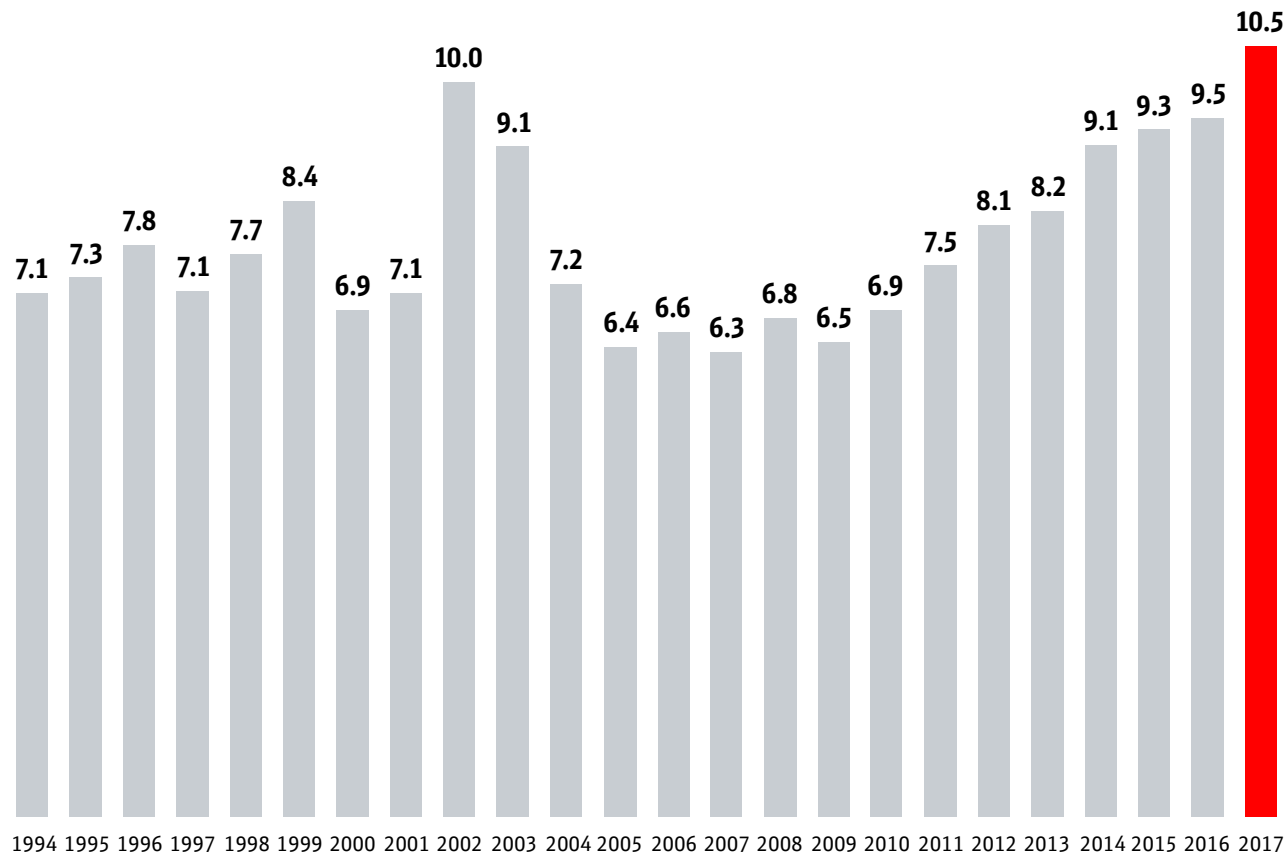


Figures until 2004 FY according to German GAAP

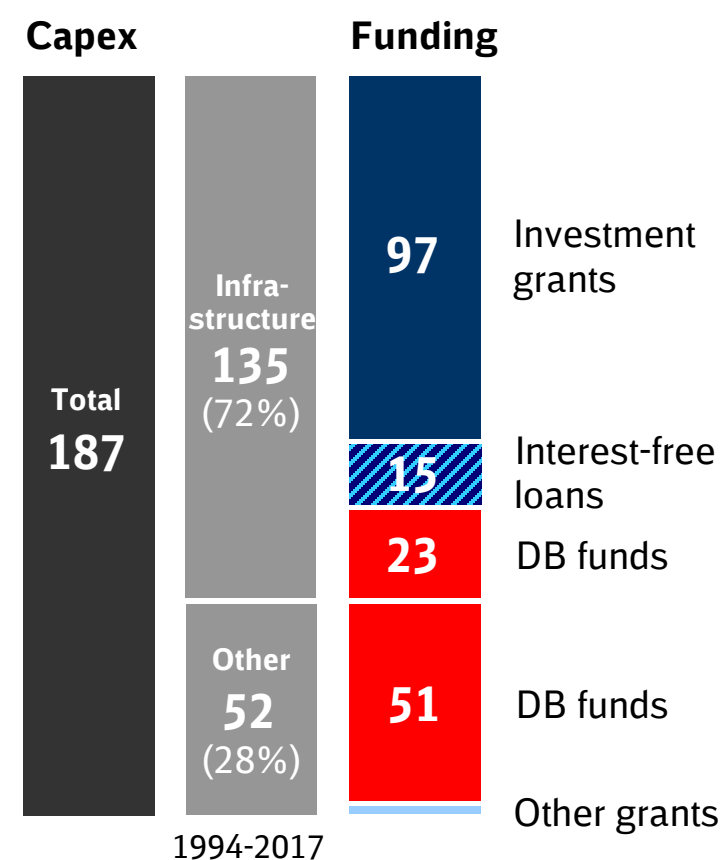
# High capex level since 1994 for major overhaul of rail system



**Gross capital expenditures** (€ bn)



**Structure and source of funds** (€ bn)



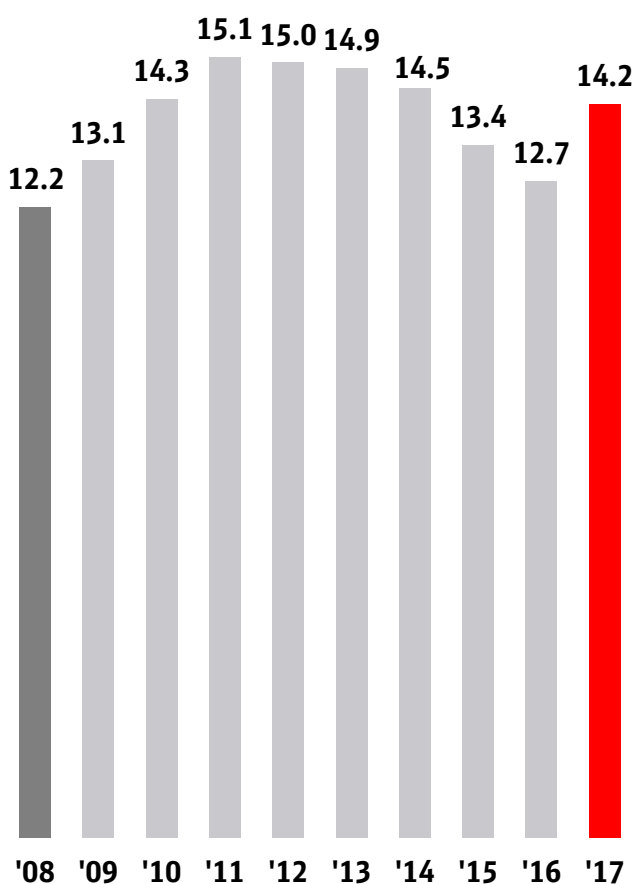


# Development of equity and net financial debt



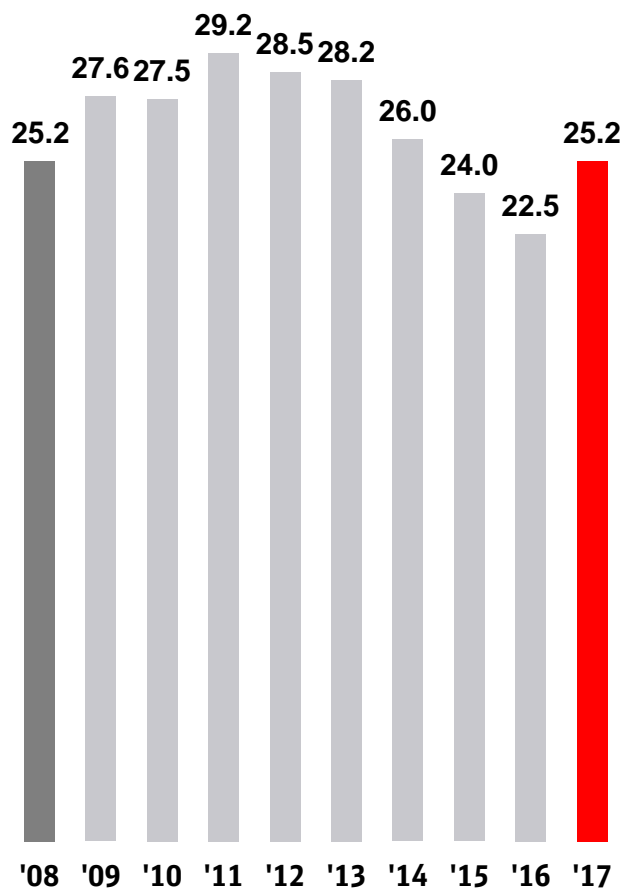
## Equity (€ bn)

+16.4% / € +2.0 bn



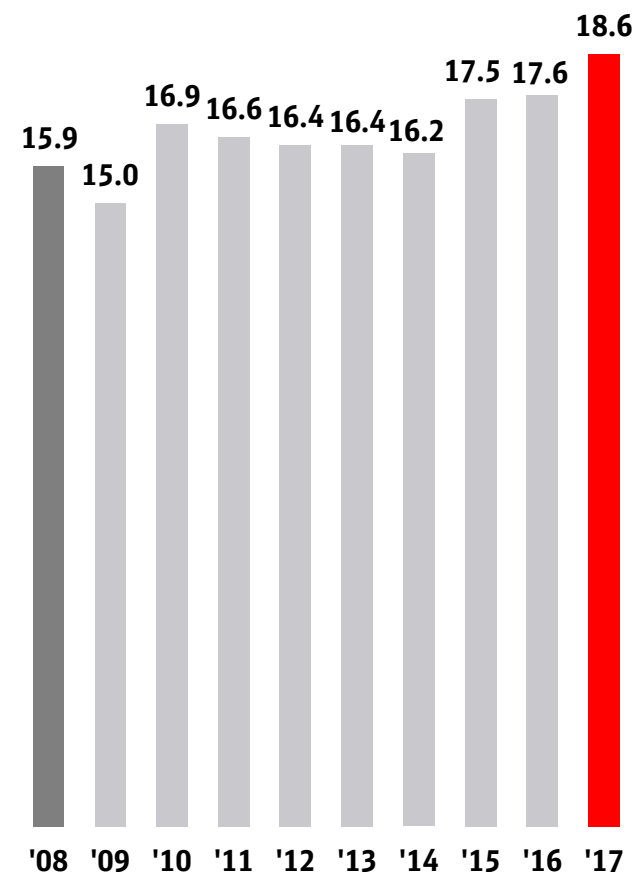
## Equity ratio (%)

–



## Net financial debt (€ bn)

+6.7% / € +1.1 bn



# Development since 2002

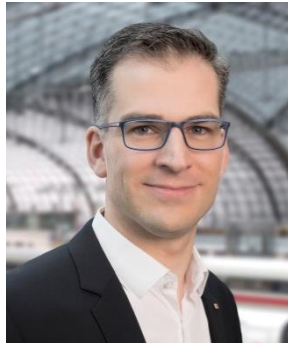


(€ mn)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Rail passenger volume sold</b> (mn pkm)	95,854	91,651	88,636	88,407	88,746	88,433	79,228	78,582	76,772	77,812	74,792	74,788	72,554	70,260	69,534	69,848
<b>Rail freight volume sold</b> (mn tkm)	92,651	94,698	98,445	102,871	104,259	105,894	111,980	105,794	93,948	113,634	98,794	96,388	88,022	89,494	85,151	82,756
<b>Revenues</b>	42,704	40,576	40,403	39,728	39,107	39,296	37,979	34,410	29,335	33,452	31,309	30,053	25,055	23,962	28,228	18,685
<b>Profit before taxes</b>	968	706	-932	937	876	1,525	1,359	900	1,387	1,807	2,016	1,555	490	154	-133	-438
<b>EBIT adjusted</b>	2,152	1,946	1,759	2,109	2,236	2,708	2,309	1,866	1,685	2,483	2,370	2,143	1,350	1,011	465	37
<b>EBITDA adjusted</b>	4,930	4,797	4,778	5,110	5,139	5,601	5,141	4,651	4,402	5,206	5,113	-	-	-	-	-
<b>Cash flow from operating activities</b>	2,329	3,648	3,489	3,896	3,730	4,094	3,390	3,409	3,133	3,539	3,364	3,678	2,652	2,736	-	-
<b>Total assets</b>	56,436	56,324	56,059	55,883	52,894	52,525	51,791	52,003	47,303	48,193	48,529	48,440	47,101	47,616	47,647	46,023
<b>Gross capex</b>	10,464	9,510	9,344	9,129	8,224	8,053	7,501	6,891	6,462	6,765	6,320	6,584	6,381	7,238	9,121	9,994
<b>Net capex</b>	3,740	3,320	3,866	4,442	3,412	3,487	2,569	2,072	1,813	2,599	2,060	2,836	2,362	3,251	4,013	5,355
<b>Ratings</b> (Moody's/S&P)	Aa1/AA-	Aa1/AA-	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA	Aa1/AA
<b>Employees</b> (as of Dec 31)	310,935	306,368	297,202	295,763	295,653	287,508	284,319	276,310	239,382	240,242	237,078	229,200	216,389	225,632	242,759	250,690

# DB roadshow team



▪ Dr. Richard Lutz  
CEO



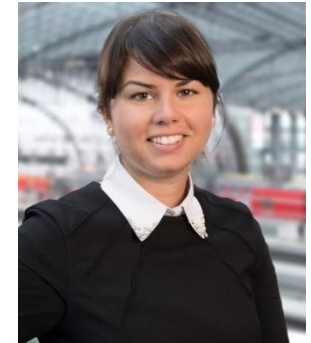
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Head of  
Investor Relations



▪ Sascha Friedrich  
Senior Manager  
Investor Relations



▪ Katharina Czogalla  
Manager  
Investor Relations



▪ Larissa Wandert Ribeiro  
Manager  
Investor Relations



▪ Dr. Wolfgang Bohner  
Head of Finance and Treasury



▪ Christian Große Erdmann  
Head of Capital  
Market Financing



▪ Marcus Mehlinger  
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Roadshow Europe 2018

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