



## *Passing the Crisis Acid Test*

### **Annual Results Press Conference for 2009 Financial Year**

Deutsche Bahn AG  
DB Mobility Logistics AG

Dr. Rüdiger Grube  
CEO and Chairman of the Management Board

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Dear ladies and gentlemen,

On behalf of Mr. Sack and our colleagues on the Management Board, I would like to extend a warm welcome to you to our 2010 Annual Results Press Conference here in the new DB AG Administration Building in Frankfurt.







Our presentation today consists of three sections:

- First, I will review the 2009 financial year with you.
- Secondly, Mr. Sack will give a detailed presentation of our financial situation.
- Thirdly, I will present an outlook of how we want to strategically position the Group.


**During the Interim Results Press Conference in August 2009  
six key strategic issues requiring action were identified and defined**



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<b>1</b>	 <b>Counter the crisis and defend DB's economic strength</b>
<b>2</b>	 <b>Advance consolidation of DB as prerequisite for achieving further, profitable growth</b>
<b>3</b>	 <b>Redefine relationship with manufacturers, clarify definition of responsibilities</b>
<b>4</b>	 <b>Get competition between railways and other carriers on an even playing field</b>
<b>5</b>	 <b>Expand the foundation of trust and further improve the DB image</b>
<b>6</b>	 <b>The customer is the pivotal factor driving all DB's activities</b>

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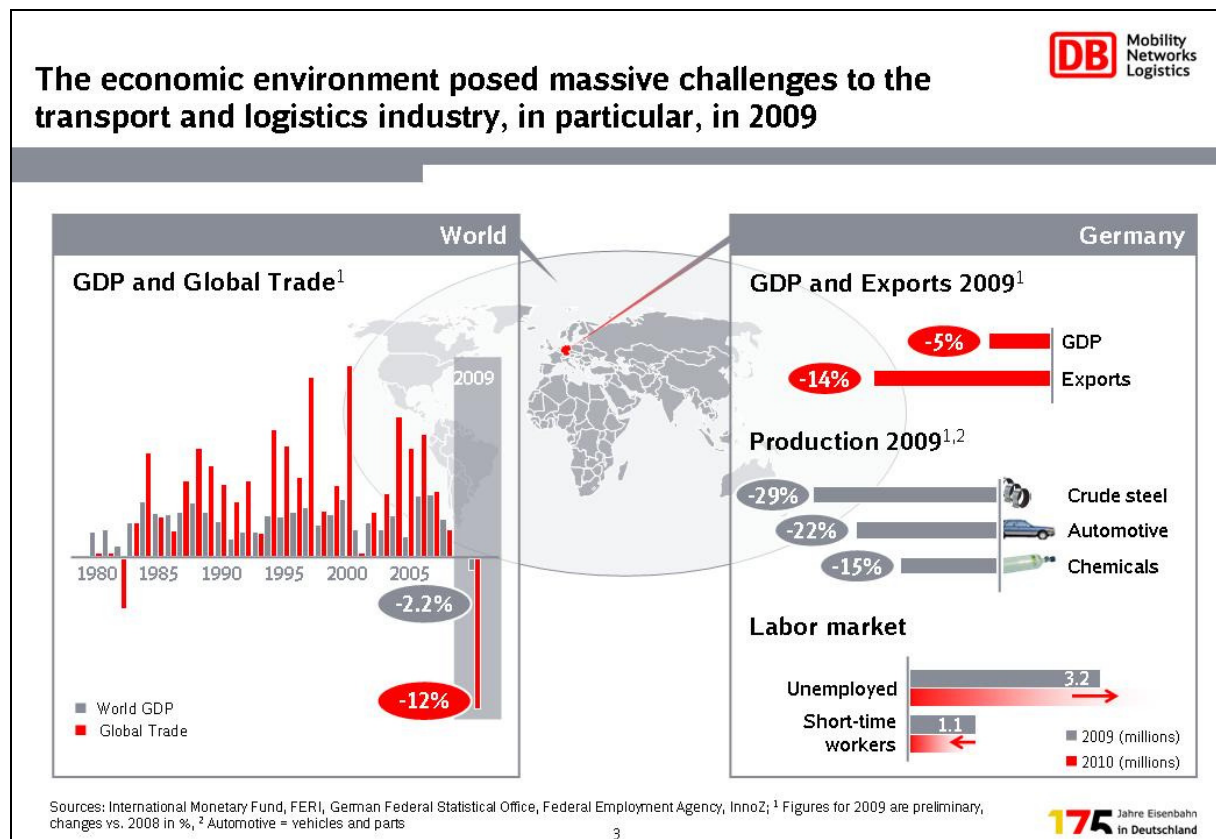
## Review of the 2009 financial year

When I presented the figures for the first six months of last year on August 20, 2009 I also reviewed the progress I had made during my first 100 days on the job. I also identified six key strategic issues that were at the top of my priority list:

- Defend and secure our economic strength.
- Continue to advance the consolidation process.

- Solve our technical problems and redefine our relationship with the manufacturers.
- Create fair and equal competitive conditions.
- Further expand the foundation of trust we have with our employees and customers, as well as significantly improving the image of DB, and
- “Customer, customer, and once again, customer.”

Today, you’re clearly entitled to ask the question: “Where do we stand today, six months later?”

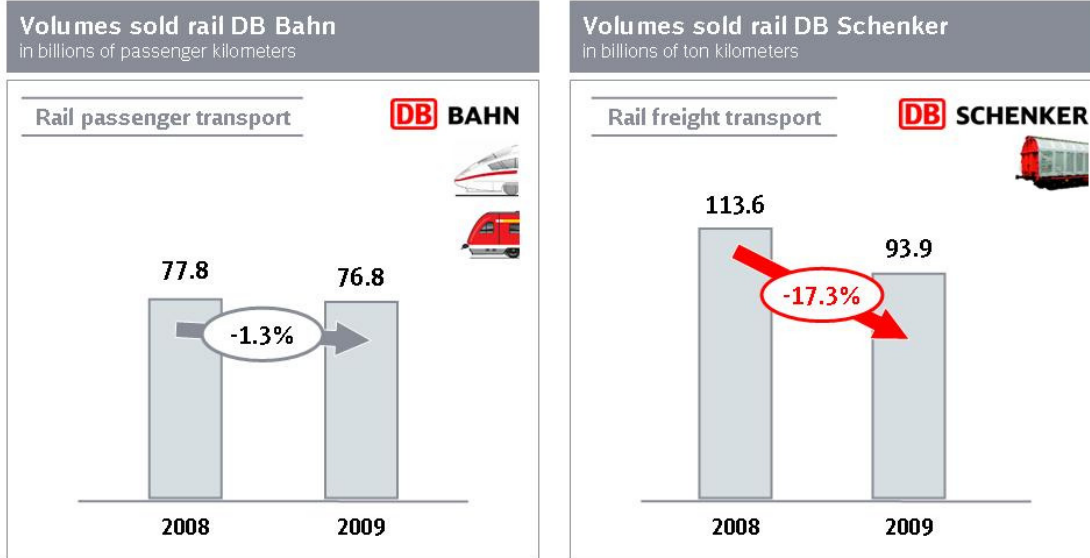


### Let me address the first issue: Defend our economic strength

When we look back at the 2009 crisis year we can say with relief that DB passed the stress test posed by the global economic crisis.

The entire transport and logistics industry, in particular, was directly affected by the worst global economic crisis in memory. Global trade contracted by 12 percent, while global GDP shrunk by 2.2 percent. The logistics industry suffered even more in our home market of Germany as GDP fell by 5 percent and exports collapsed, and the export figure for the total year was 14 percent lower than in the previous year. The overall situation was substantially more dramatic during the first six months than the story told by the figures for the full year.

**While volumes sold in rail passenger transport only declined slightly in 2009, they were substantially lower in our freight transport business**



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At DB AG these developments primarily impacted on the volumes sold in our rail freight transport business and to a certain extent on our logistics activities:

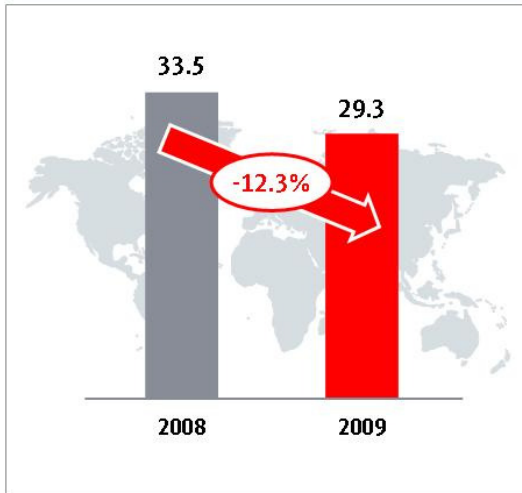
DB Schenker Rail - our rail freight transport business - recorded a 17.3 percent drop in ton kilometers in comparison to the previous year, while at DB Schenker Logistics, their air freight business decreased by 16 percent. In comparison, the declines of 3.8% noted for land transport and 2.1% for ocean freight were relatively minor. Nevertheless, in contrast to our competitors, we are able to gain market share. Furthermore, thanks to making immediate adjustments to our capacities, and initiating additional countermeasures, we were able to defend our economic strength in the particularly volatile freight forwarding business environment.

We also successfully asserted our position against competition during the crisis in the contract logistics segment. DB Schenker Logistics, in particular, was able to score important points in its project business. For example, in Australia we won the contract to provide logistical services to one of the world's largest natural gas production projects. The contract represents a total volume of about 350 million euros.

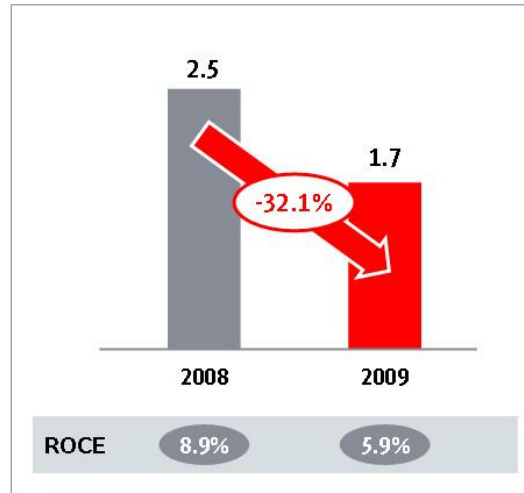
Our rail passenger transport business, headed by my colleague Ulrich Homburg, was affected to a significantly lesser degree by the crisis. The slight decline in volumes sold, especially in the second half of the year, was primarily due to limitations in services offered in the long-distance transport segment and operational problems experienced by the S-Bahn (metro) Berlin. We recorded a total of 76.8 billion passenger kilometres in 2009, or 1.3 percent less than in the previous year. The number of customers totaled 1.9 billion, which is about the same level we posted last year.

**Despite the negative market environment, DB again posted a significantly favorable operating EBIT in 2009 – we passed the acid test**

Revenues DB Group  
[in € billion]



Adjusted EBIT DB Group  
[in € billion]



Revenues, especially those posted by our rail freight transport and logistics businesses, were substantially below the previous year's level. The entire Group posted a 12 percent decrease. We posted revenues of 29.3 billion euros.

Despite the decline in volumes, our operating EBIT was 1.7 billion euros, which is a very good result in light of the difficult overall economic conditions we faced.

At the same time we were able to further reduce our net debt by 932 million euros to our current level of 15 billion euros.

This good performance was only possible thanks to decisive controlling of our liquidity and sustainable improvements made to cut costs within the framework of our reACT program in 2009, which generated a 642 million euro contribution towards improving our earnings.

As you all know, results like this – and especially when they occur during the biggest global economic crisis – don't just appear out of the blue. On the contrary! They were made possible by the hard work of our 250,000 employees and executives. And at this point I would like to express my sincere gratitude to all employees and executives!

We will decisively continue on this course of action. The task of defending our company's economic strength will also remain at the top of our agenda in the future.

Because there are no alternatives: The defence of our economic strength and the reduction of our indebtedness are the basic prerequisites for maintaining our competitiveness and actively expanding it in the future. This is the only way that we

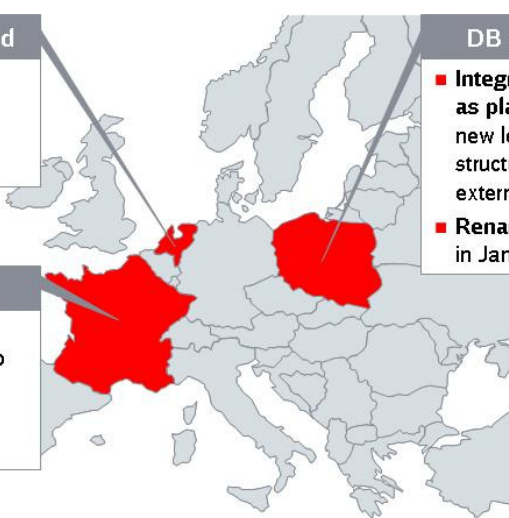
will have the scope needed to make capital expenditures and achieve sustainable and profitable growth in the future.

Despite the slight recovery seen in the second half of the year, we are currently still unable to say with any certainty when the crisis will actually be over. Numerous indicators exist that point to additional challenges facing the global economy. Even if we apply the most optimistic scenarios, we do not anticipate that the volumes of freight transported in the years 2007 and 2008 will be seen again before 2014. And we have to adjust to this.

But we can already say today: we are able to defend our economic strength and our competitive position - even in the worst global economic crisis. The integrated Group has once again proven the strength of its unified network structure.

Mr. Sack will give you a more detailed presentation of our results in a few minutes.

**In 2009 DB also made progress in consolidating and integrating its railway business outside of Germany**



**DB Schenker Rail Nederland**

- Financial targets reached in 2009, profitability increased
- Goal for 2010 is to break even

**Euro Cargo Rail - France**

- Currently examining if further routes be shifted to Euro Cargo Rail
- Business is expected to be profitable in 2010

**DB Schenker Rail Polska**

- Integration process proceeding as planned (implementation of new legal and management structure, location concept, external presentation, etc.)
- Renaming of company took place in January 2010

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**175** Jahre Eisenbahn in Deutschland

DB Mobility Networks Logistics

## The second item on my priority list was the consolidation of DB AG

In addition to the previously mentioned Group-wide controlling of our expenses and the optimization of costs, we also made advances towards integrating the European rail freight railways we own into the Group.

Thus, we already noted first success in shifting traffic to our French subsidiary company, Euro-Cargo Rail (ECR). Based on this new platform we anticipate that as of this year ECR will be profitable in the French market and will also be able to expand its share of market.



We also improved the income situation at DB Schenker Nederland and expect to break even in 2010.

We were very selective in entering into new M&A projects in 2009 in order to protect our liquidity and further reduce our debt.

The acquisition of PCC Rail, which operates under the name DB Schenker Rail Polska today, means that we are currently operating the biggest private railway company in Poland with an 8 percent share of market. Integration of this company is progressing smoothly.

We not only changed the management of DB Schenker Rail, we also restructured and streamlined their entire managerial and organizational structures effective January 1, 2010. We took these measures to link together the various European activities of our freight railway and build a genuine European network. This is truly unique! No other competitor can offer a comparable level market coverage! My Board colleague Dr. Karl-Friedrich Rausch, who heads up the Transport and Logistics division, has made very good progress in this area.

This also applies to the integration of the activities of BAX in DB Schenker logistics, where a very rapid adjustment to changed market conditions has taken place. As far as the foreign holdings of all our business units are concerned, we are currently involved in restructuring the companies and bundling them together in individual country holding structures under the leadership of my Board colleague Diethelm Sack. This will provide us with greater transparency, lower costs, improved processes and the realization of synergy effects.

## DB achieved first results in the engineering and integrated systems area as well as in its relationship with manufacturers

Negotiations w. manufacturers

Significant improvements in quality

ICE 3

ICE T

### ICE 3 Fleet

- Development and approval of **improved driven wheel sets**
- **Siemens/Bombardier** will deliver more than 1,200 **driven wheel sets at their expense**
- The replacement of wheel sets will lead to **lower maintenance effort** due to a substantial extension of the ultrasonic inspection intervals
- According to plans, the successive start of replacement of wheel sets by **2011** will lead to **return of normal transport operations** with full availability

### ICE T Fleet

- Development and approval of **improved trailing and driven wheel sets**
- **Alstom** will deliver more than 2,000 wheel sets mainly at **their expense**
- The replacement of the wheel sets will lead to significantly **lower maintenance effort** and the resumption of operations with **tilt technology**
- According to plans, the successive replacement by **2012 / 2013** will lead to **return of normal transport operations** with full availability

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**175** Jahre Eisenbahn in Deutschland



**The third priority I defined last summer was to resolve the technical problems we had, and to redefine our relationship with the manufacturers.**

We have made substantial progress in this area - even if the operational situation further deteriorated during the winter months and is anything but satisfactory. The background here is that the greater frequency of maintenance inspections required for ICE-3 and ICE-T trains has substantially reduced the availability of vehicles. We operate trains - we don't build them. That is, and must be, the job of the train manufacturer.

We bought trains with wheel sets that were supposed to resist metal fatigue. Unfortunately, that's not been the case. What's aggravating about this is that normally ICE trains undergo ultrasonic inspections after 240,000 km. However, since a wheel set axle broke in July 2008 in Cologne we have to conduct these ultrasonic inspections 10 to 12 times more frequently - namely every 20,000 to 30,000 kilometers. Maintenance work takes up to 5 - 12 hours longer during extreme weather conditions because vehicles have to be de-iced first. Furthermore, icing that takes place beneath vehicles causes ballast to fly about and cause damage. All of these factors led to further major bottlenecks in the availability of vehicles in our ICE fleet.

In the interim we have done everything we could to permanently get a better grip on this problem. The high level of management attention focused on this problem has paid off.

We negotiated a settlement with Siemens and Bombardier that was signed on September 20, 2009. Terms of the agreement include replacing all 1,200 driven wheel-set axles thereby resolving the problems with the first and second series ICE-3. And since February 19, 2010, we also achieved a solution for the ICE-T trains - trains equipped with tilt technology. Here again, the manufacturer, in this case Alstom, will pick up the costs of developing, certification, delivery and installation of new wheel sets.


The flip side of this coin is that this process will drag out until 2013. And up until then we will have to continue the shorter intervals for ultrasonic inspections. I would like to explicitly make note here of the fact that this issue is being handled directly by the Management Board.

We created a new Board division, "Technology, Integrated Systems and Services", that is headed by Dr. Volker Kefer. He and his team are currently completely restructuring all units involved with the Technology and Integrated Systems Board division. This is part of the Technology Master Plan, which we are currently preparing for the first time. I will return to this with more details in part two of my presentation.


The problems we have experienced with vehicle manufacture have very clearly revealed a substantial flaw in the 1994 German Rail Reform Act. I am talking about the terms of Article 4, Paragraph 1 of the German Railway Act (AEG) that require the railways to build safe vehicles and accessory equipment. This law - 16 years after the passage of the AEG - does not reflect current realities. Railway companies no longer build their own railway equipment. They buy their vehicles and accessory equipment from manufacturers. We have repeatedly mentioned this legal flaw during

our talks with policymakers and we are very pleased that this subject will now be tackled by the Federal Ministry of Transport. The Federal Minister of Transport, Peter Ramsauer, has personally stated that he favors a new rule and currently has authorized the preparation of a new draft of the law.


## Establish fair competitive conditions domestically and abroad – a task that can only be achieved in cooperation with politics



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- EU has agreed to the liberalization of **cross-border rail passenger transport**
- Some European countries have not yet fully adopted the EU law in their **national laws**
- DB's goal is to achieve **fair and uniform competitive conditions in Europe**
- This goal can only be attained with the **help of politics**
- The **Federal Government** and DB are pulling together on this issue - **favorable signs** have also been seen in the **Bundestag**

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### **I've now come to the fourth point: establish fair and equal competitive conditions.**


There's a saying here in Germany that politics is like slowly drilling through thick boards with passion and a sure eye. Although I am not a politician, I do, however, have to collaborate closely with policymakers when it comes to certain issues.

Among these issues is the creation of fair and equal competitive conditions, especially outside of Germany. Our goal is to have the same opportunities outside of Germany as foreign competitors enjoy here inside Germany. This is a subject that I have brought up repeatedly with the Federal Government, the Transport Committee, and with individual members of the German Parliament. I also have vehemently argued in favor of fair competition and equal competition rules during direct talks in Brussels, Strasbourg, and in individual federal states.


Right after I took office I joined together with my Italian colleague, Mauro Moretti, in an initiative to advise the European Transport Commissioner that France was enacting the European rules for market liberalization in a totally different way than we were. I subsequently repeated my plea for fair competition in Europe at the European Parliament. I will not stop calling unfair and unequal conditions by their name when I see them.

While it is important to be able to make a convincing argument for your case, where we find blatant violations of competitive practices, however, we also take steps to protect ourselves with appropriate means. For example, last year we filed complaints with the French Cartel Agency and the Italian regulatory authorities. Both proceedings are still underway.

## Fundamental paper covering protection of employees' personal data agreed on as part of our efforts to permanently strengthen trust in DB



Mobility  
Networks  
Logistics




**Protection of Employees' Personal Data -  
Fundamental Agreement of November 24, 2009**

- Defines **fundamental principles of handling employees' data** within the DB Group
- **Expansion of central data protection** and addition of **decentral data protection officers** in the business units agreed on
- **Signing** of final Group-wide internal agreement foreseen in **November 2010**

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- Further development of a **corporate culture** marked by trust and commitment
- In addition, a **data protection advisory council** consisting of **external experts** was also established

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**The fifth topic covers the further expansion of the foundation of trust we have with our employees and customers, as well as significantly improving the image of DB.**

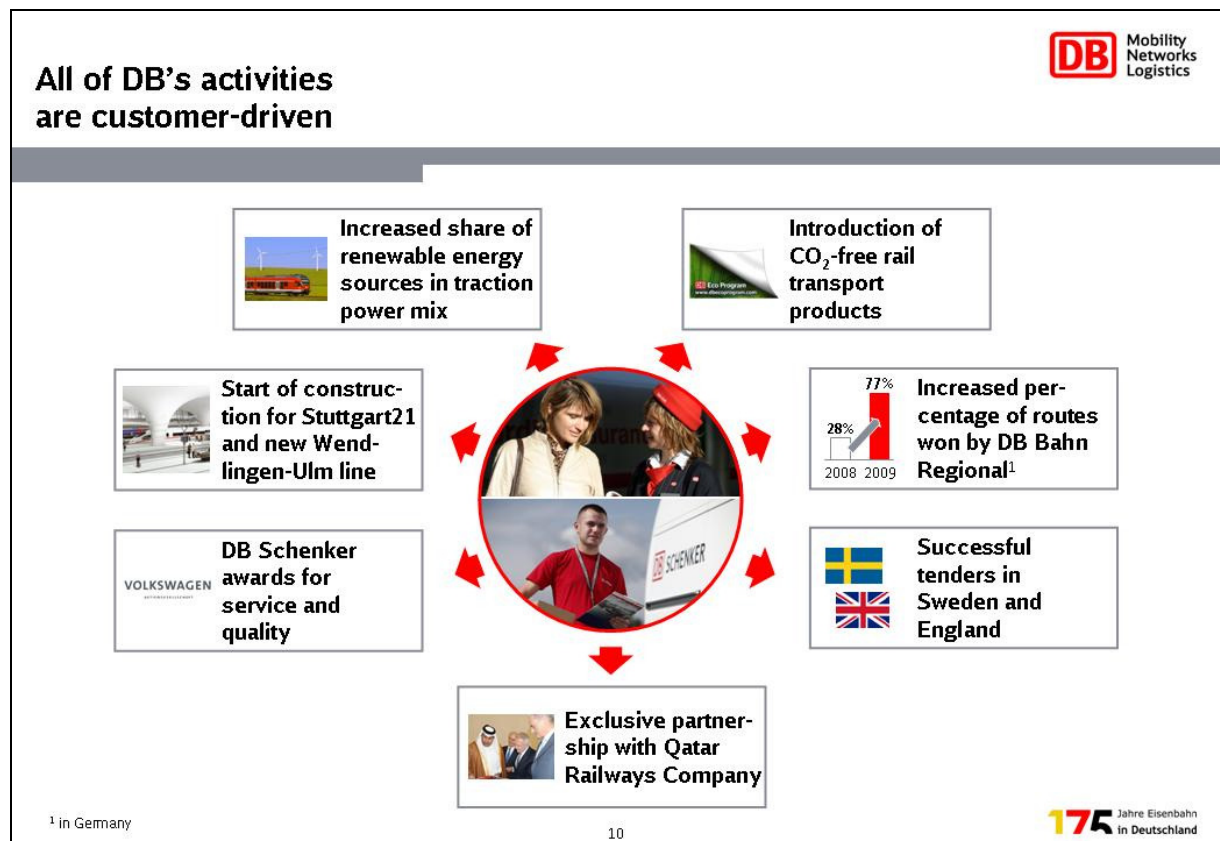
We closed out the data protection affair under the leadership of my colleague Gerd Becht, and resolutely carried out the necessary measures. The same applies to the no-badge activities and the keeping of sickness lists that were inappropriate and did not conform to data protection guidelines.

On November 24, 2009 we met with employee representatives and agreed to the principle points of a fundamental Group policy agreement on handling and protecting employee data within the Group. This agreement substantially improves protection of employee data. The agreement contributes towards building trust between employees and management. We want to conclude a final version of this Group policy agreement by the fall of this year. In addition, we also established a data protection advisory council consisting of external experts. This group will meet regularly and advise the Management Board in all subjects related to data protection.

But we are engaged in realizing even more comprehensive measures that go beyond the specific data protection measures: We have begun to rebuild the foundation of trust we have with our employees and further develop our corporate culture. We want to have a values-based corporate culture that is based on one side

by the values of performance, commitment and business success, and on the other by values that reflect a spirit of partnership, as well as a trustful and open relationship we strive to have with each other. As far as we're concerned, both sides belong inseparably together in a strong DB.

Moreover, we have placed our relationship with policymakers on a completely different basis. We want to exchange information on a close and timely basis with the responsible policymakers at state and federal level. In addition, we strive to maintain an intensive dialogue with the passenger associations and the Customer Advisory Council. Authenticity, transparency, credibility and integrity form the platform for these discussions.



**And this brings me to my final point: No matter what we do, our customers must always be the pivotal factor driving all of our activities.**

I want to emphasize this point again: I want to further improve the DB image, I want our company to be perceived as a sympathetic company. As we all know this can't be turned on and off like a light switch. Instead, this is an area where the following applies: Constant dripping hollows out the stone. This goal can only be achieved by steady and hard work. And it can only be achieved if the customer is at the center of all activities, and when quality and customer service are the key drivers.

I will shortly describe what this means for our agenda in the coming year in more detail in the second part of my presentation.

In reviewing 2009 we can state - despite facing major challenges in many areas - that our customer-related efforts were successful.

This is reflected by the fact that DB Bahn Regional won 77% of the 80 million train kilometers of routes that were newly awarded in Germany in 2009. In 2008 the percentage of routes won was only 28%. In Sweden, DB Bahn Regional will be operating commuter rail (S-Bahn) routes in the Östergötland province for the next 10 years and in the UK we will take over operation of the Tyne and Wear Metro in Newcastle for the next 7 years.

Our new CO2-free rail transport products have been greeted with overwhelming customer interest. In the interim we have signed up 41 major customers who are shipping their goods via completely climate-neutral DB transports. And we are currently in talks with numerous companies in the rail freight transport sector.

We received the Bosch-Siemens Home Appliance Group's environmental prize for our sustainable transport concept. We received the first prize for sustainability in the transport and logistics industry that was awarded by 150 German companies. These are steps in the right direction!

This is also reflected by our activities in the logistics area. Last year DB Schenker Logistics received numerous awards for first-class service and quality. This also applies to DB Schenker Rail that received the VW Supplier Award as best supplier for its transports to Kaluga near Moscow.

The final decision for Stuttgart21 lays the foundation for significant reductions in travel time and more direct connections in the Stuttgart region and beyond. The project will benefit customers by substantially cutting their travel time, and people living in the region will benefit from a very favorable urban development.

Another project-of-a-century is the construction of a rail-bound transport system in Qatar that has a budget of 17.3 billion euros. We won the international bidding process and were selected to be the exclusive partner of the Qatar Railways Company.

There's still a lot more that happened in 2009 that I could tell you about, but that would exceed the limits of my report. For this reason I suggest that you use the question and answer period to address the issues that I didn't cover due to time restraints.

I now turn over the floor to Mr. Sack, and I do this with the greatest respect. After an impressive 18 years, today will be the last time that Mr. Sack presents the DB financial results to you. Enjoy it, one last time! Please Mr. Sack!

## Outlook

Ladies and gentlemen,

I previously mentioned that we passed the acid test posed by the global financial and economic crisis. But there still is no shortage of challenges facing us. The subjects that I mentioned in the first part of my presentation will also serve as the decisive guideposts for our activities in the coming years.

The key issue is quite clear for me: We want to straighten out our railway business in Germany. The quality of our operations was affected by tough winter weather for many weeks. The background was, above all else, reduced availability of vehicles in the ICE fleet. However, other weak areas also surfaced and we are now carefully fixing them.

Ice-rain, powder snow and hurricane winds will always be with us. This can't be changed. But we can do everything in our power to sustainably further improve the quality of our operations and customer service.

### DB is using several initiatives to straighten out its railway business. In addition, we are striving to further grow internationally



Straighten out and develop the railway business in Germany



**1**

Customer & Quality Initiative



**2**

Engineering Initiative



**3**

Capital Expenditures Initiative

Continue to grow profitably



**4**

Market Initiative



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We have defined four core areas requiring action:

- customer and quality,
- engineering,
- capital expenditures and




- the market, to ensure sustainably profitable growth and to actively participate in the ongoing consolidation process going on in the markets and among competitors.

## DB responded to technical and weather-related challenges with a **Customer and Quality Initiative**



### Customer-oriented service measures



**EXAMPLES**


- ✓ Assignment of **additional personnel** to various areas
- ✓ Improving quality of **information** provided
- ✓ Expansion of **opening hours/access entitlement** to DB Lounges in case of service disruptions
- ✓ New **security concept** in train stations and trains
- ✓ ...

### Reliable operations



**EXAMPLES**

- ✓ **Leasing of additional trains** to increase availability of vehicles
- ✓ Additional maintenance to ensure that **comfort components** are quickly fixed
- ✓ Assignment of **technical specialists** to accompany trains in regional transport to immediately correct defects in trains
- ✓ ...

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Our **Customer and Quality Initiative** is focused on areas where many customers experienced difficulties in recent months: providing accurate information and supporting travelers in train stations, especially during operational disturbances; but we are also attacking the root cause of the problems, in other words the condition of vehicles and the infrastructure.

Our goal is to improve the quality of information we provide to travelers, especially during operational disturbances. We are also working to improve the quality of our customer service hotline. Employees will be better prepared to provide information than in the past. We will increase the number of service employees stationed on train platforms during operational disturbances to provide assistance to arriving passengers and those who need to make connections. We will make our train stations cleaner, this includes the train platforms as well as the waiting areas and travel centers. In the event of major operational disturbances we will expand the opening hours of our DB Lounges and widen the scope of passengers entitled to visit the lounges so that more travelers can spend their time more comfortably while waiting.

In order to reduce our susceptibility to malfunctions we have to improve the availability of vehicles, despite the shorter maintenance intervals. In January we used two TGV trains for a short time on the line to Paris to ease the burden on our ICE fleet. We are working on leasing additional trains. But, I'm not telling you anything new when I say that this isn't an easy task, because there are simply no trains available on short notice.

At the same time, the ICE fleet is currently undergoing a complete overhaul as the tight operating situation limited maintenance measures solely to equipment that was vital for operation. Our goal is to overhaul all vehicles and conclude these measures by the end of March. We will fix all defects from toilet flushes that don't flush properly through to folding tables that don't work properly.

Specially trained technicians will be onboard trains in the regional transport segment in the future to assist in immediately identifying malfunctions and defects and eliminate them on the spot if possible in order to reduce time spent on maintenance jobs in the work shops.

We will improve the availability of the infrastructure during critical weather conditions by employing additional clearing and repair resources and by having more personnel available in the operations centers.

A newly prepared concept to improve the security situation in stations and onboard trains foresees that we will hire new employees to bolster our existing security force that already consists of 3,350 employees. Furthermore, the concept calls for 3,000 service employees, customer representatives and train attendants to receive security training. The training will be conducted in cooperation with the Federal Police. The new concept also includes improving the 6,500 surveillance cameras in trains and stations. In the long term, we will boost the presence of security staff in our trains and stations.

The measures that I just mentioned are only examples of activities that we already initiated in the past four weeks. We are actively engaged in examining every process to see how we can improve it to make the passenger experience more enjoyable.

The biggest weak point is, and remains, the limited availability of vehicles. This applies to both the ICE routes as well as the S-Bahn (metro) in Berlin. I already mentioned earlier the consequences that we took because of this.

## The goal of the **Engineering Initiative** is to improve our services and how we provide them to our customers

### Background of engineering master plan

- A task force of experts prepares engineering master plan
- Their assignment is to conduct a fundamental analysis of DB's internal processes and production resources
- The Board division "Technology, Integrated Systems and Services" was formed when the review process was started

### Safety and quality



- Introduction of **preventive quality and risk management**
- Definition of **additional quality milestones** in the product development and procurement process
- Establishment of **engineering audit** for independent examination of safety standards

### DB's role vis-à-vis manufacturers



- **Well-defined interfaces** between DB and manufacturers
- Stricter enforcement of **quality requirements** in the specifications book

But we still have much further to go. This is why we are now launching a **Engineering Initiative**. My colleague Dr. Volker Kefer and his team of experts have been examining every process in the area of technology and integrated services since October and evaluating them in terms of safety, quality, technology and procurement, as well as the railway/industry interface.

In the future we will introduce a preventive approach to quality and risk management. When we buy new trains we will define additional quality milestones - so-called quality gates - in the developmental and manufacturing process that will allow us to identify problems as early as possible. We will integrate our know-how much earlier than before into the vehicle development process. In addition, we will make stricter quality requirements in the specification books.

In the future, technical audits should prevent malfunctions, like those experienced by the S-Bahn (metro) Berlin. The Technical Audit department will operate independently of the persons responsible for a specific series vehicle and report directly to the Chairman of the DB AG Management Board, in order to examine our technical means of production and ensure the quality of our safety standards and processes.

**DB's Capital Expenditures Initiative will drive the modernization of the vehicle fleet, infrastructure, IT, and other areas**



Passenger transport [examples]

**ICx tender**  
Next generation of ICE 1/2, IC/EC, up to 300 vehicles

**Regional tender**  
Start of tender process for electric, multiple-unit trains 2010/2011, up to 400 vehicles

**Urban transport tender**  
Master contract for over 600 buses

Transport & Logistics [examples]

**Freight transport tender**  
Start of tender process as of 2010, more than 1,300 freight wagons in different categories

**IT landscape**  
Standardization and automatization of processes and solutions for € 200 million until 2014

Infrastructure [examples]

**Rail infrastructure**

- Maintaining and modernizing existing network
- Investments in new lines
- Noise reduction measures

**Stations<sup>1</sup>**

- Renovation of 2,000 small/mid-size stations by 2011
- Modernization initiative NRW (€ 400 m)
- BW: 200 stations
- BY: 300 stations (€ 806 m)
- ST: 50 stations (€ 80 m)

**Capital Expenditures Initiative**

<sup>1</sup> NRW: North Rhine-Westphalia, BW: Baden-Württemberg, BY: Bavaria, ST: Saxony-Anhalt

In addition, the Quality and Engineering Initiative will be flanked by a **Capital Expenditures Initiative**. We will invest about 40 billion euros in new vehicles, infrastructure projects and train stations over the mid-term period until 2014.

Many of the effects of investment decisions that we will make in the coming months will extend far beyond the mid-term planning period. We plan to decide on giving the order for the next generation of IC, EC and ICE trains before the summer – always based on the assumption that the target costs will be reached before we sign.

In total, we plan to order up to 300 new long-distance transport trains having a total purchase volume of over 5 billion euros. Intensive negotiations are taking place and we plan to have concrete agreements ready for signing by June 16, 2010.

Among the new projects that we will be inviting bids for at DB Bahn Regional in the near future is a follow-up general agreement for the Talent 2 electric multiple unit trains. It is anticipated that the general agreement will cover up to 400 electric multiple unit trains.

And in the freight transport segment we are not only preparing to purchase new diesel-powered line locomotives, we also expect that we will order more than 1,300 new freight cars by 2012.

We will also continue our efforts to maintain, modernize and expand the rail infrastructure. No matter if it's the Erfurt-Halle-Leipzig, Karlsruhe-Basel or Wendlingen-Ulm line, we stand by our commitments and are continuously hiring engineers. We are also creating top notch jobs, even in during the global economic crisis!

By the year 2011 we plan to use funds from the government's economic stimulus program to renovate about 2,000 small and mid-size train stations; in addition, in the coming years we will invest, for example, more than 400 million euros to modernize 108 transport stations just in North-Rhine Westphalia (NRW) alone.

But not just in NRW. About 200 train stations will be renovated in Baden-Württemberg, almost 300 train stations in Bavaria for 806 million euros, of which half are metro stations in Munich and Nuremberg; furthermore 50 train stations, for example, in Saxony-Anhalt will also be renewed for more than 80 million euros.

Beyond this we will invest 100 million euros in innovative noise reduction measures and additional 100 million euros in classical noise reduction measures, as well as an additional 100 million euros in highly efficient CO2-reducing power plants.

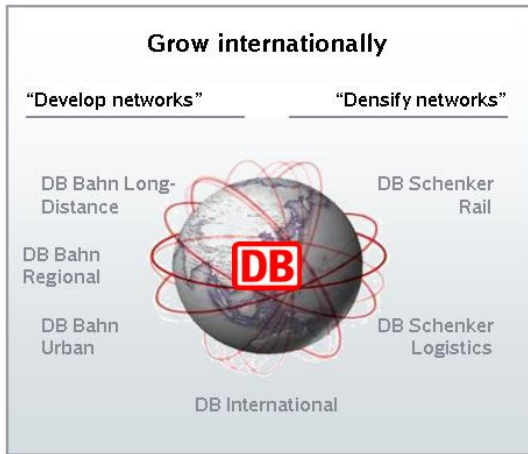
Our operations are based on modern and, above all, reliable rolling stock and an efficient infrastructure. Here it's important that, within the framework of our Engineering Initiative, we introduce totally new quality assurance standards - as well as for the manufacturers. In the future we will have a principle that, unfortunately, was frequently not observed in the past: A new train is a flawless train! This must be our goal and we have to work on this mercilessly.

Investments in the rail system do not mean that our logistic business will be left behind. We will take care of one thing without neglecting the other! Thus, in the coming years we will invest 200 million euros in IT systems and additional new terminals for DB Schenker Logistics in order to secure and expand our excellent competitive positions.

And DB Bahn Urban, which by the way is the biggest bus operator in Germany, signed a new general agreement for more than 600 new buses.

In times like these, when we have to fight hard to defend our economic strength, these capital spending programs are truly not a matter of course. But it would be foolish to risk losing substance or forego further building the necessary foundation for tomorrow's business today. For this reason we must - as in the past - do everything possible to ensure that we retain the scope of action needed to make these important investments. During the years between 1994 - when the Deutsche Bahn AG was founded - and 2009, a total of 118 billion euros were invested in the railway system.

**Continue sustainably profitable growth and realize international opportunities – that is the mission of DB's **Market Initiative****



**DB Bahn Long-Distance**

- Expand European transport network across borders according to customer needs

**DB Bahn Regional**

- Enter markets in target countries via tenders as liberalization process continues to advance
- Further develop existing routes outside of Germany

**DB Bahn Urban**

- Expand existing international business (Denmark)
- Realize mid-term growth opportunities in Europe

**DB Schenker Rail**

- Expand European offer along main transport corridors
- Further strengthen leading market position in Europe through integration and consolidation

**DB Schenker Logistics**

- Further expand leading market position
- Close gaps in logistics networks

**DB International**

- Expand integrated railway and transport-specific consulting and project development

Ladies and gentlemen,

Today I could have spent this time with you talking about big visions and long term strategies. Without a doubt, this would have been more glamorous than explaining how we are upgrading the quality of our railway business down to the smallest detail and preparing it to meet the future.

It was, however, important to me to explain to our customers how we want to direct the Deutsche Bahn, which actually is a global model company, to get it prepared for the future.

Only if you can convince customers in your home market will you have a good chance to succeed abroad. This doesn't mean that we will spend the coming years just contemplating ourselves. This was the mistake made by companies that were then overtaken by competition. We won't make this mistake.

This is why, despite all of the ambitious targets we set ourselves internally, we will keep our eyes on the market. Anything else would be fatal during a phase when the European rail market is consolidating at a rapid pace.

We are currently experiencing a consolidation of the market in Europe – especially in the passenger transport sector. We estimate that at the end of this process there will be about 5 major railways left. We cannot, and will not, remain passive onlookers while this is happening – and we certainly cannot risk harming our excellent competitive position.

Specifically this means that want to further develop our European transport networks in the passenger, rail freight transport, and land transport sectors. Wherever routes



are opened for bids, we will bid. And in markets where we already have a foothold, we will work actively to further expand our business.

We will not let anyone get the better of us. This is why we will launch a **Market Initiative** to actively push the further expansion of our business activities across national borders.

In the long-distance transport segment we will expand our routes to Italy, southern France, Denmark and Poland. Beyond this we are currently working on various concepts including travel to London via ICE trains.

In the rail freight transport segment we increased our stake in Nord-Cargo in Italy and now have management control of the company.

The same applies to Poland with acquisition of PCC-Rail. In the rail freight transport segment we already have excellent market and competitive positions in France, Switzerland, the Netherlands, Belgium, Scandinavia, England, Spain, Romania and Bulgaria, making us the market leader in Europe.

We also are pursuing ambitious goals in the land, air and ocean freight segments. This also applies to the contract logistics business where, as I previously mentioned, we are continuing to make very good progress. We will also increasingly offer integrated Rail/Road products in the market because the future belongs to integrated logistics chains. We have the best prerequisites to achieve market success in this area of business as no one is as successful as DB Schenker is today. Already today we are the market leader in integrated transport solutions. And we will continue working on this in the future. In addition, we will further implement our new production concept, the “European Network Railway,” and drive it ahead to success.

DB-International will actively continue to further expand its railway and transport-specific consulting and product development activities. Some very interesting market opportunities are becoming visible in this area in light of the global railway renaissance.

We will also continue our European orientation in the regional transport segment and defend our market leadership position. We have already shown on numerous occasions that our offers can score big points in other European countries. The signals are also set for expansion in the urban transport sector, where we have also demonstrated that there is also demand for our products in the rest of Europe.

During the interim results press conference last year I said that the DB Group’s international orientation was the right strategy to pursue in light of the fact that markets were opening. Furthermore, my statement that the consolidation and integration of the acquisitions we made in recent years must be one of our top priorities is still valid.

Nevertheless, our job is to observe the market and competitors. The structure of service providers will change as the passenger transport market opens in Europe. This development can influence our strong position. This is why we have decided to enter into talks with Arriva. It is still unknown if these talks will lead to DB making an offer to buy Arriva.

Ladies and gentlemen,

I have said a great deal about customers. But you also know that our employees are very close to my heart. They suffered tremendously during the winter months due to operational problems, especially those persons who had daily contact with customers. Naturally, all those who work backstage in the complex and comprehensive rail system, like the dedicated employees in the workshops and operational control centers, also faced challenges. All of them did an outstanding job under the given circumstances.

I understand our employees who ask themselves what can we do about it when, for example, ICE trains are not available as required due to manufacturer-caused production defects. Added to this situation was the extremely tough winter weather. And yet they mastered every situation with great patience and always showed understanding for our customers.

Our colleagues in the rail freight transport business and in the logistics area, in all the other business units as well as the Group executive staff, also had a very tough year due to the effects of the economic crisis.

However, at the end of the year – despite the global economic crisis – we were able to book very good net income figures for the year – and fully retain our ability to take action as needed, even throughout the crisis.

This is why we decided to pay out a profit-sharing sum of 300 euros to each of our employees even though we did not reach the threshold figures stated in the wage contract. In total, we will distribute about 50 million euros to employees.

I am also happy that during this time we did not have to lay off any employees in Germany due to business reasons in 2009. The Employment Agreement has proven its worth quite well during this exceptional economic situation and has given employees a sense of trust and safety, and we are proud of this!

For this reason we are prepared to work together with our negotiating partners to find ways to continue providing job safety to our employees and even further develop this aspect. The prerequisite for this is, however, that a balanced relationship exists between performance and reward.

Another important employment policy issue is an industry-wide wage agreement. This kind of agreement would ensure that competition in Germany, especially in the case of tenders in the regional transport sector, would not take place at the expense of employees.

The first proposals from the employee side were submitted by the joint wage negotiation group (Transnet und GDBA) on March 17th. We have not yet received proposals from the GDL union. Under the leadership of my colleague Ulrich Weber we are preparing intensely for the upcoming round of wage talks. For the round of talks we are counting on focused negotiations covering all important subjects (pay, job security, industry-wide wage agreement, etc.) and hope to achieve balanced results.

Tenders should be decided on the basis of customer service and quality, and not on who pays his employees the lowest wages.

There are many other current topics and challenges that I could have talked about today, but I didn't want to present you with a mixed potpourri of facts and figures. Naturally we can discuss all topics during the question and answer period following this presentation.

It is important for me to note that the bottom line for 2009 is that all of us across the Group turned in an excellent performance. This applies to our railway business and, in particular, to the land, air, and ocean freight areas, as well as in contract logistics.

We are on the right track. We have, however, also learned where our weak points are located. There cannot be any false pride here: these are areas where we will have to work to get the railway in Germany in shape to face the next winter, and the coming decades.

And this - I would once again like to emphasize - can only be achieved with a corporate culture that allows our employees to fully support DB with their hearts and minds and do good work.

This is why the further development of our corporate culture, which we have already started with various activities and which we will further advance, will be a key focal point of our work in 2010. But it's also important to understand that it is not a contradiction to act in an economical way and at the same time provide quality and service to customers! On the contrary!

I am certain that you clearly recognized where my remarks concerning our strategy and vision were leading:

We want to be a first-class provider of services to our customers in our home market, and further expand our mobility and logistics business internationally in order to achieve a leading position.

We owe this to our international customers and to the 82 million Germans who avidly accompany us through our ups and downs - and we also owe it to our 175 years of tradition, which we will celebrate on December 7, 2010 in Nuremberg with a birthday party that will be attended by the Federal Chancellor Angela Merkel.

In line with the slogan "No origin - no future," we will open a major special exhibition entitled "The Future of Mobility and Logistics", which will also take place in Nuremberg. Today, I would already like to extend a warm invitation to you to attend this exhibit and to our party where we will celebrate our 175th birthday.

Before we now move on to the open discussion and the question and answer portion, I would not like to miss the opportunity to also extend my warm thanks to my Management Board colleagues for their very good collaboration, as we have been sharing responsibilities together for just a short time.

Thank you very much for your attention!

## Photo credits

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<b>Slides 1, 11, 17</b>	Christian Bedeschinski
<b>Slide 2</b>	Bernhard Huber
<b>Slide 7</b>	Top and bottom: Max Lautenschläger
<b>Slide 9</b>	Top and bottom: Heiner Müller-Elsner Center: Michael Neuhaus
<b>Slide 10</b>	First row from top: Bartlomiej Banaszak, Aldinger & Wolf Second row from top: Annette Koch, Bartlomiej Banaszak, Emiri Diwan
<b>Slide 12</b>	From left: Magnus Winter, Ralf Louis, Max Lautenschläger
<b>Slide 13</b>	From left: Roland Horn, Hartmut Reiche, Christoph Busse, Heiner Müller-Elsner
<b>Slide 14</b>	Top: Axel Hartmann Bottom: Christoph Busse
<b>Slide 15</b>	First row from left: Bartlomiej Banaszak, Max Lautenschläger, Günter Jazbec Second row from left: Christian Bedeschinski, Stefan Warter, Max Lautenschläger Third row: Hartmut Reiche

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Speech of Dr. Rüdiger Grube, CEO and Chairman of the Management Board,  
Deutsche Bahn AG and DB Mobility Logistics AG,  
Annual Results Press Conference for 2009 Financial Year,  
March 25, 2010, Frankfurt.

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