

A long-exposure photograph of a train tunnel. The tracks curve into the distance, illuminated by a bright green light source at the far end. The walls of the tunnel are lit with a strong red light, creating a dramatic contrast with the green light at the exit. The motion blur of the tracks and walls emphasizes the speed and direction of travel.

*Germany is in need of a powerful rail.*

## **2019 Interim Results Press Call** Deutsche Bahn AG

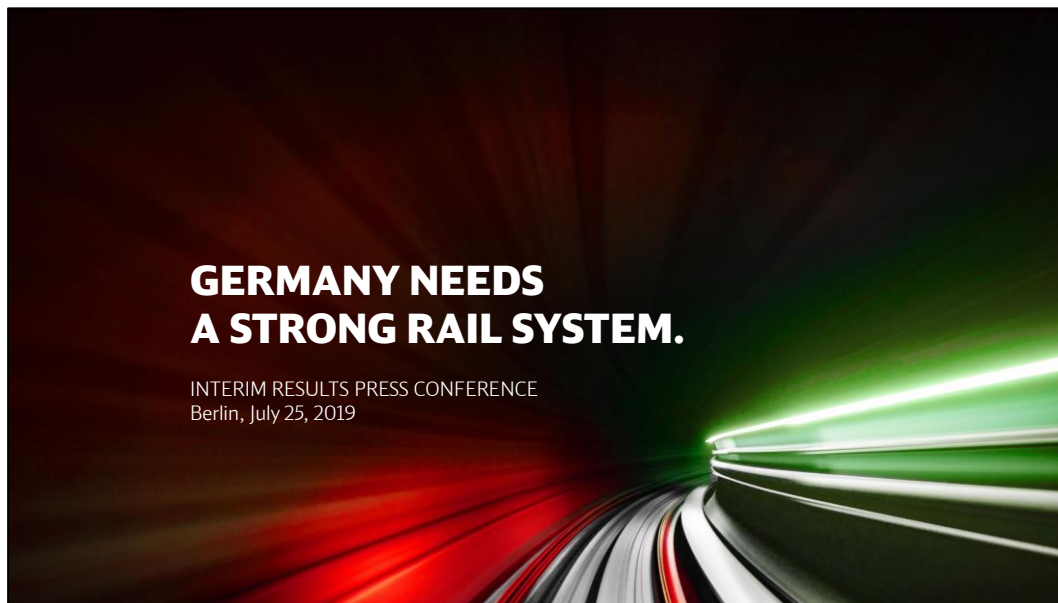
Speech by **Dr. Richard Lutz**,  
CEO and Chairman of the  
Management Board, and  
**Alexander Doll**, Member of the  
Management Board for Finance,  
Freight Transport and Logistics

– Check against delivery. –

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Berlin, July 25, 2019

## Part A: Dr. Richard Lutz



Ladies and gentlemen,

I would also like to welcome you to our press call on DB Group's interim results for 2019. Thank you for joining us today.

It has been four months since our annual results press conference, where we discussed the path to better rail service that lies before us. We have made good progress since then. And in recent weeks, we have described in more detail where our path will ultimately lead us and what we aim to achieve.

Our Powerful Rail strategy, which we introduced in mid-June, is about focusing on the very core of our business – on rail service in Germany, closely linked with other modes of transport and international business.

With Powerful Rail as our guide, our focus will be on upgrading and expanding. It is our objective to double passenger numbers in long-distance transport and add one billion passengers in regional and local transport. To this end, we plan to work with the German Government to expand rail infrastructure capacity by 30%. And at a time when other large companies are reducing headcount, we will hire 100,000 new employees in the coming years.

Our Powerful Rail strategy is about living up to our responsibility in society. We see that society is becoming increasingly mobile. A powerful rail system will be essential if we are to facilitate that increase in mobility. As our roadways struggle to keep up with the boom in freight transport, a powerful rail system can ease pressure on road infrastructure. And it can help us to become more closely connected to our European neighbors. Above all, a powerful rail system will play a vital role in our efforts to find a solution to climate change: if Germany is to achieve its climate targets, Powerful Rail will be absolutely essential.

DB Group is already an eco-pioneer. Last year, more than 57% of our traction power came from renewable sources. That is substantially more than in the public power grid. And now we have nearly reached 60%. Our new, even more ambitious target is to make our traction power 100% renewable by 2038. Originally, we had not planned to meet that target until 2050.

There is no question about it: Powerful Rail can drive progress for all of us – it can move all of us forward. That is why we are so pleased that our new strategy has been well received.



Many players in the industry, in business and in the political sphere have told us in recent weeks that they want to work with us to build Powerful Rail. Their support

reaffirms our commitment to Powerful Rail and makes it precisely what it is intended to be: a project for society as a whole.

We were also very happy about the feedback we received from our own employees and managers. Many of them told us that the strategy offers meaning and guidance, that it places their daily work to improve rail service – work that is often anything but easy – in a broader context and motivates them to give their all.

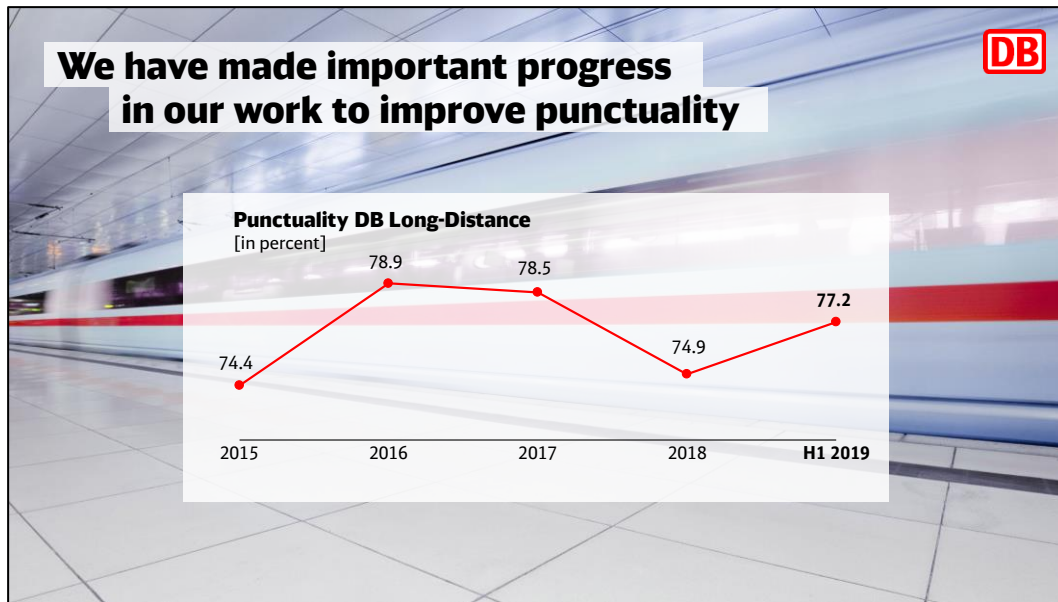
We want to build on this momentum, and over the coming months, we will align each and every part of Deutsche Bahn with Powerful Rail. We want to make Powerful Rail a Group-wide movement that encourages everyone to be involved. I firmly believe that if we want our people to be active in making Powerful Rail happen, then we must also give them the opportunity to actively engage.

We look to the future with optimism, but we must also be aware that Powerful Rail is a project of massive scope and great complexity. We have only just begun – and we know that there is a great deal of work ahead. We are not yet where we want to be: too often, we fail to provide our customers with the level of quality they rightly expect from us. And there will also be obstacles we will need to overcome. Expanding and upgrading the German rail system on a massive scale is not the kind of project that can happen overnight.

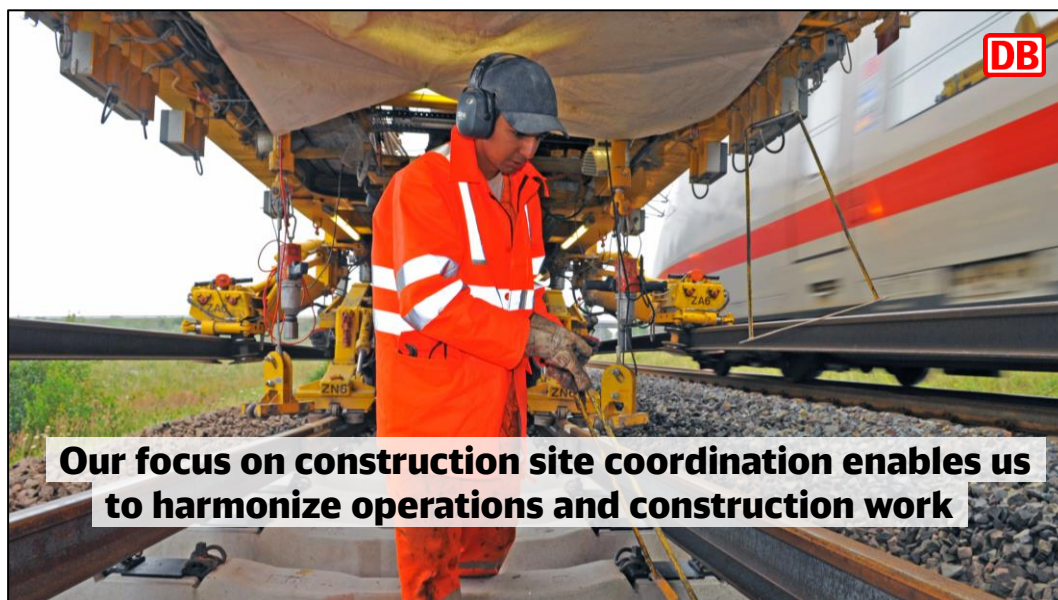
We know this, but we also know that our goal – the goal of building Powerful Rail – is clear. We will pursue this goal with resolve and perseverance. In so doing, we will continue on the path we chose when we introduced our Agenda for a Better Railway – a path that is an integral part of our new overarching strategy.

We made progress on that path in the first half of 2019. Service punctuality is a good example here: our on-time rate for long-distance passenger transport was 77.2% in the first half of the year, better than our full-year target of 76.5%.





Considering the extensive construction work we did on our network over the same period, this was a solid achievement. After all, there are days when we have to manage more than 800 construction sites in our network simultaneously. Our construction work includes renewing our high-speed lines, the main arteries of our ICE network. We are currently doing a complete overhaul of the line between Hanover and Göttingen, with the line between Mannheim and Stuttgart to follow next year.



Construction work can have a considerable impact on operations, but our focus on coordinating our construction sites has enabled us to harmonize operations and

construction work effectively. Thanks in part to the efforts of our construction situation center, we have been successful in substantially reducing the impact of construction on rail service – despite traffic growth.

We are also working to digitalize the rail system. Our new VDE 8 line between Halle/Leipzig and Nuremberg uses digital train control. Following the start of service on that line, we are now preparing additional projects as part of a digital starter package. Our digital signaling facilities in Annaberg-Buchholz and Warnemünde are making digital rail a reality today as well.

We also continued to expand our rail fleet in the first half of 2019. Each new train that joins our fleet means more reserves – and thus a more reliable rail system as a whole. We expect similar effects from our new ECx trains, which we intend to use for international lines and connections to popular tourist destinations. We announced the procurement of those trains in March.

Our workforce will also continue to grow at record levels, with some 22,000 new hires in 2019. We accepted some 16,000 applicants in the first half of the year, and we are focusing on hiring new people in "rail-specific" professions, such as train drivers, dispatchers and maintenance specialists.

They will all play an important role in ensuring more reliable service – and that will benefit our passengers directly. And speaking of passengers, our patronage rose once again, with some 72 million long-distance passengers in the first half of the year, an increase of 1.3% over the first half of 2018.



That puts us well on the way to achieving a new record of over 150 million long-distance passengers for 2019 as a whole. In other words, we are on track – also in our efforts to double long-distance patronage over the long term as part of Powerful Rail.

We are also offering a wide variety of innovations to improve our customers' travel experience. We have continued to enhance our DB Navigator app, extending it to include tickets for travel in more and more local areas, and adding a new function that shows how full our long-distance trains are. The latter is intended to help customers decide which train to take and when to reserve a seat.



These new functions have been well received by our customers, and DB Navigator is more popular than ever before: as of mid-year, the app had over 1.3 million active users – a year-on-year increase of more than 50%.

We have also begun work to progressively expand free Wi-Fi to all our long-distance trains, including our Intercity trains. This too will improve our customers' travel experience.

In short, the first half of the year demonstrated that we are making progress in terms of punctuality and product quality, and that we are becoming more popular with travelers. Still, the necessary expansion and upgrade of the rail system as a whole, which we discussed in depth at our press conference in March, is not the kind of challenge that can be solved overnight.

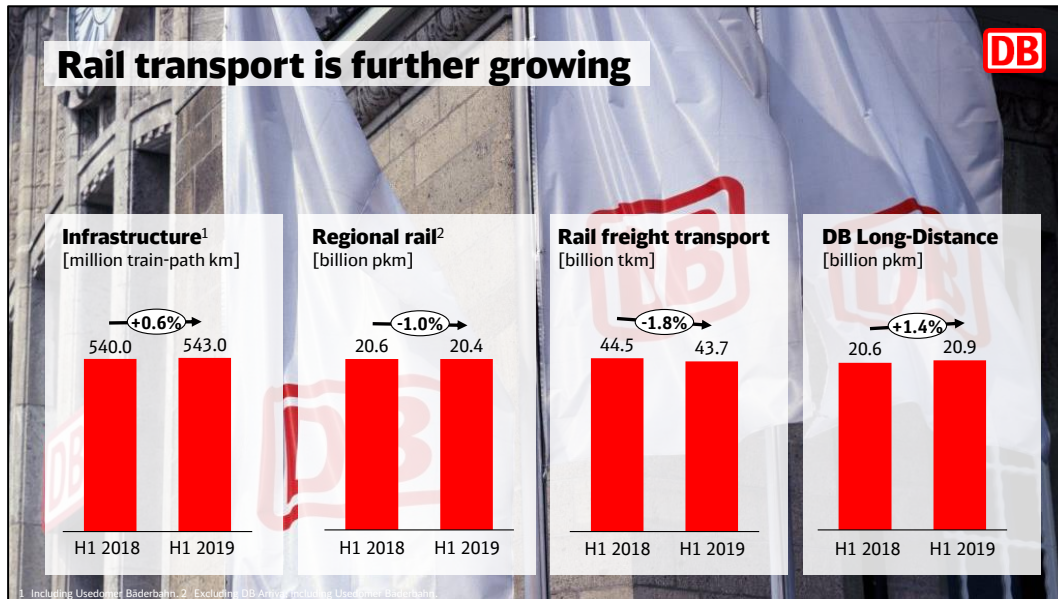
Investment will be necessary on a massive scale – I already mentioned some examples. Alexander Doll will now discuss our figures for the first half of 2019, and you will see the impact of our investments reflected in those figures. Alexander, the floor is yours.



## Part B: Alexander Doll

Thank you, Richard.

Ladies and gentlemen, I would also like to welcome you to our first-ever press call on DB Group's interim results. Let me start by giving you an overview of our current performance figures.



As you can see, the trend of shifting traffic to rail continues. Train kilometers on track infrastructure for all operators on DB Group's rail network rose once again. Demand for train paths increased by another 0.6% to 543 million train-path kilometers – a new record – in the first half of 2019.

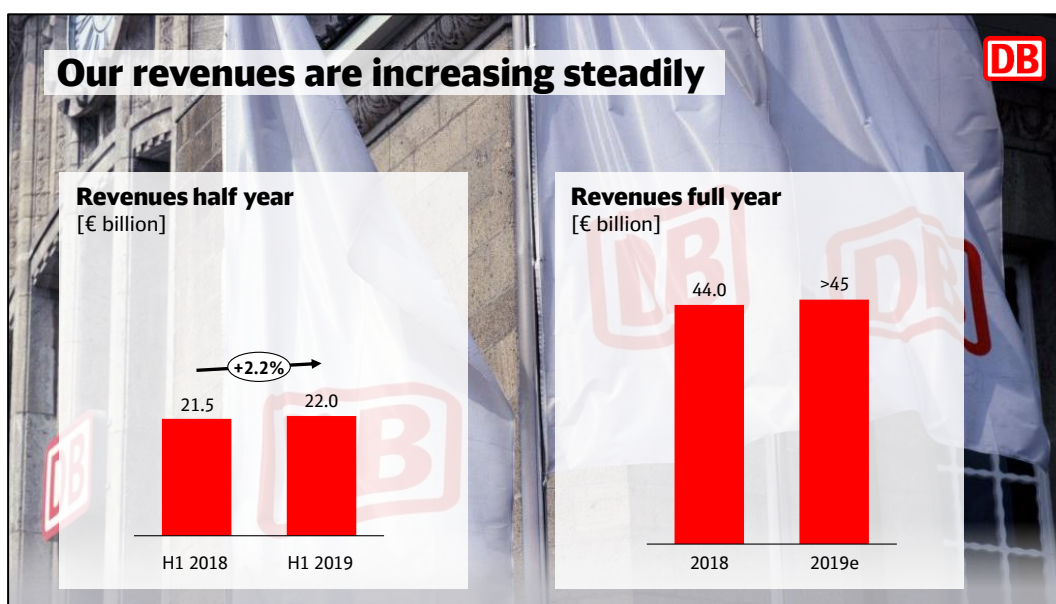
Long-distance rail passenger volume sold, already at a high level, also continued to rise: compared with a strong first half year in 2018, patronage increased by another 1.4%, to 20.9 billion passenger kilometers. In the face of ever-growing competition in German regional and local rail passenger transport, DB Group achieved a volume of 20.4 billion passenger kilometers, reaching approximately the same level as in the first half of 2018. Despite a challenging market environment in rail freight transport as well, DB Cargo stabilized its volume sold and recorded 43.7 billion ton kilometers in the first half of 2019, a decrease of 1.8% year on year.

Our international logistics business is doing extremely well: DB Schenker saw continued success in the first half of 2019, boosting revenues by 2.3% and adjusted EBIT by 10.2%.

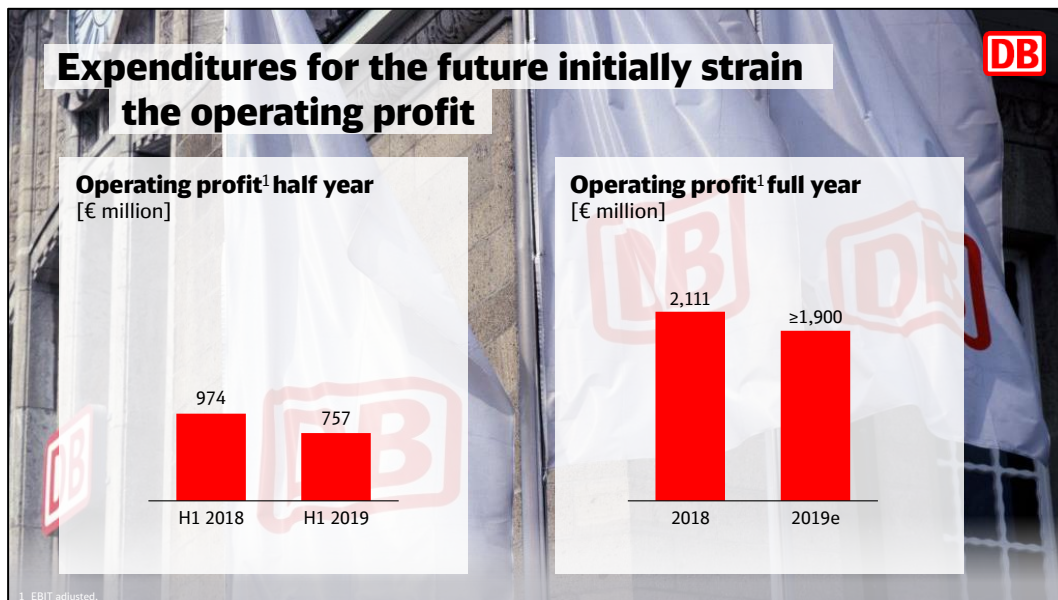
And I have good news to report for DB Group as a whole: our revenues are up. Before I go into more detail about that, let me first say a few words about DB Arriva, our European local transport subsidiary.

As you know, in March the DB AG Supervisory Board instructed the Group Management Board to explore options for DB Arriva – and specifically options for a sale or IPO. This approach is consistent with our strategy. DB Arriva does not offer operational synergies with our business in general, nor with DB Regional in particular. A sale of the company would help us to continue investing in our core business – rail operations in Germany – on a massive scale. And in fact, we are in a win-win situation here: a potential sale would also give DB Arriva the opportunity to obtain new capital and thus continue the growth it has seen in recent years.

I cannot go into the details at this time, but I can tell you that preparations for a sale of DB Arriva are going well. A number of parties have expressed interest. This fall, we will discuss which approach makes the most sense with our Supervisory Board and the German Government. We will inform you as soon as a decision has been made.



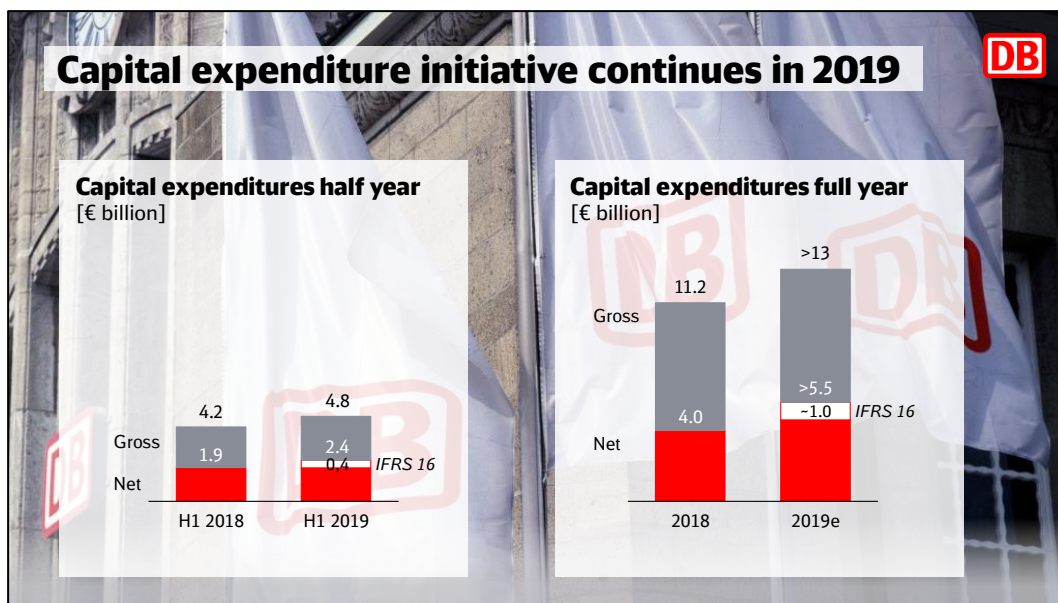
Now let me return to our numbers: DB Group's revenues continued to grow in the first half of 2019, rising 2.2% to EUR 22.0 billion. For 2019 as a whole, we expect to set a new record, with revenues of over EUR 45 billion.



Adjusted earnings before interest and taxes, or EBIT, on the other hand, fell by roughly 22% year on year, to EUR 757 million in the first half of 2019.

There are good reasons for this decrease: as Richard Lutz mentioned, we are making expenditures on a massive scale to improve our rail service. And as one would expect, these expenditures in the future of the rail system are visible in our bottom line. Our expenditures include additional measures to improve quality and performance. Despite high expenditures, we expect to generate an operating profit of at least EUR 1.9 billion for 2019 as a whole, as we previously announced.

We want to make improvements for our customers, and we want to continue to grow. To this end, we are continuing to invest at a high level this year.

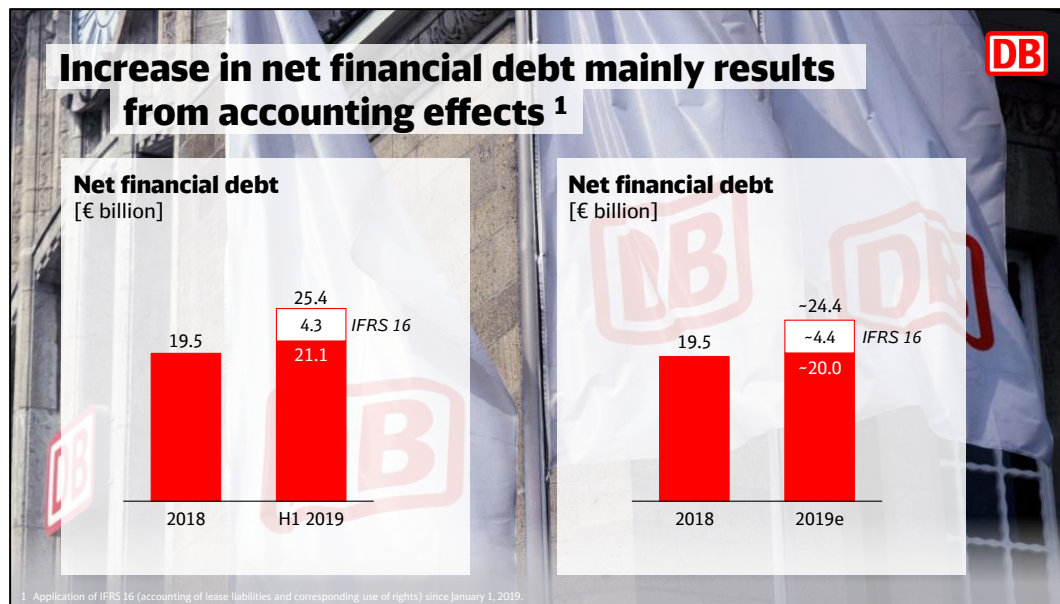


DB Group is making extensive capital expenditures with a lasting impact on all our business units, with a clear focus on rail operations in Germany. As a result, our net capital expenditures remained at a very high level in the first half of 2019 – despite the fact that we had to impose an acceptance freeze on the ICE 4 for a period of time and were thus not able to spend all the funds budgeted for train procurement as quickly as we had planned.

From an accounting perspective, our net capital expenditures rose by EUR 425 million to some EUR 2.4 billion in the first half of the year, but that was largely due to a new accounting rule, as clearly shown on the slides. I will say more about the new rule in a moment.

We expect net capital expenditures of over EUR 5.5 billion for 2019 as a whole. That is another 1.5 billion more than in 2018 – and the highest net capital expenditures in the history of DB Group. We will spend money in a number of important areas, such as raising quality and punctuality, buying new trains, improving travel comfort and hiring more staff.

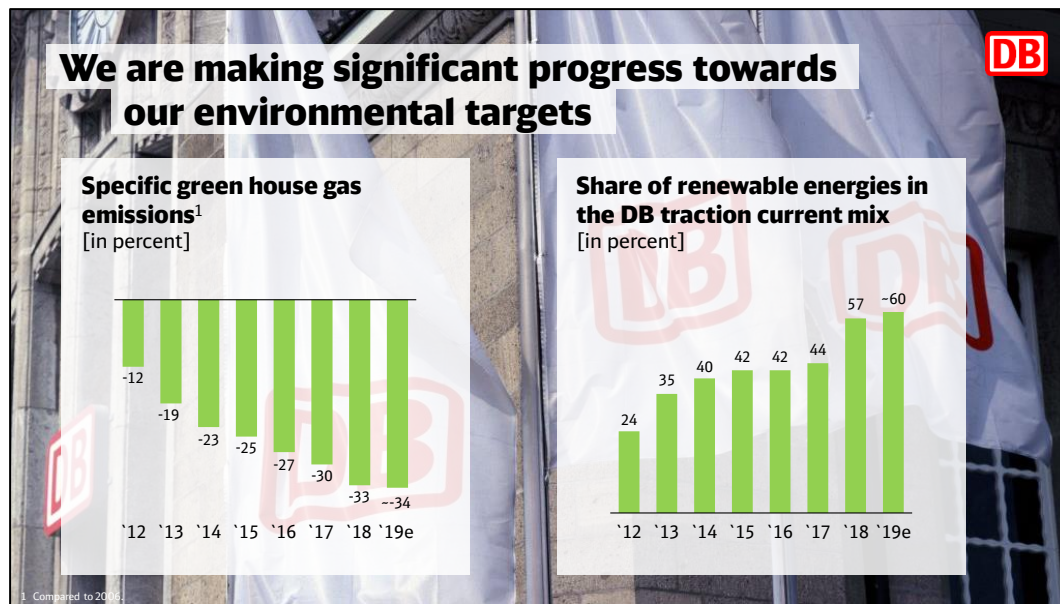




Let me close by discussing net financial debt. Many of you know that a new accounting standard – International Financial Reporting Standard 16, or IFRS 16 for short – came into force at the beginning of this year, and that all companies are now required to apply this standard. IFRS 16 stipulates that operating leases must be added to debt. The change is purely one of accounting methodology and does not affect our actual business.

But it is the main reason that DB Group's net financial debt rose to EUR 25.4 billion as of June 30, 2019. If we adjust for the IFRS 16 effect – which is roughly EUR 4.4 billion – we expect our net financial debt to be only slightly higher year on year: roughly EUR 20 billion at the end of 2019.





The capital markets continue to have great confidence in DB Group. There is also great appreciation for our environmental KPIs, which is reflected in our strong sustainability ratings.

In a nutshell, we will continue to monitor our debt levels while also investing more than ever before in a powerful rail system.

That brings me to the end of my remarks. Richard, I would like to hand the floor back to you now to discuss our outlook for the years to come.

## Part C: Dr. Richard Lutz



Ladies and gentlemen,

One thing that I think is very clear from Alexander Doll's remarks is that our work to build Powerful Rail will take an enormous amount of effort. If we want to be successful, each and every one of the relevant parties will need to get involved. At the end of the day, Powerful Rail is about far more than just DB Group. It is about fostering teamwork throughout the entire sector. We look forward to working closely with our partners from all areas of the industry and from the political sphere.

One thing is clear: when it comes to improving rail service and building Powerful Rail, there is truly no such thing as a free lunch. That is true both for Deutsche Bahn and for the German government. But Powerful Rail – with all the positive effects it has to offer our customers and our society – is worth every euro we invest in it. Current budgetary decisions by the German Federal Government make it clear that policymakers are willing to support Powerful Rail – in large part because choosing to take the train is a form of active climate protection.

Now it is time to join forces with all the parties involved and make Powerful Rail a reality. It is my firm belief that we will be successful. I am well aware that our plans are extremely ambitious: taken together, they amount to nothing less than a fundamental transformation of the German rail system. But this is exactly the ambition we need if we are to shape a powerful, climate-friendly future for mobility and logistics.

I greatly look forward to the path that lies before us. And I look forward to taking your questions. Thank you.

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41

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