



Strong Rail: Building tomorrow's green rail system today

Speeches by

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

Dr. Levin Holle, Member of the Management Board
for Finance and Logistics

2021 Annual Results Press Conference

Deutsche Bahn AG

March 25, 2021

Check against delivery.



Part A - Dr. Richard Lutz



Ladies and gentlemen,

I would also like to welcome you to today's press conference. First off, let me begin with something that is very important to me. I'd like to express my sincere thanks.



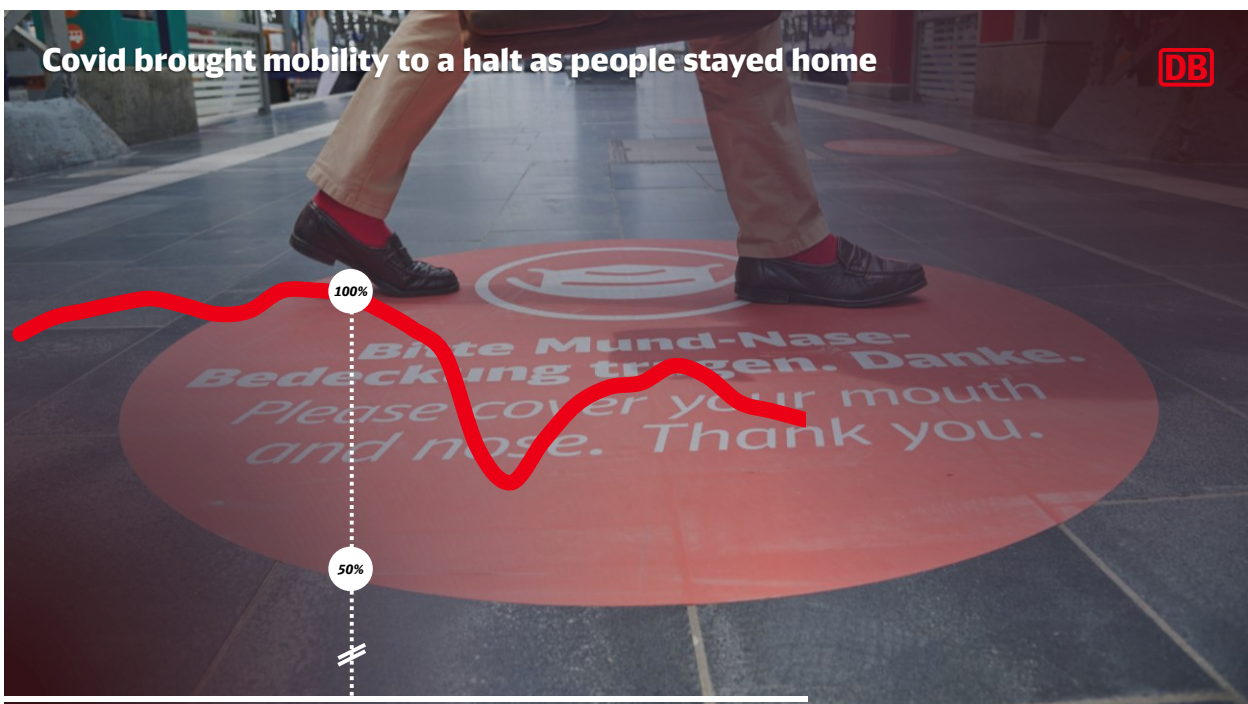
First, to our customers, for their loyalty in these unusual times.

All of us have been asked to limit our travel, and that includes train travel. But customer loyalty to DB has remained high. One area where we've seen this is in BahnCards, which relatively few people have cancelled.

And second, I'd also like to thank all of DB's employees. They continue to impress me every day with passion and dedication in the face of extraordinary circumstances.

Let me take a moment to address these extraordinary circumstances, because the Covid-19 pandemic dominated our bottom line in 2020 as it did for so many companies.

The pandemic put us in an incredibly challenging position, and the transition was abrupt. As of early 2020, we had been setting record after record in passenger numbers. But then Covid-19 hit, bringing this progress to a screeching halt.



Our trains were much emptier than usual, even during the brief period of recovery we saw in the summer. Instead of getting together with family, friends and business partners, we have all had to keep our distance. As a company whose business model is mobility, we were hit especially hard when people stopped traveling.

Yet despite all of the serious implications of the pandemic, 2020 was not a lost year for Deutsche Bahn. We didn't allow ourselves to be led astray. We pressed ahead and stayed the course toward Strong Rail. We made rail better.



Let's look at punctuality, for example: 81.8% of our long-distance trains were on time last year, an increase of about six percentage points year on year. Yes, this increase was due in part to the pandemic, which lowered the number of trains and passengers overall. But factors such as higher vehicle availability and optimized construction management also played a role.

Better operating quality also meant higher customer satisfaction. DB Cargo saw the largest increase in customer satisfaction. And DB Long Distance saw an all-time high.

Satisfaction within DB rose as well. Our employees value DB as an employer; employee satisfaction is higher than at any time in the past. This is in no small part because our employees feel proud to have played an important role during the pandemic. They have kept things moving - and have made sure people and goods arrived safely at their destinations, all while protecting the environment, even in these difficult times. Working at DB is meaningful work - and that has been obvious to everyone during the pandemic.

Despite Covid-19, we have made progress. Our Strong Rail strategy works. Putting considerable effort and investment into expanding, upgrading and digitalizing the rail system is the right path. This strategy is making rail noticeably better.

That's why, instead of taking a step back, we carried on with our upgrade and modernization program in 2020. We made good use of the time and continued to invest at record levels.



We invested in infrastructure. Together with the German federal and state governments, we spent a record EUR 12.2 billion for our rail network. And we did so while minimizing the impact of construction on infrastructure capacity like never before. Highlights included a full upgrade to the high-speed line between Mannheim and Stuttgart, completion of the upgraded line between Munich and Zurich, and the start of construction for new digital signaling facilities as part of the Digital Rail for Germany program. We also used the time to beef up our existing network. We modernized bridges and viaducts, upgraded transport hubs and eliminated bottlenecks.

Our fleet is also more robust, thanks to capital expenditures to the tune of EUR 2.2 billion. Additions to the fleet include 24 new ICE 4 trains and 19 new double decker IC trains. They have allowed us to offer more reliable service and brand new connections.

We launched twice-hourly connections between Hamburg and Berlin and introduced an IC line between Rostock and Dresden, which has been a major success. On the international front we added new connections between Munich and Zurich and between Berlin and Krakow.

The 30 ICE 3 neo trains and 100 DB Cargo locomotives we ordered in 2020 will also add capacity and improve quality. And we've begun to expand our ICE maintenance depots on a massive scale.

Our recruitment drive is moving along. We met our target for 2020, bringing 26,000 employees on board. We reinforced our teams of rail professionals in particular by hiring train drivers, service crews and maintenance technicians.

We also made major progress with digitalization and technological development. Sabina Jeschke played a key role here, taking DB to the next level in recent years with pioneering ideas and a new digitalization and technology strategy.

It has been a pleasure working with Sabina on the Management Board, and we will be very sorry to see her go. I would like to thank her for her service to DB and wish her great success in all her future endeavors. I know she will be successful in whatever she chooses to do.

Sabina has been an important member of the DB team, and we will always consider her a part of that team. I hope we will stay in touch and continue working towards our shared goal of building a green, digital society for future generations.

Ladies and gentlemen,

the work we have done over the past year shows that we are systematically shaping the future of rail. At the same time, the coronavirus has forced us to be just as systematic in our management of the current situation.

We have been hit hard by the pandemic. Rail in Germany experienced considerable financial losses, and we have agreed to cover half of these ourselves with a disciplined response.



This response will require enormous effort, and everyone involved is doing their part - with the unfortunate exception of GDL, the German train drivers' union. We are a member of the Alliance for Rail in Germany, which has set out a path for us and our alliance partners that strikes a balance between social and fiscal responsibility. Unfortunately, GDL has yet to make any sort of contribution: it has refused to enter into negotiations, has rejected every proposed compromise and - in the midst of the most serious financial crisis in DB's history - has presented a list of demands that would cost billions and would be unrealistic even if business were booming.

This makes us all the more grateful that the German government has agreed to provide us with strong support in the form of an aid package. We will use this support to offset the financial losses that we cannot cover ourselves.

The fact that we have been able to continue our capital expenditure and modernization program despite substantial financial losses is a good sign for the future.

However, our numbers have of course taken a hit.

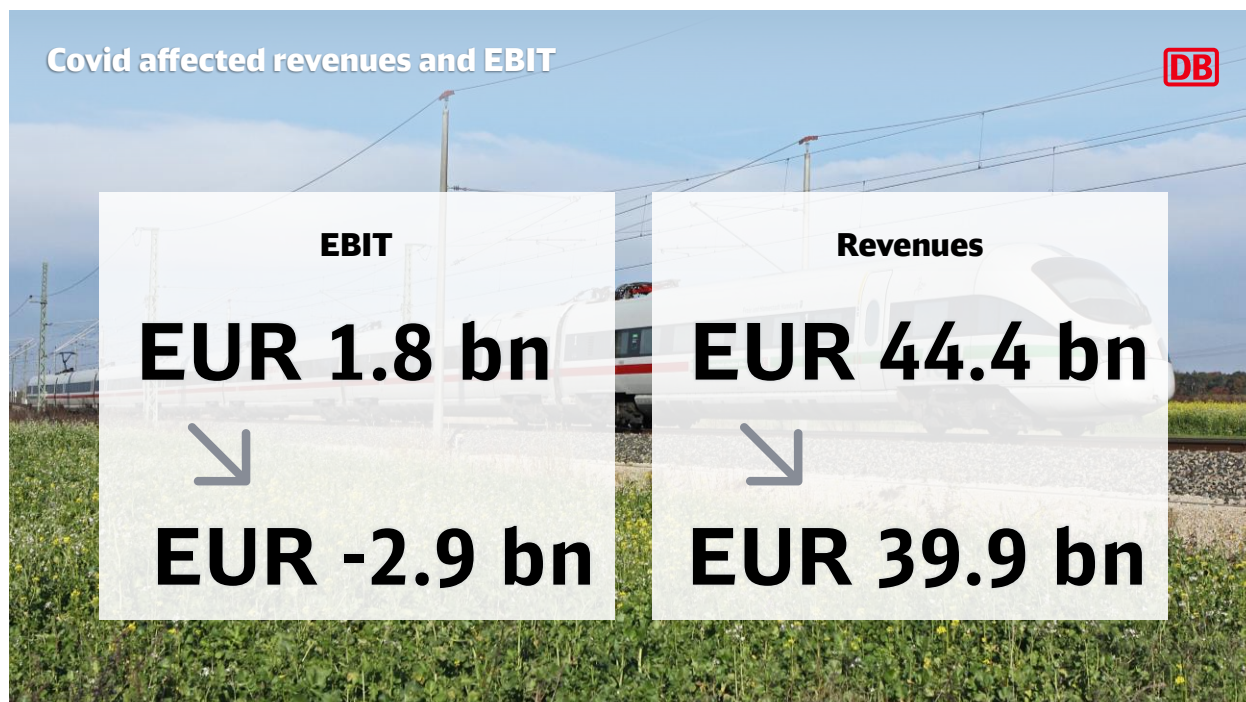
My colleague Levin Holle will now go over our financials in more detail. Levin, the floor is yours.

Part B - Dr. Levin Holle

Ladies and gentlemen,

I'd also like to welcome you to our digital annual results press conference.

The Covid-19 pandemic caused a sharp drop in DB's revenues and profits in 2020. That makes us no different than many other companies in the wider transport sector and around the world. We ended 2019 with a respectable profit. Then came a sharp drop when Covid-19 hit.

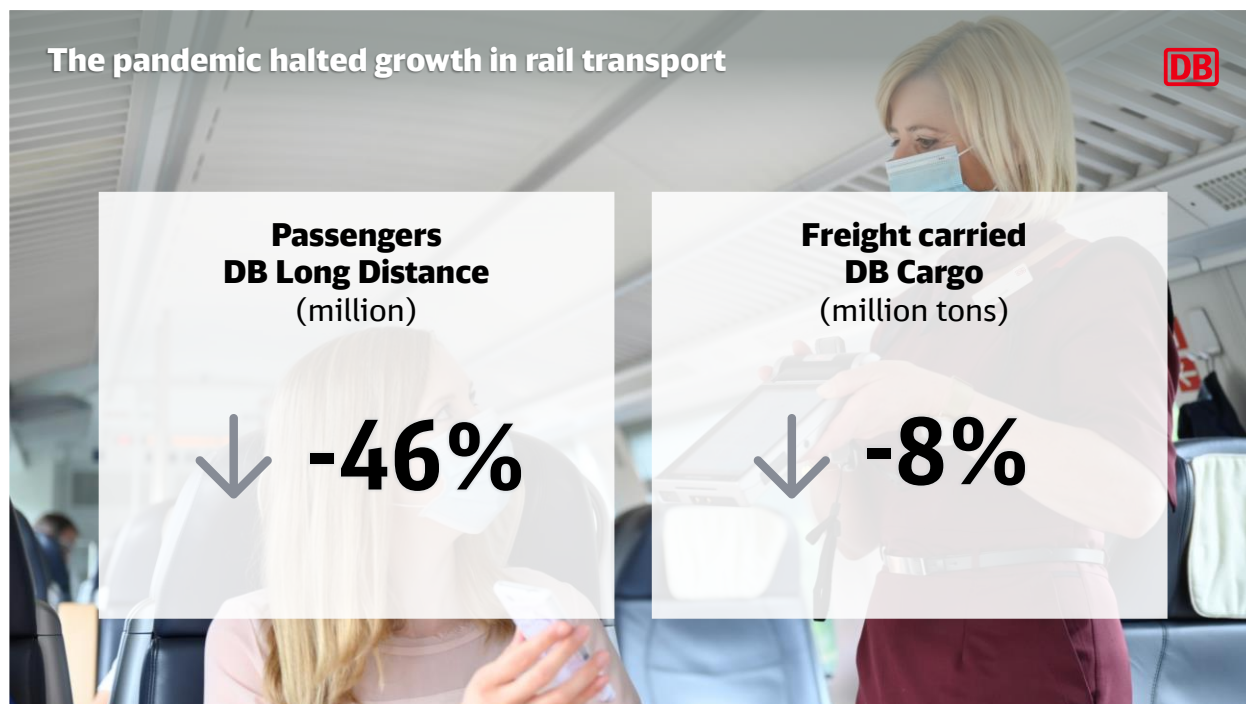


So what impact has the pandemic had on our numbers? We finished 2020 with an operating loss of EUR 2.9 billion. In absolute terms, that was a year-on-year drop of 4.7 billion.

In addition, we had to account for EUR 1.8 billion in extraordinary charges. This was due primarily to the impairment loss at DB Arriva announced in the first half of 2020. As our local transport operator in Europe, DB Arriva has been hit especially hard by Covid-19. It does business in countries such as the UK, Italy and Spain, which suffered greatly last year during the crisis.

Total after-tax losses, which also include net interest and financial result, amounted to EUR 5.7 billion for DB Group in 2020.

DB's revenues also fell in 2020 as a result of the pandemic. They were down 10.2% from the previous year, to EUR 39.9 billion.



This drop off can be attributed to one main reason: millions of passengers stayed home. Around 1.5 billion passengers took DB trains in 2020 – about 42% fewer than in 2019.

This drop in patronage hit DB Long-Distance the hardest. After years of passenger records, only about 81 million passengers took DB Long-Distance trains in 2020 – 46% fewer than in the previous year. DB's regional trains fared somewhat better.

Exceptional growth at our international logistics subsidiary DB Schenker helped DB Group during the crisis. Despite the pandemic, DB Schenker increased its revenues and generated the highest EBIT in its history, at EUR 711 million. Stable global supply chains in uncertain times proved to be a recipe for success, allowing DB Schenker to score points with customers. And DB Schenker partnered with DB Cargo, DB's rail freight subsidiary, for some of its services.

DB Cargo also benefited by serving as a vital link in supply chains during the crisis, for example by operating special trains to transport groceries. Despite these successes, DB Cargo also suffered from lower transport volumes in industries that rely heavily on rail, such as steel and ore and at times the automotive industry. The volume of freight carried fell by 8% overall in 2020.

As always, you will find transparent information and detailed figures on developments at all our DB units in our Integrated Report.



Richard mentioned it earlier: even in the face of Covid-19, we continued our long-term capital expenditure program in 2020 thanks to pandemic-related support from the German Federal Government and an increase in Government funding for infrastructure.

Gross capital expenditure at DB Group was up 10% to EUR 14.4 billion, primarily due to more support from the Government. The large majority of this funding is earmarked for rail infrastructure, and that will benefit the entire sector. In 2020, net capital expenditures increased by a good 4% year-on-year to EUR 5.9 billion.

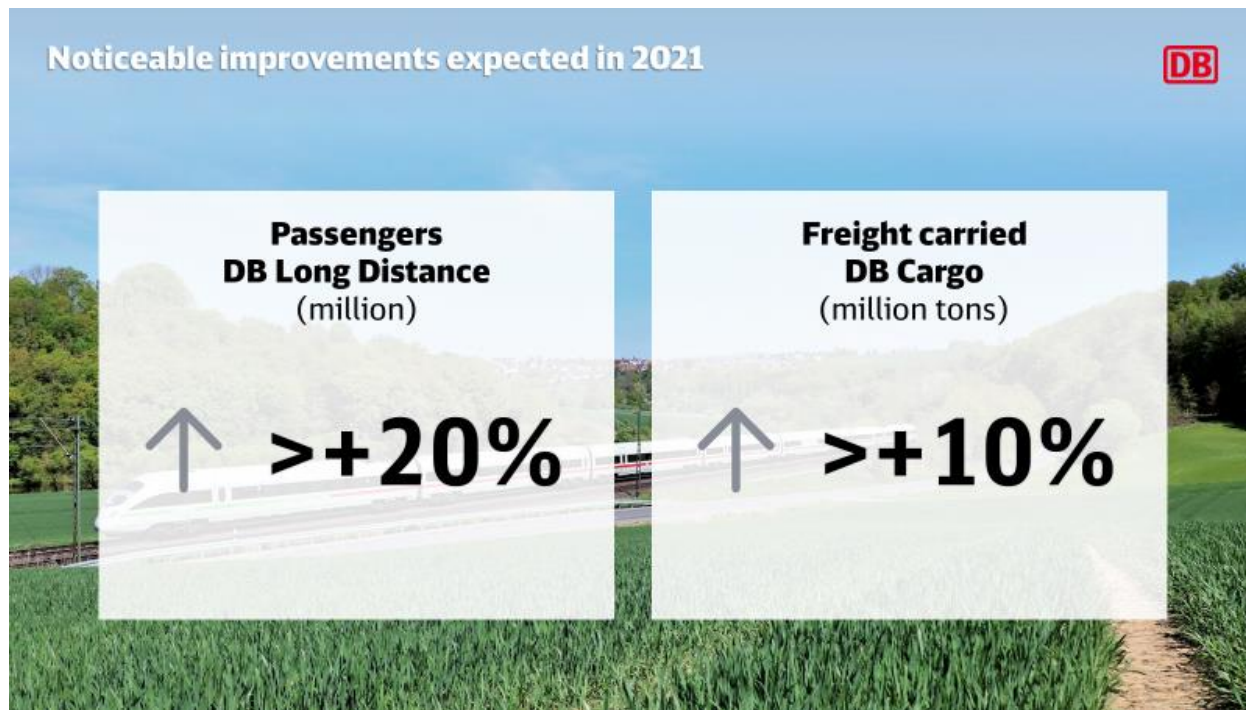
These major capital expenditures are helping us to prepare for our return to long-term growth. We are increasing the capacity of the rail system. We are raising quality. We are driving digitalization. And through these efforts, we are becoming even better for our customers. That will pay off for DB and the transport sector as a whole – including in financial terms – once the pandemic is behind us.

All of these capital expenditures of course mean we must be mindful of our debt. At EUR 29.3 billion, our net financial debt at the end of 2020 was below the limit set by the Federal Government. Based on our budget, we do not expect net financial debt to be at least significantly higher at the end of 2021. This will of course ultimately depend on whether the Federal Government can carry out the equity support measures announced for this year. And more than anything, our ability to keep our debt in check will depend on whether the pandemic and its impact do actually become more manageable over the course of 2021.

As Richard mentioned, we agreed with the Federal Government that we would make our own major contributions. It will take a concerted effort to overcome the major losses caused by the pandemic and make crucial investments in the future – for our company, for our employees and for our passengers.

We will cut costs and cover half of our Covid-19-related losses in the integrated rail system by 2024 ourselves – with sensible measures to generate some EUR 5 billion in savings. Only if we are successful here will we be able to keep investing and growing.

Let me emphasize: we aim to be profitable again and return to a path of profitable growth in 2022.

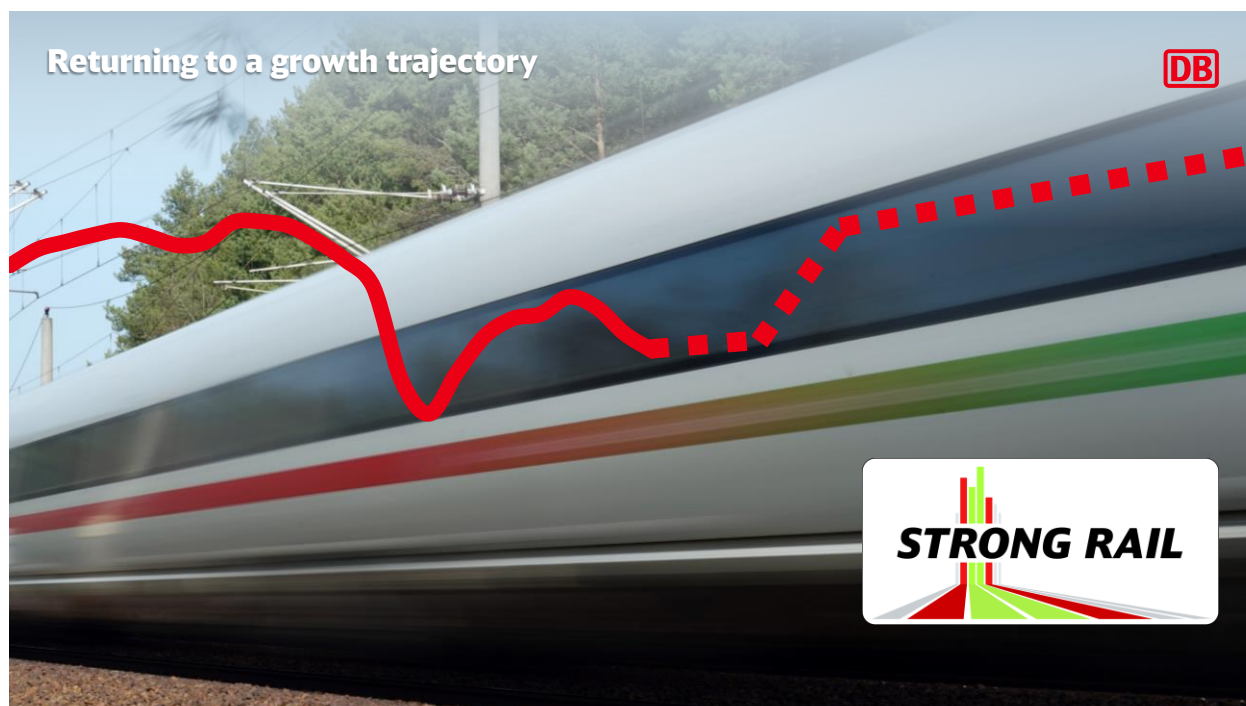


We will not be able to accomplish this overnight. But we will begin to see improvements in 2021. We expect passenger numbers and cargo volumes to increase.

We currently anticipate an operating loss of roughly EUR 2 billion for the 2021 financial year. Revenues should improve to at least EUR 41 billion. Of course any of the forecasts we make at this time are subject to a high level of uncertainty.

I am confident, however, that DB will return to profitable business in 2022. Climate-friendly mobility is more important than ever for people in Germany and the rest of Europe.

Richard, I would like to hand the floor back to you now to say a few more words about our outlook.

Part C - Dr. Richard Lutz

Ladies and gentlemen, as Levin said, we are in a tough position. Nevertheless, we remain full of optimism as we look toward the future. Demand for train travel and freight transport *will* return. I am confident of that. We saw last summer how quickly it can happen.

And this year will be no different. As more people are vaccinated, more people will be able to travel again.

Even the trend toward working from home won't stop people from traveling. On the contrary. We've seen around the world that digital societies are more mobile societies. As life and work become more flexible, we will also have more opportunities to live and work on the go. That can only benefit us at DB. People are eagerly looking forward to traveling again - that much is clear.

And once Covid-19 becomes less of a concern, people will also start to focus more on climate change again. It may not be the center of attention at the moment, but it is no less important for that. One response to the climate crisis is to shift more traffic to rail. Rail is the greenest of all modes of motorized transport - it is essentially a vaccine for climate change.

Our environmental edge attracted people to rail in increasing numbers before the pandemic. And it will do so again once the pandemic is over. Climate-friendly ways to get around will continue to be popular in the future.

As efforts to decarbonize the economy continue, green freight transport and sustainable supply chains will be in demand. DB Cargo, as a provider of climate-friendly logistics for all of Europe, will be the beneficiary.

You can be sure that we will be well prepared when the situation improves and our business returns in full. We will hit the ground running, with products and services that are better than ever.

By offering services such as our XXL ICE, new night train lines and our Super Sprinter as alternatives to domestic flights, we will work to win over even more passengers and get them excited about train travel – so we can pick up where we left off in early 2020 and continue our record growth.

At DB Cargo, we will double rail traffic to and from China. And we will offer better overnight connections between European ports and German economic centers.

We will need to step up spending for infrastructure even more, to an all-time high. Some EUR 12.7 billion will be spent this year in what we have dubbed the New Network for Germany. This will lay the foundation for introducing a Germany-wide integrated regular-interval timetable in the years to come.

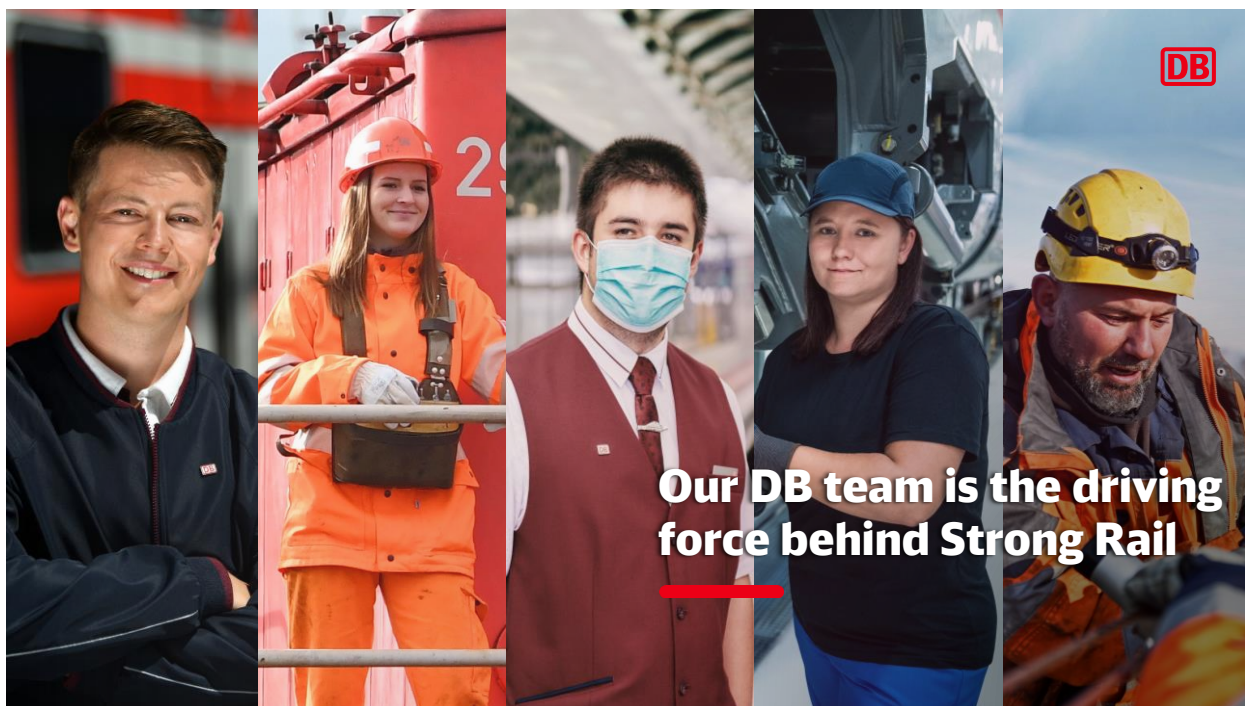
Ladies and gentlemen,

despite all of the setbacks we have faced, I can say one thing with absolute certainty: our objectives will remain in place. Strong Rail is still valid; Strong Rail works. We are on the right path, and we will stay on that path.

Personally, I am very much looking forward to the years to come. I've been at DB for 27 years now. I started out as an ordinary employee and have now been DB's CEO for four years.

This might come as a surprise in the midst of such a serious crisis, but the job is more fulfilling now than ever before!

That's due in large part to the people – the DB team – that make this company what it is.



This past year, we've witnessed the great things our team can do - in all units and at all levels. And so I am all the more delighted that the Supervisory Board has expressed its continued support for our strategy and has renewed my contract as well as those of Ronald Pofalla and Berthold Huber.

Together with my fellow board members and our entire DB team - employees and managers alike - I intend to continue to work for, promote, and - if necessary - fight for a bright future for rail in Germany.

Because despite the difficulties we currently face, the future of rail has never been as promising as it is now. At DB, we are acutely aware of the great responsibility this places upon us, and it motivates each and every one of us to do our very best - to take our promising future and make it reality.

Thank you.

Photo credits



Slide 1 Deutsche Bahn AG | Wolfgang Klee
Slide 2 Deutsche Bahn AG | Oliver Lang
Slide 3 Deutsche Bahn AG | Stefan Wildhirt
Slide 4 From left:
Deutsche Bahn AG | Georg Wagner
Deutsche Bahn AG | Oliver Lang
Deutsche Bahn AG | Patrick Kuschfeld
Slide 5 From left:
Deutsche Bahn AG | Claus Weber
Deutsche Bahn AG | Volker Emersleben
Deutsche Bahn AG | Dominic Dupont
Slide 6 Deutsche Bahn AG | Volker Emersleben

Slide 7 Deutsche Bahn AG |
Slide 8 Deutsche Bahn AG |
Slide 9 Deutsche Bahn AG |
Slide 10 Deutsche Bahn AG |
Slide 11 Deutsche Bahn AG | Volker Emersleben
Slide 12 From left:
Deutsche Bahn AG | Oliver Lang
Deutsche Bahn AG | Oliver Lang
Deutsche Bahn AG | Dominic Dupont
Deutsche Bahn AG | Oliver Lang
Deutsche Bahn AG | Max Lautenschläger