



„DB2020 – guiding us toward the future“

Annual Results Press Conference for 2014 Financial Year

Deutsche Bahn AG
DB Mobility Logistics AG

Dr. Rüdiger Grube
CEO and Chairman of
the Management Board

Berlin, March 19, 2015

- The spoken word takes precedence. -

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Dear ladies and gentlemen,

On behalf of the entire Management Board, I would like to welcome you to our 2015 Annual Results Press Conference.


First, I will report on our business performance in 2014. I will then address challenges, progress and adjustments we have made in implementing our DB2020 strategy. As always, the entire Management Board will then be available to answer your questions.









Ladies and Gentlemen, the mobility and logistics markets are undergoing profound and sweeping changes. A digital transformation is in full swing. As mobile internet makes its way into nearly all areas of our lives, many of our customers' expectations are changing.

Specifically, they have different expectations of the rail mode and transport and logistics solutions than they did ten years ago, or even five years ago. We are bringing the digital transformation to all of our business units so that we can do even more to meet our customers' new expectations, which are changing at an increasingly rapid pace. This task means that DB is facing the most radical change since the German Rail Reform in 1994.

And yet we are very optimistic as we face the digital transformation. We at Deutsche Bahn intend to actively drive digitalization ourselves. We see ourselves as a leader of this development, and under no circumstances will we allow ourselves to become a follower. Later, I will explain in detail how we will achieve this, and what tools we will use.

DB's Sustainability Report and Annual Report published as one integrated report for the first time 



-  Stakeholder focus
-  Financial and non-financial growth
-  Strategic orientation
-  Outlook
-  Integrated approach

DB is one of the pioneers in integrated reporting

Integrierter Bericht 2014

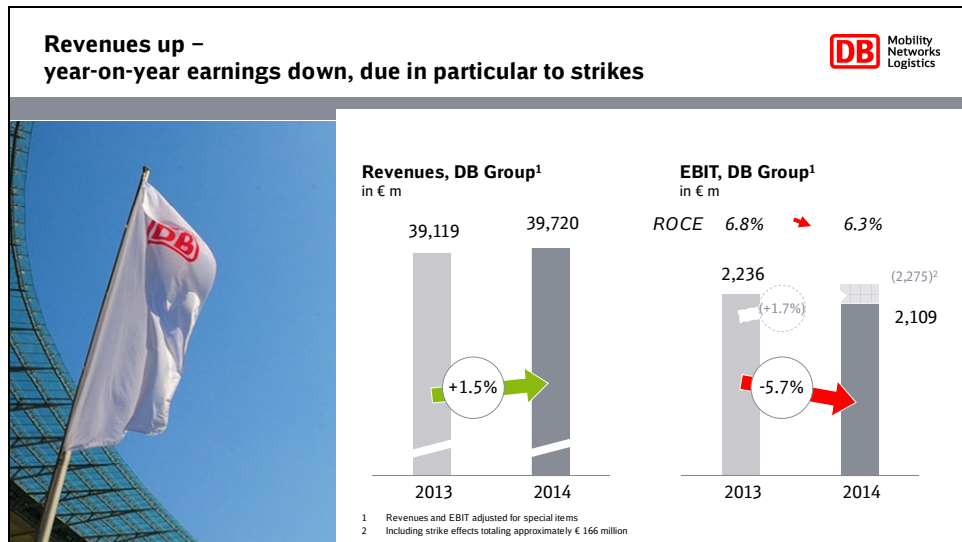
Our reporting methods have also undergone a transformation.

We are delighted to be able to present our annual report and sustainability report today as a single, integrated report for the first time. The report contains all of the information and facts about the past financial year and a great deal of supplemental information on financial and non-financial developments - at one time - and in one publication. Many results are being published much earlier than they used to be and are illustrated in a way that makes them even easier to understand.

Creating this level of transparency makes us a pioneer in integrated reporting.

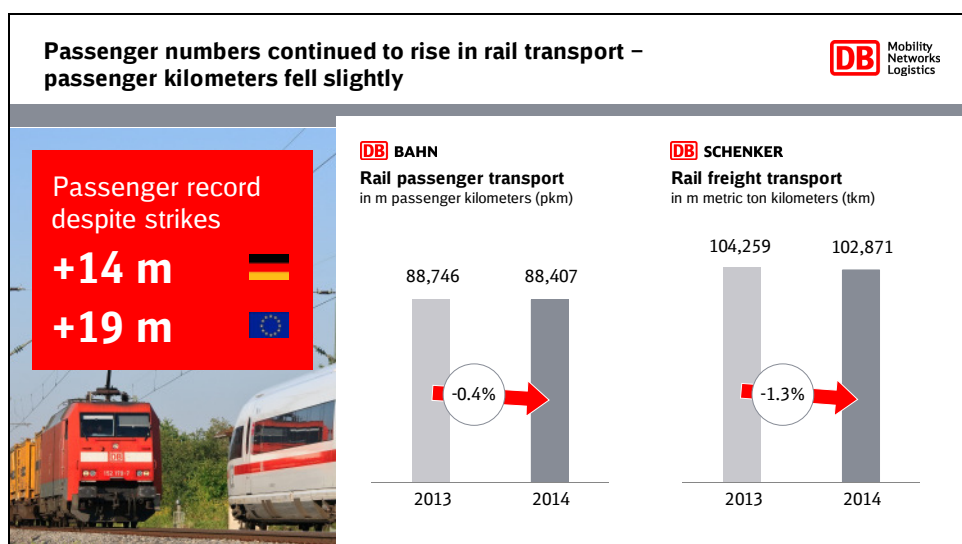
All text and illustrations are also available online, in a standard web version and a mobile version for smartphones and tablets.

The integrated report follows the structure of our DB2020 strategy: each of the three sustainability dimensions - economic, social and environmental - are presented in detail, equally and transparently. And that brings me to the 2014 financial year.



The Group's revenues as a whole rose 1.5% to EUR 39.7 billion in 2014. EBIT – earnings before interest and taxes – was down 5.7% year on year, however, at a touch over EUR 2.1 billion.

The drop was a result of factors that included the devastating damage caused by storm front Ela in the early summer, which resulted in EUR 60 million in lost earnings, and the strikes by the German Train Drivers' Union in the fall, which cost us EUR 166 million. If not for these two negative factors, EBIT would actually have been up slightly year on year.



The continued growth in rail passenger numbers is something we are incredibly pleased about.

Despite 165 hours of strikes and days of restricted rail operations following storm front Ela, we welcomed some 14 million more passengers aboard our trains in Germany in 2014. In all, 2.03 billion passengers rode our trains, setting a new passenger record.

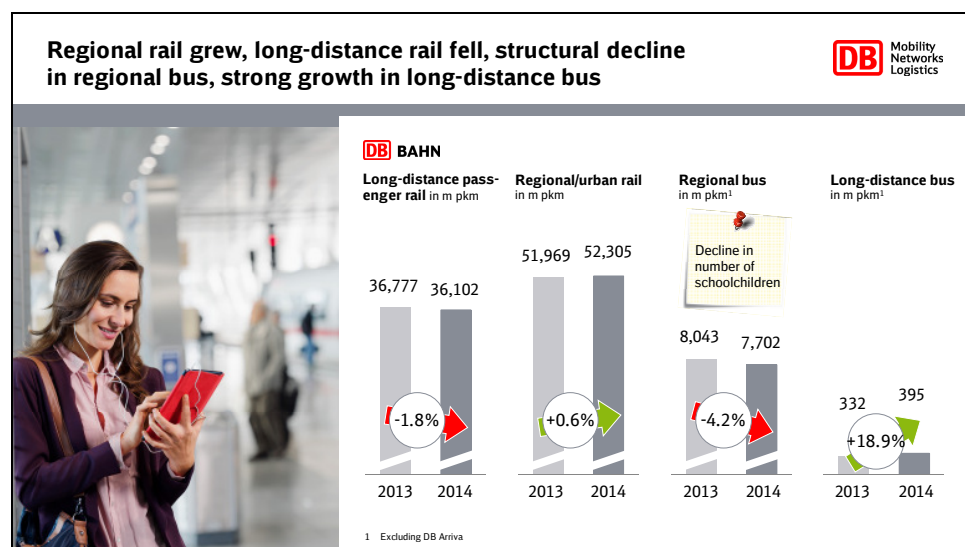
We owe this great achievement to our employees. On behalf of all my colleagues on the Management Board, I would like to express my sincere thanks to all of our 310,000 employees around the world for this achievement and for their enormous dedication over the past year.

We attracted new customers outside Germany as well: in fact, our growth rate was even higher abroad. Compared with the year prior, we welcomed a total of 19 million more passengers aboard our trains Europe-wide, including our DB Arriva trains.

Volume sold measured in passenger kilometers – the number of passengers carried multiplied by the kilometers traveled – was down slightly, however, by 0.4%.

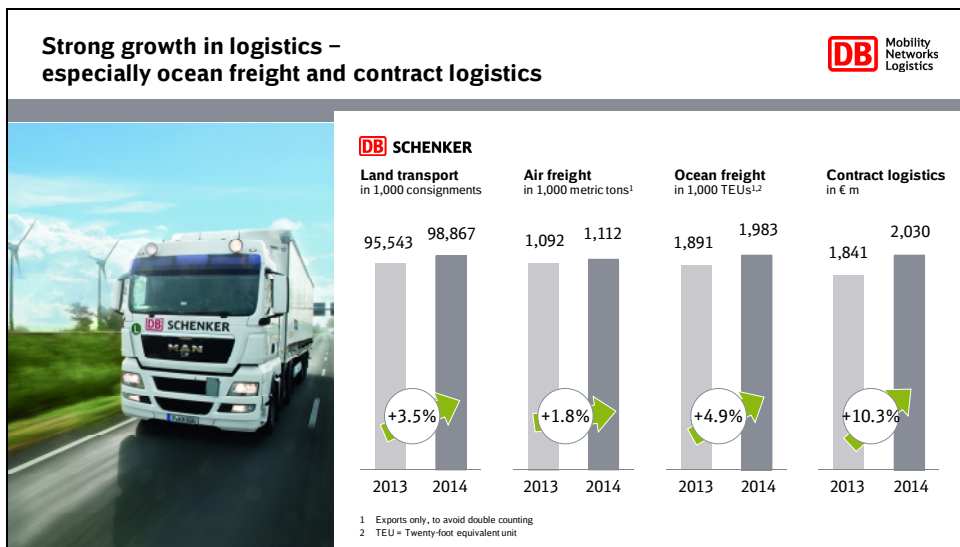
Volume sold in freight transport, measured in metric ton kilometers, was also down somewhat.

In both cases, the strikes were responsible for the decline.



However, passenger kilometers rose again in regional and local transport, where volume sold is much higher in total than in long distance-transport. This rise occurred despite the fact that regional and local transport was also affected by the strikes.

DB's long-distance bus segment also experienced growth, rising to 395 million passenger kilometers in 2014, a 19 percentage point increase.



We also recorded growth in our logistics business units. Contract Logistics in particular made considerable gains again, growing by over 10%.

Largest modernization campaign in DB history launched – LuFV II signed on January 12, 2015

LuFV II (2015-2019)
€ 28 bn
 in total for the existing network (€ 11.4 bn in own funds)
 plus
€ 7 bn
 budgeted for new construction and upgrades

Economic – Profitable market leader

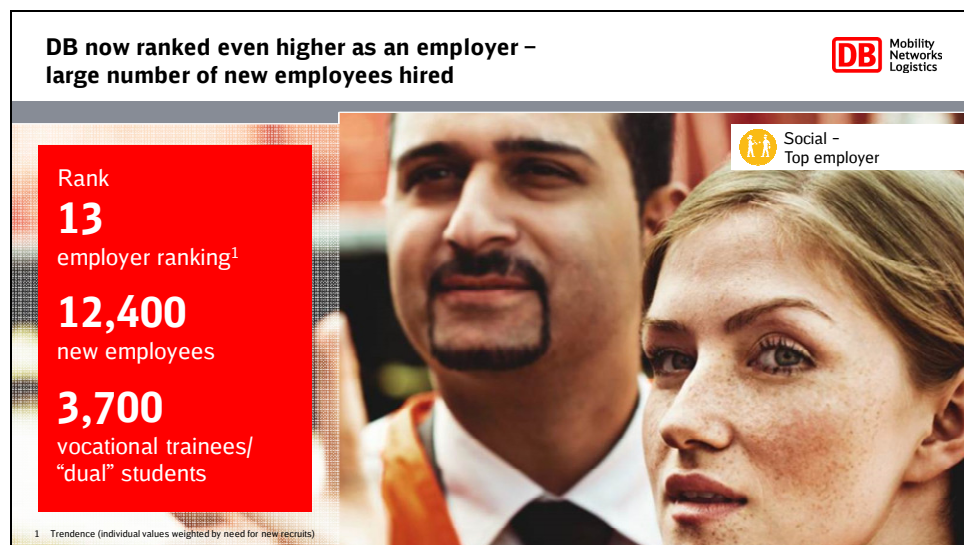
We reached a milestone in 2014 when we signed the second Performance and Financing Agreement, also known as the LuFV II, with the German government.

Ladies and Gentlemen, the largest modernization program for existing rail infrastructure in the history of DB AG is under way.

The LuFV II has a total investment volume of EUR 35 billion for rail infrastructure in the next five years:

EUR 28 billion for existing infrastructure and EUR 7 billion for new construction and upgrades. A modernization campaign of this size is unparalleled in Germany and Europe. And by mounting this campaign, we are laying the foundation for rail to continue to grow.

Another aspect that is helping lay the foundation for further growth is the reform of the approval system for new and existing rolling stock that passed in 2014 – another milestone for rail transport.

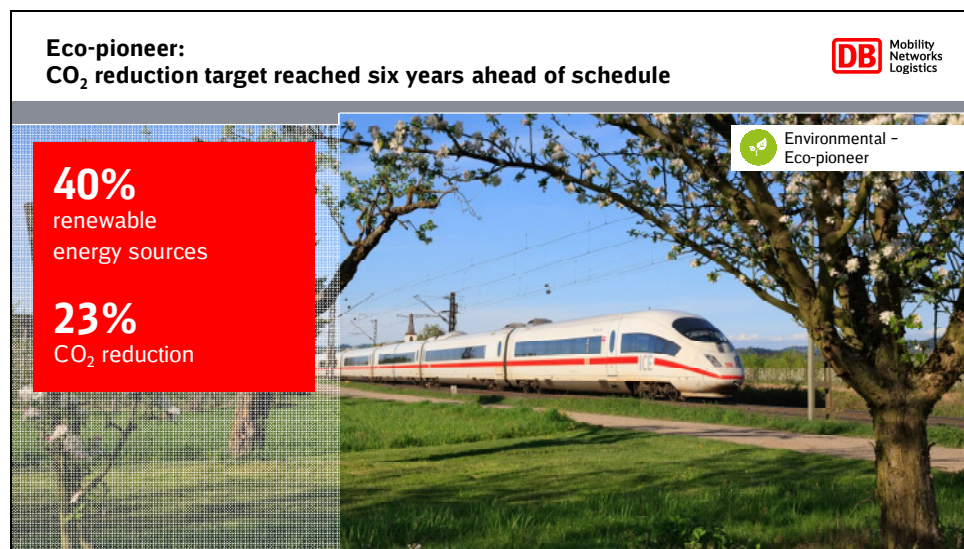


Deutsche Bahn also made measurable progress on the way to becoming a top employer.

According to regular surveys by the market research institute Trendence, we moved up among the applicant groups that are relevant to us from 22nd to 13th in 2014. Among much-sought-after engineering students, DB even made the top ten for the first time, ranking tenth in the Universum list of preferred employers in Germany.

In 2014, we hired a total of 12,400 new employees, plus 3,700 vocational trainees and cooperative education students. DB was once again one of the leading companies in Germany in terms of new hires.

We are also delighted that according to our most recent global survey we have continued to make improvements in employee satisfaction. We scored 3.7 on a scale of 1 to 5 - higher than on our last employee survey in 2012.

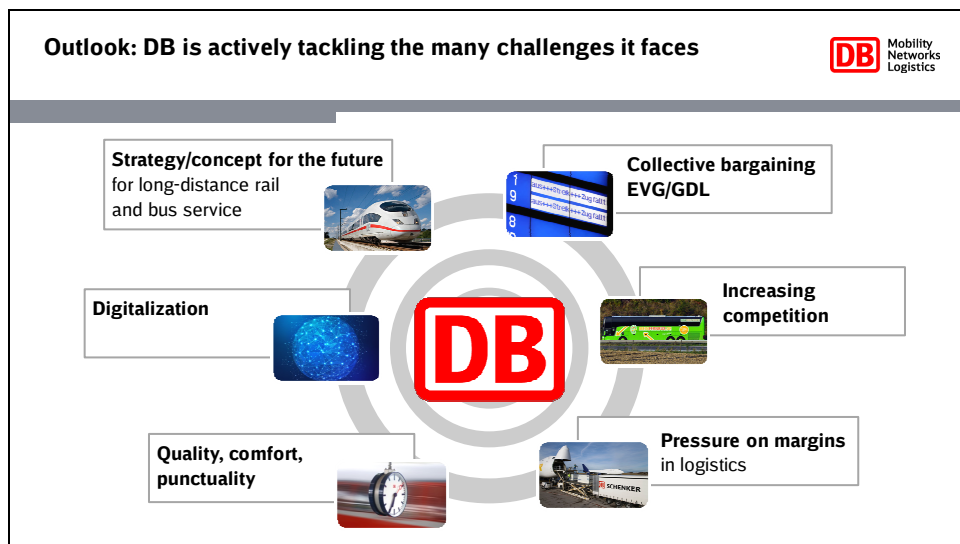


We also made two quantum leaps in the environmental dimension of our strategy in 2014.

- First: We increased the percentage of renewable energy sources in our traction current to 40% in 2014. We reached our original target of 35% by 2020 back in 2013 - seven years ahead of schedule. In 2014, we managed to increase the share of renewables by five more percentage points. That means that 40% of our traction current now comes from renewable energy sources.
- And second, we had originally set out to reduce specific CO₂ emissions - the total carbon dioxide emissions from all modes of transport - by 20% by 2020. We also met this target ahead of schedule, cutting CO₂ by 23%.

These achievements mean that we are, and will remain, an eco-pioneer in the energy transition. We are confident that switching to renewable energy sources, in transport in particular, is important and the right thing to do.

2014 made it clear once more that the energy transition must go hand in hand with a transport transition that will shift more traffic to rail. That is why it is all the more important for rail to no longer have to face unfair competitive conditions. The goal of creating the same conditions for all market participants should apply to the transport sector as it does elsewhere. And that is far from the case right now. Action is urgently needed. Which brings me to our look at what's ahead.



What challenges are we currently facing?

- First, the collective bargaining negotiations with the German Train Drivers' Union and the German Railway and Transport Union, in which we would like to reach an economically viable solution as quickly as possible. Once again, I am calling on the sense of responsibility, reason and proportion of all bargaining partners.
- The second major challenge we are facing is increasing competitive pressure in the mobility sector – caused primarily by dynamic developments in the long-distance bus market.
- The third challenge is a global one: the extreme pressure on markets in the global transport and logistics business.

- Fourth, we still want to greatly improve product quality across all business units. In terms of rail, that especially means stabilizing punctuality and offering even higher quality and even more convenient and comfortable service for our passengers.
- Fifth, as I mentioned at the outset, digitalization means our entire industry has major tasks ahead of it. At the same time, there are major opportunities associated with the digital transformation. The challenge is to use these opportunities to quickly create noticeable benefits for customers and our company.
- And finally, a sixth challenge is to realign our long-distance rail and road services.

We are developing concrete solutions to actively tackle these challenges.

DB's new long-distance bus services:
One brand, more connections, greater benefit for customers





Strong brand

Quadrupling the number of routes

Expanding cross-border lines

Integrating into the bahn.bonus program

Attractive prices

As my fellow Board Member Ulrich Homburg reported on February 23, we will be expanding our long-distance bus services. In the future, all of DB's long-distance buses will operate under the single BerlinLinienBus brand. We will be adding new lines and destinations beginning mid-year. By the end of 2016, we will have quadrupled the number of journeys.

This expansion is part of our long-term commitment to the long-distance bus market: we view long-distance bus transport as an integral component of the transport market.

Our Long Distance campaign:
Germany in sync – more green mobility for Germany



50 million more passengers by 2030

ICE core network with faster, more frequent connections

Connections every two hours to nearly all large cities: 190 new direct IC connections

€ 12 bn in investment

Cutting annual CO₂ emissions by 1.7 m metric tons



We will also be mounting a long-distance rail campaign, the likes of which have never been seen before. Millions of customers throughout Germany will benefit, and so will the environment. Mr. Homburg reported on the campaign yesterday.

We will be greatly expanding the ICE network by 2030. Most of all, the network will offer faster, more frequent connections. There will be two journeys an hour on some main corridors. Nearly all of Germany's large cities will be connected to Deutsche Bahn's long-distance network every two hours thanks to 190 new IC connections.

The goal is to attract an additional 50 million new customers by 2030 – an increase of 40%. Fifty million additional customers would be another major contribution to the energy and transport transition. Specifically, our new long-distance concept would make it possible to cut annual CO₂ emissions from transport by 1.7 million metric tons. That's equivalent to the annual CO₂ emissions of 600,000 cars.

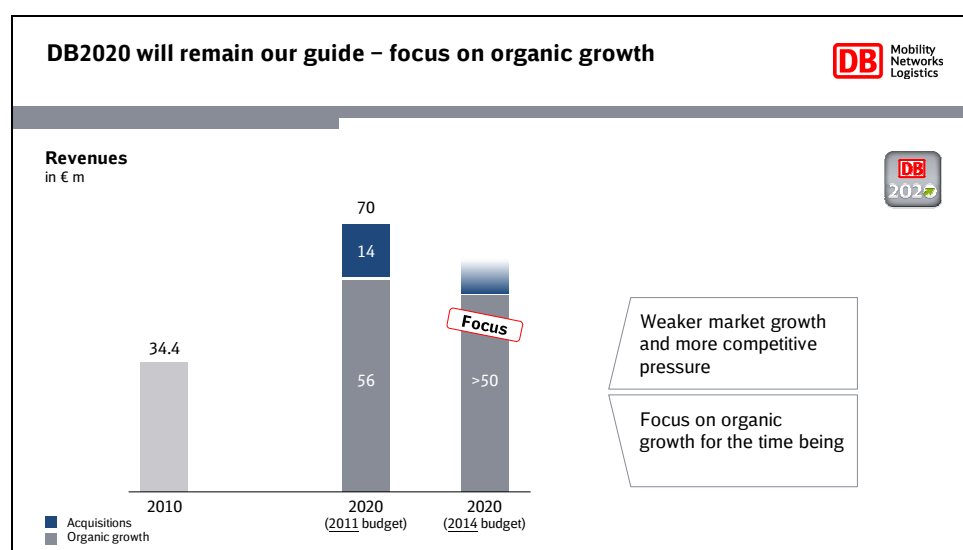
In all, we will invest some EUR 12 billion in our long-distance services by 2030.

The first concrete improvements will already be made in the next months.

Once concrete improvement is cellular reception. We are currently installing the latest generation of repeaters on our ICE trains. Beginning in 2016, free wireless internet will be available on all ICE trains, including in second class. This fall, the new entertainment and information portal will be available on all ICEs.

What's more, new functions will be added to the DB Navigator this year.

And when the new high-speed line between Halle/Leipzig and Erfurt opens in December, journeys will become even shorter for thousands of DB customers.



Continuously improving the quality of our products and services is the primary objective of our DB2020 strategy and will remain so.

Nevertheless, we cannot ignore the fact that the market environment has changed dramatically since 2012, the year we introduced our strategy, and has restricted our financial leeway. Our growth targets need to reflect these changes.

Specifically, we need to examine our targets for revenues generated from acquisitions. What is not an option is for indebtedness to increase disproportionately as a result of acquisitions. We will remain a reliable partner on the capital market.

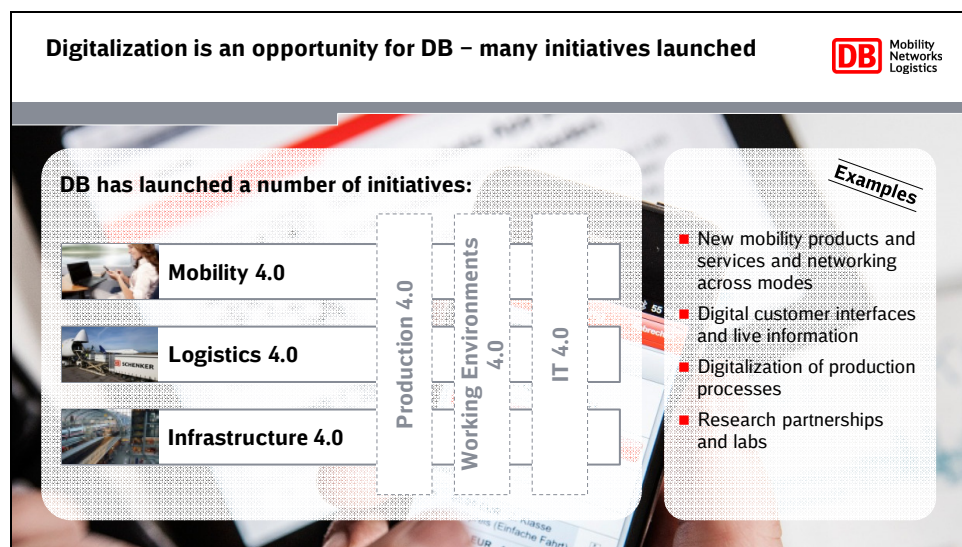
We originally intended to increase revenues to EUR 70 billion by 2020: EUR 56 billion from organic growth plus EUR 14 billion from further acquisitions and investments. Organic growth was always the primary focus.

From the very beginning, it was important for us to develop our company in accordance with our financial targets.

That's why organic growth will continue to be our focus in the future - and we intend to grow by over EUR 50 billion by 2020. We will acquire new companies and invest in affiliates when we have the financial room to do so.

We are working on creating this financial room by implementing measures such as comprehensive cost-cutting programs. Group Management alone will save EUR 600 million in the next five years.

And we will be relying on digitalization to an even greater extent.



We will use a number of 4.0 initiatives to promote the digital transformation throughout the Group. All of our experience so far has shown that digitalization is creating enormous opportunities - for example, for customer information and the operational processes at our company. And that is the case in both Passenger Transport and Transportation and Logistics.

We will also be developing new mobility, transport and logistics services.



"WE are facing the
most **RADICAL**
CHANGE since the
German Rail Reform."

As I mentioned at the beginning, we at Deutsche Bahn are facing the most radical change since the German Rail Reform.



**Embrace the Change =
Shape the Future**

But we have resolved to embrace this change and, in so doing, to shape the future. We are very confident of the diverse potential digitalization has to offer for Deutsche Bahn.

And now I would like to hand the podium over to my colleague Richard Lutz.

Thank you.

Photo credits



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