



„DB2020 – guiding us towards the future“

Leaner, faster, more efficient and more customer focused

2015 Interim Results Press Conference

Deutsche Bahn AG

DB Mobility Logistics AG

Speech of Dr. Rüdiger Grube
CEO and Chairman of
the management board

Berlin, July 28, 2015

- The spoken word takes precedence. -

Ladies and gentlemen,

I would also like to offer you a warm welcome to this year's interim results press conference.

The past few weeks have been very eventful ones for DB. As you all know, we spent the first six months of this year dealing with massive strikes by GDL, the German train drivers' union, and this certainly left its mark on our balance sheet.

But before I address the financial performance of Deutsche Bahn, I would like to start by giving you some details about the restructuring of the Group. As you know, yesterday I proposed a six-point restructuring program to our Supervisory Board.

This six-point program is aimed at making our company faster, leaner, more efficient and more competitive – and aligning it more closely with the demands of the markets and the needs of our customers. The Supervisory Board accepted our recommendation and approved an extensive restructuring of the Group.

Along with structural measures, there will also be some personnel changes on the Management Board which I will go into in a moment. DB's new Management Board team is here at today's press conference to answer your questions.

Directly to my right is **Dr. Richard Lutz**, who will continue to head the Finance/Controlling Division. **Ulrich Weber** will also remain the head of the Human Resources Division.

Ronald Pofalla will take over leadership of the expanded Economic, Legal and Regulatory Affairs Division. This division will bring together the Compliance, Legal Affairs, Corporate Security and National and International Relations departments.

Berthold Huber, another new addition to the Management Board team, will head the new Traffic and Transport Division.

Dr. Volker Kefer will continue to serve as the Board Member for Infrastructure and Services and will also take on responsibility for Technology. In his new division, Dr. Kefer will be responsible for key elements of our business.

Just to give you a few examples:

- Commissioning of a section of the German Unity Transport Project (VDE) 8, specifically, the high-speed line between Halle/Leipzig and Erfurt
- Completion of the Stuttgart 21 project
- Implementation of the Performance and Finance Agreement, or "LuFV" as it is known in German, to fund the existing German rail infrastructure network.

All of these projects are of critical importance to our company, and their investment volume is testimony to that: some EUR 50 billion over the next five years. In light of the key role that infrastructure modernization will play, the Supervisory Board also has approved my proposal to appoint Dr. Kefer to the position of Vice-Chairman of the Management Board.

In addition, Dr. Kefer will head up a corporate program to increase the competitiveness of rail operations in Germany. The three main objectives of this program are to improve:

- services to customers,
- the quality of services provided, and
- profitability.

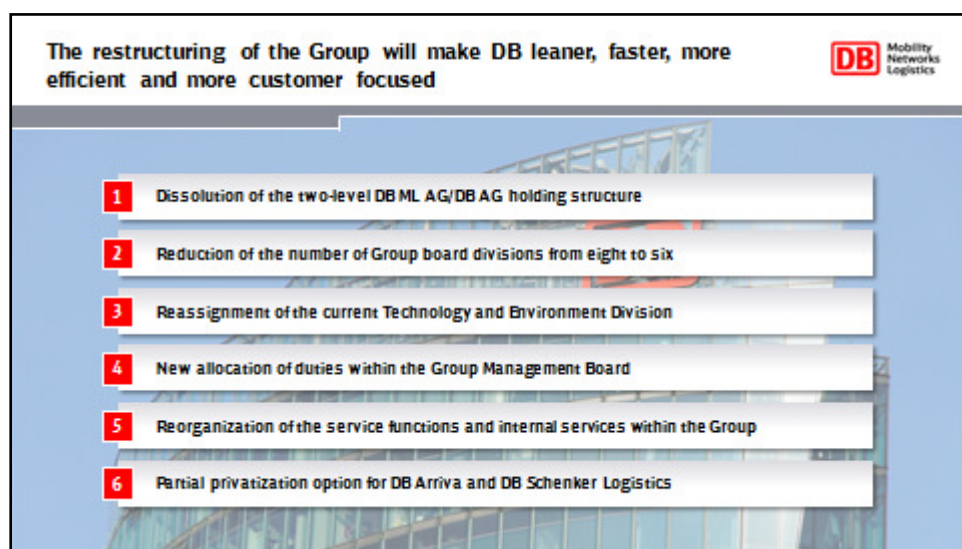
We would like to express our thanks to **Gerd Becht, Dr. Heike Hanagarth, Ulrich Homburg** and **Dr. Karl-Friedrich Rausch**, who will be leaving the company.

They have all shown great passion and dedication in serving our company during their time here. Both the Supervisory Board and we in the Management Board would like to thank our departing members for their willingness to allow our realignment to take place amicably.

Ladies and gentlemen, the corporate restructuring that has now been approved is our response to the rapid changes happening in our businesses.

Our current cost structures in many areas – for example at the corporate level – are no longer competitive and urgently need to be changed. We plan to work together with our employee representatives to rapidly develop and implement the changes that have been approved. We also plan to present the entire concept to the Transport Committee of the German Bundestag at its first meeting after the summer break.

Now I'd like to go through the major elements of our six-point program.



First: The current two-level structure in the holding company will be dissolved, and with it DB Mobility Logistics AG. This will eliminate the need for two levels of management. In doing so, it will make cost and labor-intensive duplicate work unnecessary and will substantially reduce the amount of coordination needed. The simplified holding structure will also speed up decision-making processes considerably and help us find comprehensive solutions much more quickly.

Second: The number of Management Board Members will be reduced from eight to six, a decrease of 25%, and the position of Chief Representative will be eliminated.

At the moment, there are no female members on the new Management Board. However, we have been successful in reaching a substantial percentage of women in leadership positions at the level directly below the Management Board, and we do aim to achieve this on the Management Board in the future.

Our main goal in carrying out this reform of the Management Board is to have fewer divisions, and to tailor these divisions specifically to the requirements of our markets. This will make DB stronger and more efficient.

Third: The areas of responsibility currently in the Technology and Environment Division will be reassigned. For example, Quality Management and DB Systemtechnik, our center of expertise for vehicle, inspection and measurement technology, will be transferred to the Infrastructure, Services and Technology Division.

The central Purchasing unit will join the Finance/Controlling Division. The CIO, who is responsible for developing and implementing DB's IT strategy, will also be assigned to this division.

Fourth: We will modify the allocation of duties within the Management Board. First of all, we will establish new, combined responsibilities for our core business, rail operations in Germany. This includes bringing together our rail companies in one single division. This division will include freight transport, which will nonetheless retain its European focus. The rail companies will be kept structurally separate from infrastructure and all other components of the integrated rail system.

This reorganization of our rail operations is critical for us if we wish to take a holistic approach to tackling the impending challenges we face in our core business. Regional and long-distance bus transport will also remain part of our core business going forward.

I'll provide you with some information on why this reorganization is necessary shortly. And I'll also give you some details about how our other business units will be reorganized.

Fifth: The service functions and internal service providers within the Group will be reorganized. The objective here is to determine which activities and functions should remain at the corporate level and which ones can be transferred and consolidated effectively and in a way that makes sense.

Our aim is to put all of the service functions and some of our internal services under the same management, in the form of the DB Global Service Center, in order to create more transparency and place a focus on cost reduction, operational excellence and competitiveness.

In the future, the corporate level will focus solely on Group management functions and guideline authority. These concepts are expected to be completed by the end of the year and will be presented to the Supervisory Board at its regular meeting on December 16.

Sixth: We will bring together DB Arriva und DB Schenker Logistics, our international businesses, in one division: Finance. We are keeping open the option of a partial privatization of DB Arriva und DB Schenker Logistics in order to utilize growth potential on the international markets as effectively as possible. Nothing has been decided here yet. And I would like to make it perfectly clear that we are not considering selling off these companies. On the contrary, we will retain business management control of both DB Arriva and DB Schenker Logistics. Should partial privatization take place at a later point, it is of key importance to us that we be able to further consolidate both businesses.

Just to make it clear: our new Group structure is also a response to the special conditions on our markets.

DB Arriva and DB Schenker Logistics represent our international business. And with both companies, we have to place our focus completely on global competition. Businesses focused globally are subject to very dynamic competition and global cost pressure.

In contrast, the rail business in Germany is under substantial scrutiny from the general public and from policy-makers. It is highly regulated, and the systems represented in the business units are closely interlinked.

In addition to the six measures I just presented, we are also instituting additional measures to cut costs and raise efficiency.

Just to give you a few examples:

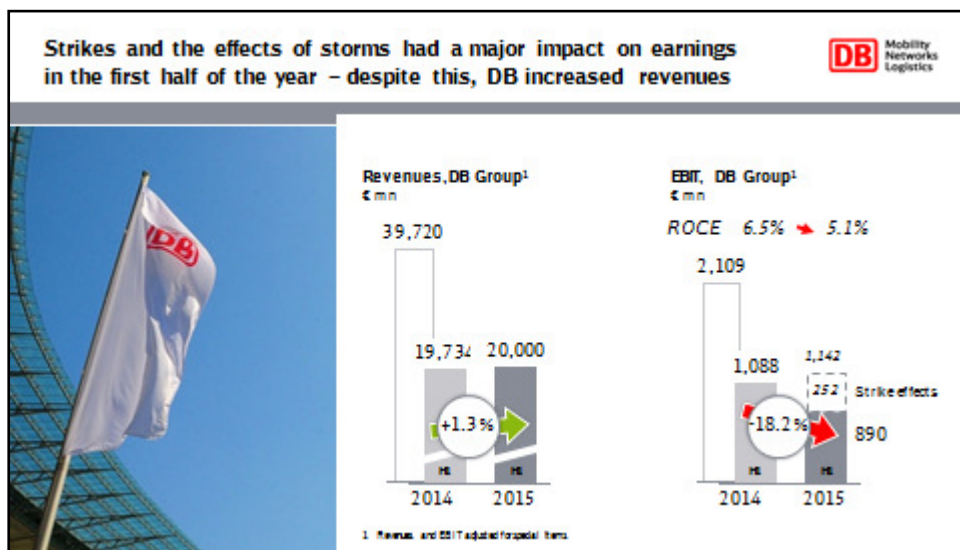
- We are streamlining decision-making bodies and reporting lines.
- We are also planning to review our real estate portfolio.
- Management Board Members will each have only one office going forward, meaning that our second headquarters in the Gallusanlage building in Frankfurt will be dissolved.
- At Group Management, we want to set a good example for the operational units, and will thus cut corporate costs by EUR 610 million over the next five years as compared with our budget figures.
- Moreover, the six-point program I outlined is expected to generate additional savings of at least EUR 100 million in Group Management alone.
- This means that all of these measures together are expected to save over EUR 700 million through 2020 at the corporate level alone.

Having fewer duplicate structures and less overlap also means less bureaucracy and thus lower costs. Significantly, less bureaucracy means higher employee satisfaction and more time to spend serving our customers. Because, as we all know, our customers are the key to continued economic success and profitable growth. We want to generate more profitable growth again, something which is essential if we are to continue implementing our DB2020 strategy.

One thing is clear: a lot is changing in our markets. The needs of our customers are changing at an increasingly rapid pace. And demand patterns are becoming increasingly individualized. The increasing digitalization of our day-to-day lives plays a key role here.

These changes in our markets mean that we, as a service provider, also have to change. We have to become more dynamic. And to do this, we need a fundamental shift. This shift is not limited to the corporate level either. The business units also have areas which we have to tackle with just as much resolve. What we are talking about here is a comprehensive reorganization of the entire Group. With this reorganization, our main goal is to turn our financial results around.

That brings me to the key financial figures for the first half of 2015.



From January to June, we raised our revenues by 1.3% year on year, to EUR 20 billion. Considering the difficult conditions we sometimes faced, this achievement was by no means certain.

Starting in the Fall of 2014, and throughout the first half of this year, we were engaged in the largest and most serious collective bargaining dispute in the history of DB AG, which resulted in nine waves of strikes. These strikes demanded enormous patience from our customers, cost our employees a great deal of time and energy and lost our company key revenues. The financial losses caused by the strikes in 2014-2015 amounted to some EUR 500 million. In the first half of 2015, they cost us more than EUR 250 million in earnings.

Moreover, rail operations in Germany were badly hit by several severe storms during the first half of the year. For these reasons, among others, our earnings before interest and taxes were below our expectations, at EUR 890 million.

My colleague Richard Lutz will provide you with additional details and figures shortly.

An analysis of the figures from the first half of the year indicates that the losses due to strikes and weather conditions had a significant negative impact on our earnings. Nevertheless, even if we remove these special effects from our calculations, we see that revenues and EBIT were still below the levels we had aimed for.

This is a development we plan to respond to. We plan to bring Deutsche Bahn back onto a path of strong growth as quickly as possible.

Superficial changes will not be enough to achieve this. We need bold, forward-looking decisions that serve the interests of our employees, our customers and our owner.

We need leaner management, less complex structures, better utilization of synergies and an even greater focus on our customers.



Throughout all of this, we remain fully committed to our DB2020 strategy and thus to sustainable, holistic corporate success.

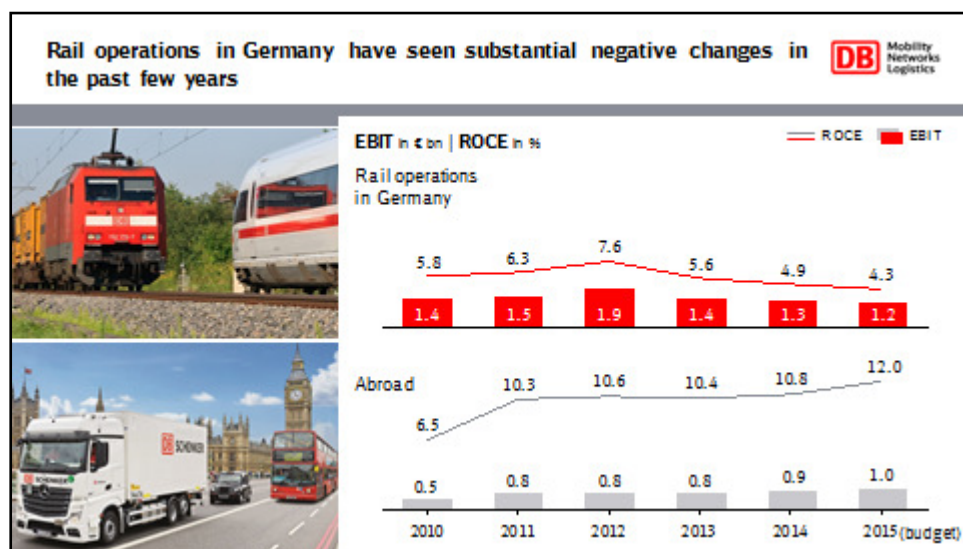
We also remain fully committed to bringing the economic, social and environmental dimensions of our strategy into harmony with each other.

Over the past few years, we have made great progress in our social and environmental dimensions, reaching our goals early and in some cases even exceeding our targets. That was the case with CO₂ emissions and our expanded use of renewable energy, for example.

However, continued success with regards to our appeal as an employer and our environmental footprint depend in part on whether we can generate additional profitable growth.

In our business abroad, we have been able to grow successfully in dynamic markets. Unfortunately, we have not sufficiently achieved such growth in our home market.

Since 2012, we have observed a negative trend with regard to earnings in our core business, rail operations in Germany. This is particularly problematic because we need to finance our planned investments in infrastructure, vehicles and new mobility products, which amount to billions of euros.



Our trains have generated progressively less in earnings over the past few years.

The EBIT generated by rail operations in Germany has declined from some EUR 1.9 billion in 2012 to only EUR 1.3 billion in 2014. At the same time, our capital employed has increased by EUR 1 billion.

The German rail business accounts for 75% of our company's total capital employed. But the return on this capital is shrinking instead of growing. Growth in returns is essential to us, however, since roughly 90% of all DB investments over the coming years are planned for rail operations in Germany.

This discrepancy makes it clear that we must reposition ourselves in order to continue the success story that rail has seen since the German Rail Reform started in 1994. The success of rail represents a major win for all of Germany with regard to transport and environmental policy.

Rail is the backbone of public transport in Germany, which has seen continuous growth in passenger numbers over the past ten years.

Rail sustains manufacturing in our key industries.

And, thanks to its very low environmental footprint, rail is essential to the success of the transition to sustainable power and achievement of our CO₂ targets in Germany.

We are firmly convinced that this mode of transport can continue to be competitive and economically successful in the future. That is why the restructuring of our Group is focused on bringing our rail transport products in line with the market and making them more customer friendly. This is crucial, because rail in Germany is currently subject to harsh competition.



In long-distance transport, a variety of new competitive factors, from long-distance buses to carsharing and ridesharing, have emerged on the market.

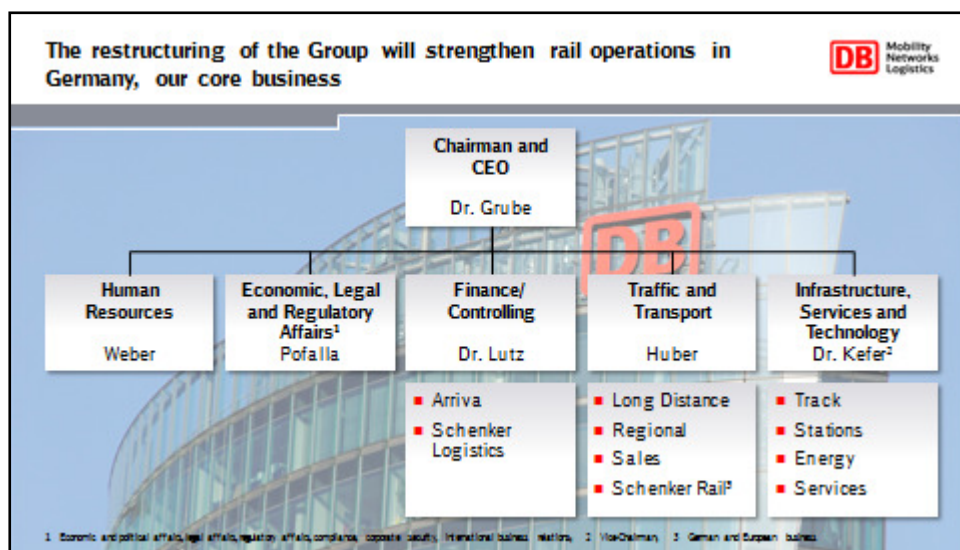
A growing number of foreign competitors are entering the regional and local rail passenger transport market. Regional and local transport tenders are increasingly being split up into individual services, which negate the advantages that we can offer as an integrated system provider.

In rail freight transport, we are faced with more intense competition and pressure on margins due to the drop in fuel prices, which have declined an average of 7.5% per year since 2012, and lower tolls on trucks.

At the same time, regulation and increasing energy and staffing costs are placing an ever greater burden on the rail system as a whole.

For this reason, our new company structure will consolidate our rail expertise even further going forward. By doing so, we will create conditions under which we can better utilize the German rail network and our trains. Our core business will be managed within a single division.

Now I'd like to give you the specific details of our new structure:



The new Traffic and Transport Board Division will now bring together DB Long Distance, DB Regio and DB Sales with a new addition – DB Schenker Rail with its entire European network.

These new structures are just the first step in a restructuring program focused on lasting improvements and aimed at bringing rail activities back onto the path to success. As part of this program, we will be reviewing and optimizing individual business models between now and the end of the year with regard to their profitability and operational excellence.

There will be personnel changes in two business units as early as September 1.

At DB Schenker Logistics, **Jochen Thewes** will be taking over the post of CEO. Mr. Thewes currently heads our logistics business in Region Asia/Pacific with great success.

There will also be changes to top management at DB Schenker Rail, our rail freight transport company.

Dr. Alexander Hedderich will resign from his position as CEO effective August 31. We will inform you shortly who will be his successor.

As you can again see on the slide, DB Arriva and DB Schenker Logistics have been assigned to the Finance/Controlling Division. And I'd like to repeat once more before I conclude that we are not seeking to completely divest from either of these companies. All we are considering here is a possible partial privatization and selling minority shareholdings.

There is no partial privatization of the German rail transport companies planned for the foreseeable future. An IPO is not on the agenda at this time.



The objectives of our restructuring are to use our streamlined organization to do the following:

- **First:** We want to reposition our products for the digital age successfully and sustainably on the market, particularly our German rail products.
- **Second:** We want to use our leading competitive position to actively shape Mobility 4.0 and to be a driving force in this area.
- **Third:** We want to continue to further improve the image of the DB brand.

We want to speed up our decision-making processes and more quickly achieve concrete improvements for our customers. This means we will also have to move in a new direction in our operational business.

Examples here include our participation in the start-up flinc, our partnership with Daimler in carsharing and our innovation campaigns at our labs near Frankfurt Central Station and at Jannowitzbrücke here in Berlin.

DB is continuing to modernize. On August 1, our restructuring of the Group will begin.


In the remaining months of this year, we will once again kick off many new activities. We will be running new trains, operating new high-speed lines and offering new digital products, to mention just a few examples. Specifically, this summer we started operating our brand-new class 407 ICEs, and our first double-decker InterCity trains will start running by the end of the year. We will also prepare the first train of our new ICx generation of ICEs for approval runs. Unlike in the past, we will now test our new trains for at least one year prior to commissioning. This will guarantee the highest level of quality and reliability for our customers.

Another milestone is the start of operations on the high-speed VDE 8.2 line between Halle/Leipzig and Erfurt. This is the next major section of the continuous high-speed line between Berlin and Munich. Millions of our rail customers in Germany will thus benefit from significantly shorter travel times starting in December. This expanded infrastructure will have a positive impact on the entire rail network in Germany.

A new digital application, our ICE Portal, will also be available to our customers this coming fall. It will feature a selection of information and entertainment programs to further improve service on our trains.

That is just a quick overview of what we have planned for the second half of the year. Ladies and gentlemen, we are now responding to this new era of digitalization with a far-reaching restructuring of the Deutsche Bahn Group. **The new DB will be leaner, faster, more efficient and even more customer focused.**

On that note, I'd like to give the floor to our CFO, Dr. Richard Lutz. Thank you.

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Slide 5	Max Lautenschläger, Max Lautenschläger	
Slide 6	From the top left (clockwise): Volker Emerleben, Jet-Foto/Kranert, Volker Emerleben, zettymaps +71550583, Frank Krieselot, Georg Wagner	
Slide 7	Volker Emerleben	
Slide 8	Jo Krohner	

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