"Working together for better quality, more customers and greater success."

Interim Results Press Conference 2016

Deutsche Bahn AG

Speech by Dr. Richard Lutz
CFO

Berlin, July 27, 2016

- The spoken text will take precedence in the event of differences. -

Ladies and gentlemen,

Please allow me to extend a **warm welcome** to today's interim results press conference.

Rüdiger Grube has already touched on the **figures for the first half of 2016**. As you will remember from previous conferences, I will first present an **overview of our key financial data** for the first half of 2016, followed by more in-depth remarks on individual indicators, and I will conclude with the outlook for 2016 as a whole.

First, the **overview of key financial data**.

H1 2016 – At a glance

Slightly positive development in the first half of 2016

Selected key figures € mn	H1 2016	H1 2015	Change €	Change %
Revenues adjusted	20,033	20,000	+33	+0.2
Revenues comparable	20,212	20,000	+212	+1.1
EBIT adjusted	1,007	890	+117	+13.1
Profit after taxes	603	391	+212	+54.2
Gross capital expenditures	3,472	3,366	+106	+3.1
Net capital expenditures	1,346	1,633	-287	-17.6
Net financial debt as of Jun 30, 2016/Dec 31, 2015	18,159	17,491	+668	+3.8
ROCE (%)	6.0	5.1	-	-

Overall, we can be satisfied with **development in the first half of 2016**.

- In the first half, **Group revenues** slightly exceeded the € 20 billion mark, and therefore were slightly higher than in the previous-year period. On a **comparable basis**, i.e., after adjusting for effects of changes in the scope of consolidation and, above all, for exchange rate effects, revenues increased by 1.1%.

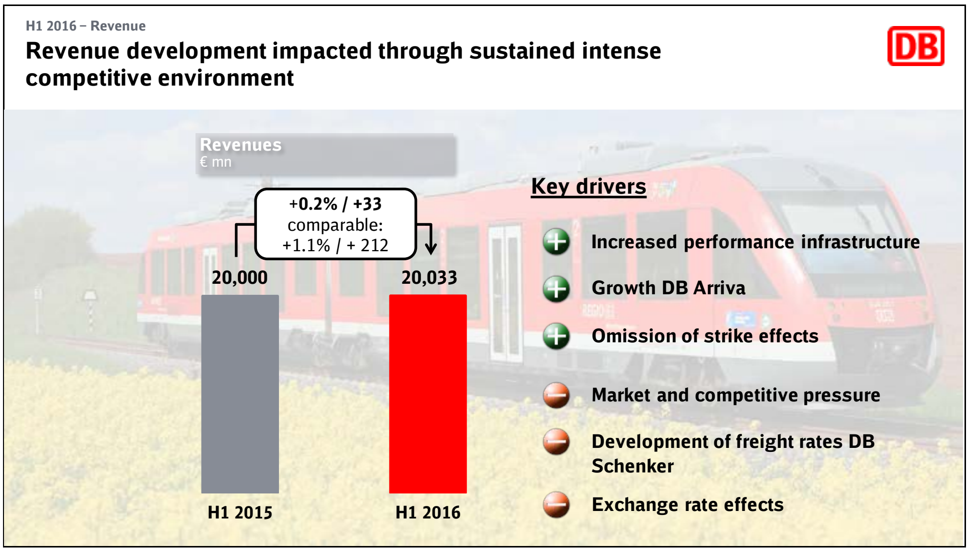
- The trend in **operating profit (EBIT)** was also positive, with EBIT increasing to around € 1 billion. The **absence of the effects from strikes and storms** seen in the previous year had a positive impact on both revenues and profits. The **tough market and competitive environment** facing the business units in Germany in conjunction with higher factor costs that do not correlate with the willingness of our passenger and freight transport customers to pay continued to weigh on results. By contrast, performance at our **international business units DB Arriva and DB Schenker** has been very positive. DB Schenker, in particular, managed to achieve significant additional increases in its profits and margin. The positive operating performance at DB Arriva has been weakened by the weakness of the British pound.

- Our **capital expenditures** continued to be at a high level. The **capital expenditures priorities** continued to be on infrastructure (over 70%) and on the Railway in Germany (nearly 90%). Gross capital expenditures increased due to higher capital expenditures on work on the existing network and on new and expansion infrastructure projects. The decrease in net capital expenditures is related to DB Regio's completion of vehicle acquisitions in the previous year.

- **Net financial debt** increased by around € 670 million to € 18.2 billion compared to the December 31, 2015 reporting date, driven mainly by the € 850 million dividend payment distributed in the first half.

- The improved development of operating profits, combined with a decrease in capital employed, led to an increase in the **return on capital employed (ROCE)** to 6.0%. However, this meant that ROCE continued to be considerably lower than our cost of capital.

On the following slides, we will take a somewhat more detailed look at the trend in individual key figures. Let's look first at **revenues development in the first half of 2016.**



On the **revenue side,** the primary positive drivers were the development of the infrastructure business units, further growth at DB Arriva and the fact that most of the extraordinary charges in the first half of 2015 did not continue into the first half of 2016. In **Infrastructure,** both volume and price effects arose and had a positive influence on revenue development. DB Arriva's performance was affected by the takeover of the **Northern Rail services** on April 1, 2016.

The persistence of an **intensive market and competitive environment** led to dampening effects. At **DB Long-Distance**, the market situation continues to be dominated by intensive long-distance bus competition and by further declines in gasoline prices compared to the previous year. Despite this price-sensitive environment, we managed to increase volume sold by more than 10% and revenues by almost 5%. At **DB Cargo,** above all, the collapse in coal volumes in Great Britain and the decline in steel volumes in Germany led to decreases in revenues. Revenues development at **DB Schenker** was negative due to lower freight rates in the ocean and air freight business. Gross profit, which is important for profit development, was not negatively affected by this and was better than in the previous year – in part also because revenues development in contract logistics picked up momentum again.

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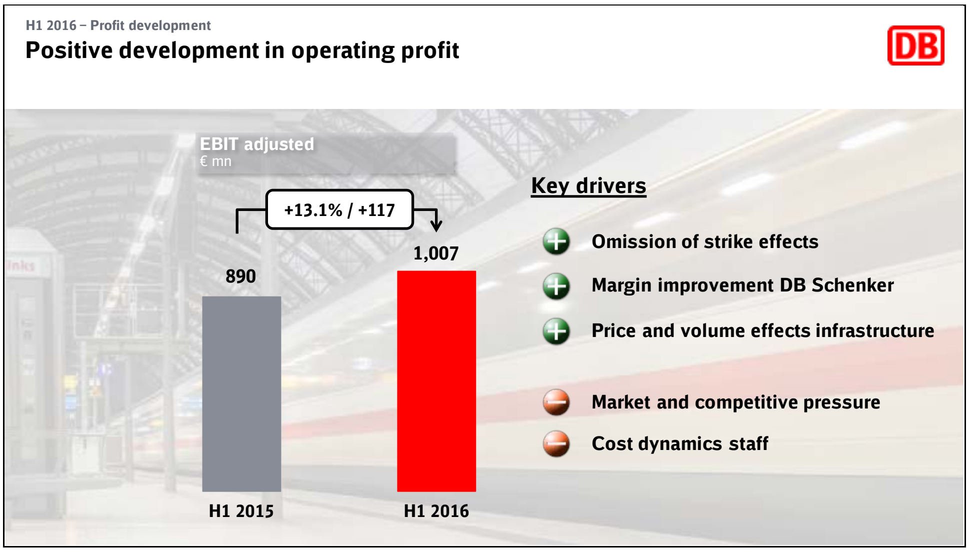
DB Schenker and DB Arriva were both affected by **negative exchange rate effects**, mainly due to the weakness of the British pound. There were no material effects from **changes in the scope of consolidation**.

A look at the **development of operating profits** shows that, despite the fact that revenues development was only slightly positive, we achieved a significant improvement in profits.



Our operating profit, **EBIT**, noticeably improved in the first half of 2016, increasing by almost € 120 million, or 13%, to around € 1 billion.

Here, too, the general **absence of effects from strikes and storms** had a positive effect compared to the first half of 2015. The development of operating profits at both international business units – DB Arriva and, above all, **DB Schenker** – was also positive. Because of the positive revenue effects, the development of profits in the **infrastructure business units** was also higher than in the previous year.

The persistently **high market and competitive pressure** in all business units had an adverse impact on the development of profits. At **DB Long-Distance,** this was reflected in a lower yield. Low gasoline prices that have dropped yet again compared

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to the previous year, as well as the persistence of intensive competition in the long-distance bus market, are increasing customers' high sensitivity to price. At **DB Regional**, decreases in the volumes produced and the elimination of profit contributions due to the loss of transport contracts are having an effect. **DB Cargo** is also under particular competitive pressure. In intermodal competition, the relative competitive situation with respect to trucks has worsened, because lower diesel prices significantly improve the cost position for trucks. In addition, substantial distortions and decreases in demand are occurring in some rail-related market segments, such as coal and steel transport. DB Cargo's cost position is helped by the fact that the scheduled depreciation is lower due to the impairment recognized in the previous year.

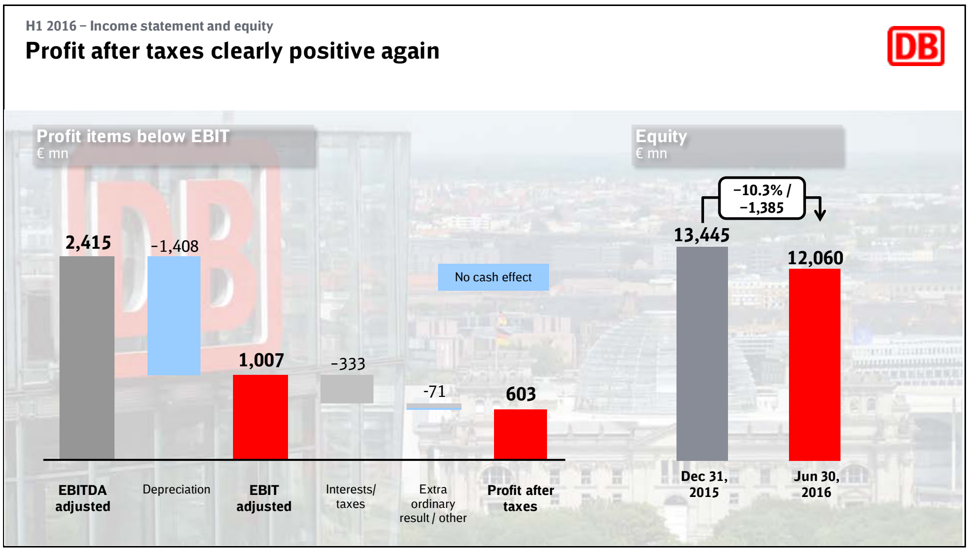
In addition to increased market and competitive pressure, the **cost dynamic of personnel costs** also exerts pressure on the development of profits, especially on the business units of the Railway in Germany.

Countermeasures, **operating opportunities and one-off effects** also had positive effects on profits in the first half of 2016.

Overall, we are paying greater attention to the business units of the **Railway in Germany**, because that is where we face the greatest challenges. We are addressing these structural challenges in a decisive, targeted manner with the **Group restructuring** and the **Railway of the Future program** introduced last year. So we are working on two fronts: First, we have to significantly improve product quality and customer satisfaction, i.e.: **become more customer-focused**. And second, we have to do so at competitive costs, i.e.: **become faster, leaner and more efficient**.

As Rüdiger Grube already made clear in his remarks, we have achieved some initial improvements and made progress. Now, we must resolutely continue along this path. Because this is the crucial precondition for achieving **an improvement in profitability** and for preserving our **financial stability** – in other words, for operating in a sustainable way.

From an **operations standpoint,** EBIT is the key performance indicator; it corresponds to capital employed and as such is at the center of DB Group's value-oriented management. The following chart shows the **development below EBIT**.



The presentation shows the **basic structure of our income statement** below the EBITDA and EBIT operating profit figures. Between the operating profit of € 1.0 billion and the net profit for the year of € 0.6 billion are expense items such as **interest and taxes**, as well as other earnings components such as **net investment income** and the **extraordinary result.**

Net operating interest totaled around € 370 million in the first half of 2016; here, the expense decreased slightly despite increasing financial debt, because the average interest rate for the entire portfolio of financial debt declined. It currently stands at around 2.9%; in the first half of 2015 it was 3.2%.

Taxes totaled € 40 million. This includes around € 90 million of original tax expenses resulting in cash outflows. Because of the tax loss carry-forwards in Germany, these tax expenses relate mainly to the two international business units, DB Schenker and DB Arriva.

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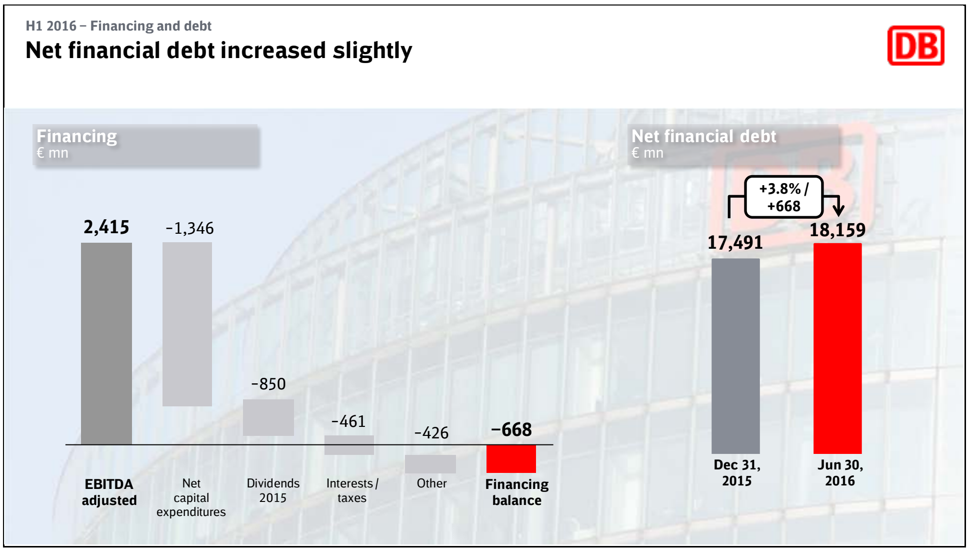
The **other earnings components, including the extraordinary result**, were at a low level of €-71 million in the first half of 2016.

However, as you can see from the chart, the positive net profit for the period is not reflected in the change in **our shareholders' equity**, which dropped by almost € 1.4 billion to € 12.1 billion. As a result, the equity ratio decreased to just under 22%. This development was driven on the one hand by the € 850 million dividend payment and on the other hand by the need to revalue pension provisions in light of the further decrease in the interest rate. This had a negative effect on shareholders' equity of around € 1.3 billion.

Income statement and change in shareholders' equity demonstrate the performance dimension of our business activities. A more detailed picture of the financial aspects is shown in the following (simplified) **cash flow statement** and the **change in net financial debt**.



Net financial debt increased by around € 670 million to € 18.2 billion between year-end 2015 and June 30, 2016.

The increase was attributable to our **persistently high level of net capital expenditures**, in particular for the Railway in Germany, combined with another increase in the dividend payment under the Performance and Financing Agreement II. Because the dividend payment is plowed back (with a time lag) into the infrastructure as an investment grant via the **financing cycles** agreed with the Federal Government, it should be noted that we invested virtually our entire operating profit before interest, taxes and depreciation back into our business.

However, that also means that the additional cash outflows in the first half of 2016 for interest, taxes and other (in particular, capital employed in working capital) could no longer be financed entirely from operating cash flow and therefore resulted in **net borrowing**, i.e., to an increase in net financial debt.

In this regard, please allow me to touch briefly on something that occurred after the reporting date for the first half. You are, no doubt, aware that almost two weeks ago, **S&P Global Ratings** – better known as Standard & Poor's – slightly downgraded our **long-term rating** from "AA" with a negative outlook to "AA-" with a stable outlook. I would like to make two points about that.

First – and this is particularly important to me: even after the downgrade, we continue to have a **very good rating** from S&P. Naturally – and this is my second point – we would nevertheless have preferred to **avoid this adjustment**. For a long time, we have been working on increasing the economic performance of DB Group. To accomplish this, we have introduced **measures to improve profitability and financial stability**, for example through the Railway of the Future program and plans for third-party equity participations in DB Arriva and DB Schenker. As a result, we had expected that we would be **given more time** for the measures to bear fruit. It is regrettable that things turned out differently, but this in no way affects the Management Board's unconditional commitment to the financial stability of DB Group. Deutsche Bahn **will continue to be a stable, dependable and trustworthy partner** for its investors.

Now, to conclude, I would like to address our **outlook for full-year 2016**:

2016 Financial Year – Outlook

Outlook largely stable – revenues due to development of freight rates and exchange rates slightly weaker than expected

Outlook € mn	2015	2016 (as of March)	2016 (as of July)
Revenues adjusted	40.5	>41.5	>40.5
Revenues comparable	40.5	>41.5	>41.0
EBIT adjusted	1.8	>1.8	>1.8
Net profit for the year	-1.3	>0.5	>0.5
Gross capital expenditures	9.3	~9.9	>9.9
Net capital expenditures	3.9	~3.5	>3.5
Net financial debt as of Dec 31	17.5	>19.0	≤19.0
Bond issues	2.5	≤3.0	≤3.0

Overall, our **outlook for the 2016 financial year** remains slightly positive and largely stable when compared to the outlook we presented at the annual results press conference held in March 2016.

- Due to the developments in the first half, we see the **outlook for revenues** as somewhat weaker than previously. From an operations standpoint, this is being driven primarily by the freight rate trend at DB Schenker and lower revenue expectations at DB Cargo due to market and competitive developments in Great Britain and Germany. On a comparable basis – i.e., after adjusting for exchange rate effects and the effects of changes in the scope of consolidation – we still expect an increase in revenues of just over 1%, to more than € 41 billion, that is, in the same order of magnitude as the increase during the first half. However, the significantly weaker pound exchange rate will be an additional drag on revenues; consequently, we currently expect reported revenues to be only slightly above the previous-year figure of € 40.5 billion.
- Despite the lower outlook for revenues, we confirm our forecasts for **EBIT and net profit for the year** published in March. In terms of the development of

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operating profits, the performance in the first half makes us confident that operating profit will be above € 1.8 billion. We expect the net profit for the year to be positive again. Although we expect further **extraordinary expenses in the extraordinary result** from measures relating to Group restructuring, the extent of which will only become clear during the second half of 2016, overall, we still expect that expenses for the entire Group restructuring will not exceed the order of magnitude of € 2 billion already announced in December 2015 and that we will end the year positively with a net profit.

- We expect somewhat more activity in **capital expenditures** than we did in March. Gross capital expenditures should be above € 9.9 billion and net capital expenditures above € 3.5 billion. Our capital expenditure activities will continue to be focused on the railway business in Germany and the related infrastructure.
- **Net financial debt** will increase noticeably in the 2016 financial year. Based on this year's € 850 million dividend, operating cash flow will not suffice to finance net capital expenditures internally. However, based on the positive trend in the first half, we only expect net financial debt to increase to a maximum of € 19 billion. Taking into account maturing bonds and our current liquidity cushion, we expect to **issue up to € 3 billion of bonds**. To date, we have issued a total of € 1.6 billion in bonds. Additional bonds will probably follow after the summer break and our traditional Asia roadshow.

This wraps up our updated financial outlook for the 2016 financial year.

Thank you for your attention. Rüdiger Grube and I will be happy to answer any questions you may have.

Appendix

Economic and market environment H1 2016

General conditions	▪ Worldwide economic environment weaker than expected ▪ World economy with disappointing growth ▪ World trade suffered from low commodity prices ▪ Economic growth in Eurozone accelerates
Passenger transport	▪ German passenger transport market with positive development, in particular due to lower fuel prices ▪ Rail with noticeable growth as well, positive effects due to price campaigns and service expansions ▪ Long-distance bus market still growing, but dynamic slows down significantly ▪ DB Arriva still facing challenging conditions, in particular at UK Bus
Freight transport and logistics	▪ Weak development of German freight transport market ▪ European freight transport market slightly decreased ▪ Mostly positive development in transport and logistics market: Growth in European land transport as well as ocean freight and contract logistic – air freight with negative development
Infrastructure	▪ Train-path demand slightly positive ▪ Non-Group train-path demand still growing, share rises up to 29.8% – Group train-path demand decreases as a result of lost transport contracts ▪ Number of infrastructure customers still rising on a already high level

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Mixed development of revenues on business unit level

Total revenues (€ mn)	H1 2016 effective	Adjustments Consol.[1]	Adjustments FX[2]	H1 2016 comp.	H1 2015 comp.	+/– €	+/– %
DB Long-Distance	2,006	–	–	2,006	1,916	+90	+4.7
DB Regional	4,280	–	–	4,280	4,254	+26	+0.6
DB Cargo	2,312	–	+16	2,328	2,391	-63	-2.6
DB Netze Track	2,601	–	–	2,601	2,466	+135	+5.5
DB Netze Stations	623	–	–	623	604	+19	+3.1
DB Netze Energy	1,391	–	–	1,391	1,392	-1	-0.1
DB Arriva	2,529	-38	+100	2,591	2,375	+216	+9.1
DB Schenker	7,431	-62	+162	7,531	7,756	-225	-2.9
Other/consolidation	-3,140	–	–	-3,140	-3,154	+14	-0.4
DB Group	20,033	–	–	20,212	20,000	+212	+1.1

[1] Changes in the scope of consolidation.
[2] Effects from changes in exchange rates.

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EBIT development on business unit level was particularly driven by infrastructure business units and DB Schenker

(€ mn)

	EBIT adjusted			Operating profit after interest			Extra-ordinary result
	H1 2016	H1 2015	+/– €	**H1 2016**	H1 2015	+/– €	**H1 2016**
DB Long-Distance	**54**	57	-3	**53**	56	-3	**–**
DB Regional	**334**	348	-14	**307**	324	-17	**–**
DB Cargo	**–53**	-74	+21	**-83**	-110	+27	**0**
DB Netze Track[1]	**398**	330	+68	**271**	188	+83	**–3**
DB Netze Stations	**159**	152	+7	**140**	131	+9	**–1**
DB Netze Energy	**63**	36	+27	**55**	29	+26	**–**
DB Arriva	**106**	101	+5	**91**	82	+9	**–3**
DB Schenker	**200**	165	+35	**182**	144	+38	**–**
Other/consolidation[1]	**–254**	-225	-29	**–382**	-341	-41	**1**
DB Group	**1,007**	890	+117	**634**	503	+131	**–6**

[1] Previous year's figures adjusted.

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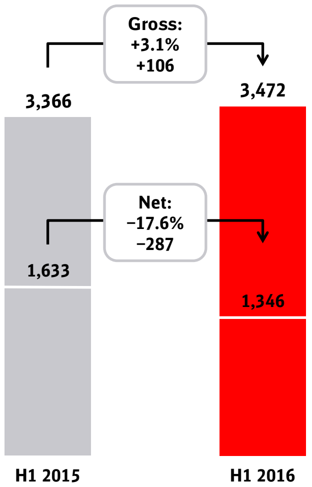
Capital expenditures remains on high level, net capital expenditures decreased slightly

Capital expenditures (€ mn)



Key drivers

- Higher capital expenditures in infrastructure
- Higher investment grants due to LuFV II
- Decrease of rolling stock capex at DB Regional

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On business unit level significant changes at DB Regional and DB Netze Track

Capital expenditures (€ mn)	Gross capital expenditures				Net capital expenditures			
	H1 2016	H1 2015	+/− €	%	H1 2016	H1 2015	+/− €	%
DB Long-Distance	**156**	141	+15	+10.6	**156**	141	+15	+10.6
DB Regional	**137**	339	-202	-59.6	**135**	338	-203	-60.1
DB Cargo	**52**	91	-39	-42.9	**50**	89	-39	-43.8
DB Netze Track[1)]	**2,495**	2,233	+262	+11.7	**515**	644	-129	-20.0
DB Netze Stations	**182**	187	-5	-2.7	**69**	72	-3	-4.2
DB Netze Energy	**49**	46	+3	+6.5	**20**	20	-	-
DB Arriva	**127**	96	+31	+32.3	**127**	96	+31	+32.3
DB Schenker	**72**	82	-10	-12.2	**72**	82	-10	-12.2
Other/consolidation[1)]	**202**	151	+51	+33.8	**202**	151	+51	+33.8
DB Group	**3,472**	3,366	+106	+3.1	**1,346**	1,633	-287	-17.6

[1)] Previous year's figures adjusted.

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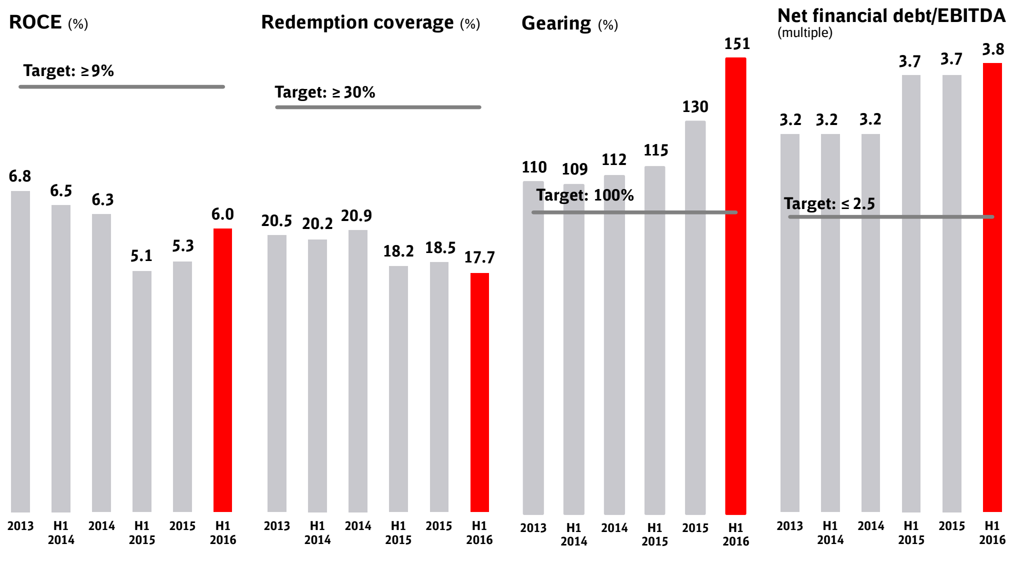
Mixed development of key value management figures compared to H1 2015



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Railway in Germany: high capital employed, underproportional profit contribution

Key figures H1 2016 (€ mn)	DB Group	RiG[1]	Share (%) of DB Group	RIC[2]	Share (%) of DB Group	DB Netz AG	Share (%) of RIC
Revenues	20,033	9,554	47.7	4,528	22.6	2,524	–
EBITDA adjusted	2,415	1,710	70.8	1,145	47.4	825	72.1
Depreciation	-1,408	-1,079	76.6	-539	38.3	-437	81.1
EBIT adjusted	1,007	631	62.7	606	60.2	388	64.0
Net operating interest income	-373	-322	86.3	-154	41.3	-127	82.5
Operating profit after interest	634	309	48.7	452	71.3	261	57.7
Other income parts	-71	-298	–	-16	22.5	-4	25.0
Profit before taxes on income (EBT)	563	11	2.0	436	77.4	257	58.9
Taxes on income	+40	+109	–	-	–	-	–
Profit after taxes of income / net profit	603	+120	19.9	436	–	257	58.9
Gross capital expenditures	3,472	3,121	89.9	2,725	78.5	2,494	91.5
Investment grants	2,126	2,122	99.8	2,122	99.8	-1,980	93.3
Net capital expenditures	1,346	999	74.2	603	44.8	514	85.2
Intangible assets / property, plant and equipment	42,949	38,948	90.7	25,149	58.6	20,880	83.0
Capital Employed	33,462	25,992	77.7	21,708	64.9	17,900	82.5
Equity	12,060	12,794	–	9,916	82.2	7,622	76.9
Net financial debt	18,159	15,544	85.6	11,689	64.4	10,256	87.7
Adjusted net financial debt	23,033	17,857	77.5	11,933	51.8	10,269	86.1
Return on Capital Employed (ROCE) (%)	6.0	4.9	–	5.6	–	4.3	–
Operating cash flow	2,042	1,388	68.0	991	48.5	698	70.4
Gearing (%)	151	121	–	118	–	135	–
Redemption coverage (%)	17.7	15.5	–	16.6	–	13.6	–
Net financial debt / EBITDA (multiple)	3.8	4.5	–	5.1	–	6.2	–

Possible differences are due to rounding.
[1] Railway in Germany.
[2] Rail infrastructure companies.

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Title	Kai Michael Neuhold
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