

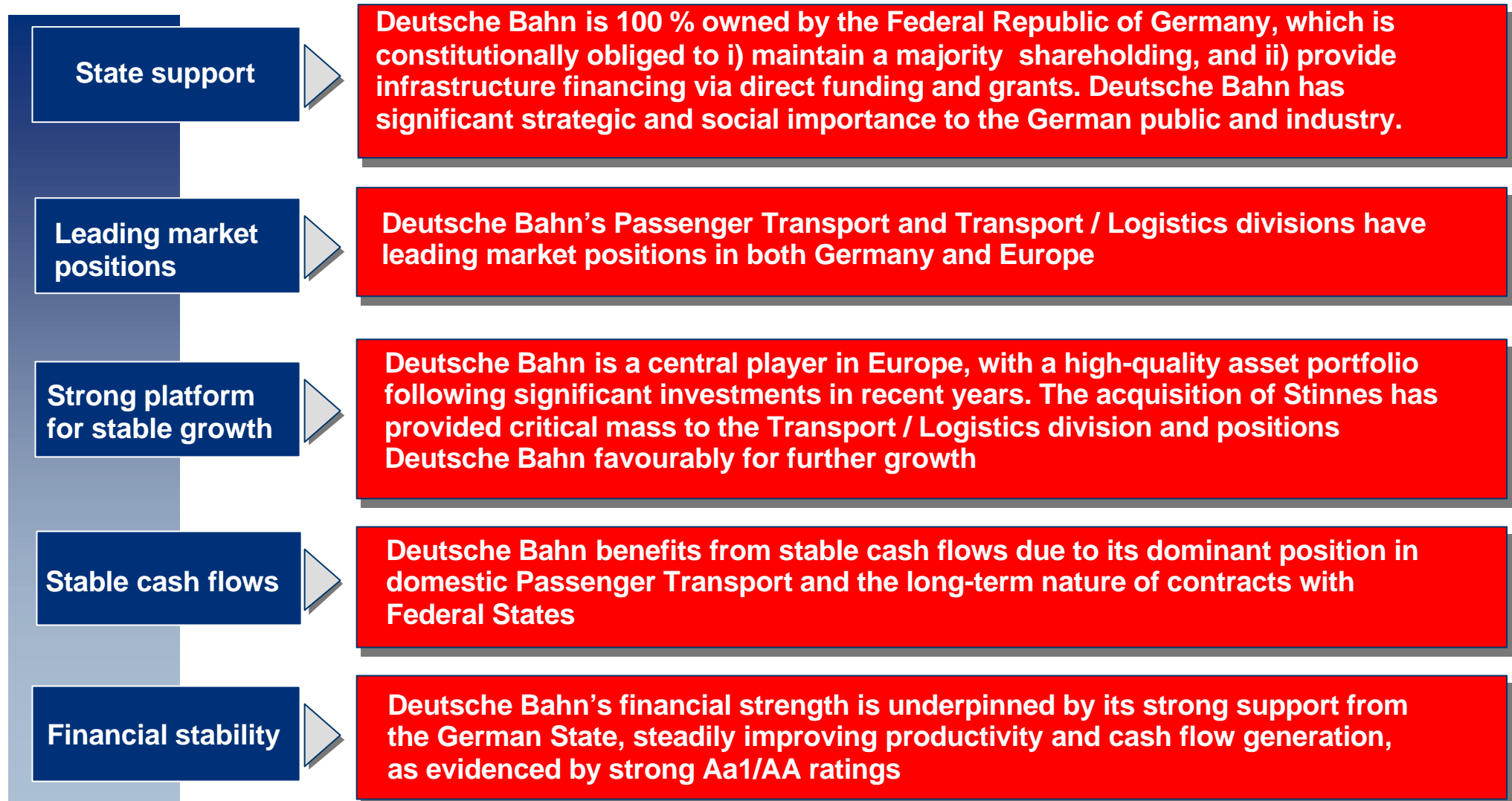
# Finanzpräsentation 2003

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Amsterdam, Edinburgh, Frankfurt, Glasgow, London, Madrid, Milan, Paris, Zurich  
June 2003

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## Investment Highlights



# **Overview on DB Group, Highlights 2002, and Strategy**

**Diethelm Sack**  
**Chief Financial Officer**

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# Overview on DB Group's Portfolio

## DB Group



- DB AG acts as management holding
- Vertically integrated Group structure

Revenues (€ mn)	18,685
EBITDA (€ mn)	2,464
Total Assets (€ mn)	46,023
Gross Capex (€ mn)	9,994
Employees (31 Dec 2002)	250,690

## Passenger Transport



- # 1 in European rail passenger transport
- # 1 in German bus transport

Revenues (€ mn)	11,179
Op. Income aft. Interest (€ mn)	225
Trains per day	29,500
ICE-Fleet	215
Locomotives	2,600

## Transport / Logistics



- # 1 in European rail freight transport
- # 1 in European land transport
- # 3 in sea freight
- # 6 in air freight

Revenues (€ mn)	6,630
Op. Income aft. Interest (€ mn)	69
Trains per day	5,500
Freight cars	119,000
Locomotives	3,300

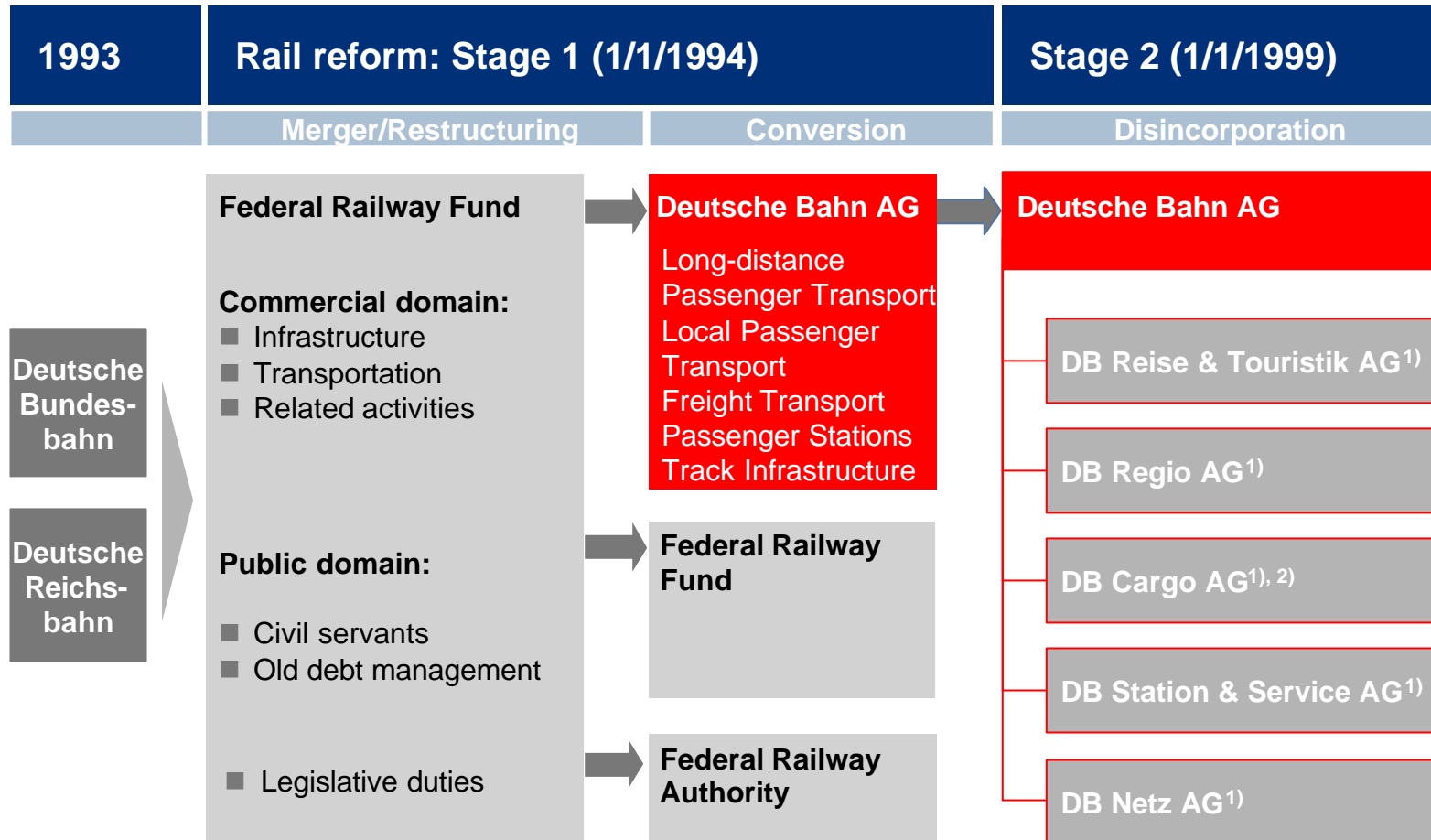
## Infrastructure



- One of the biggest rail track infrastructures in Europe

Revenues (€ mn)	427
Op. Income aft. Interest (€ mn)	-747
Performance on track (Trkm mn)	967.4
Length of lines operated (km)	35,755
Passenger Stations	5,580

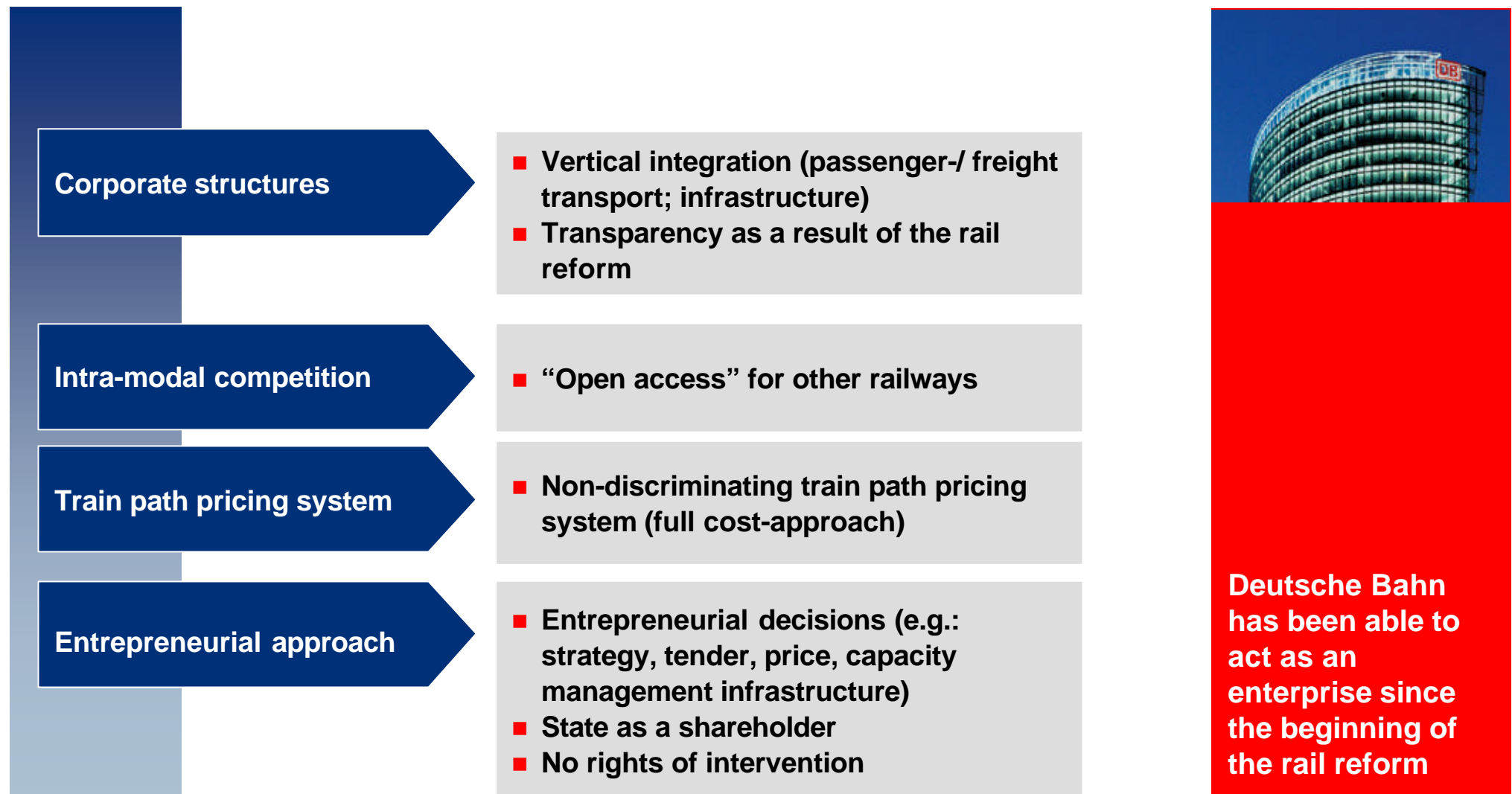
# German rail reform: Legal framework



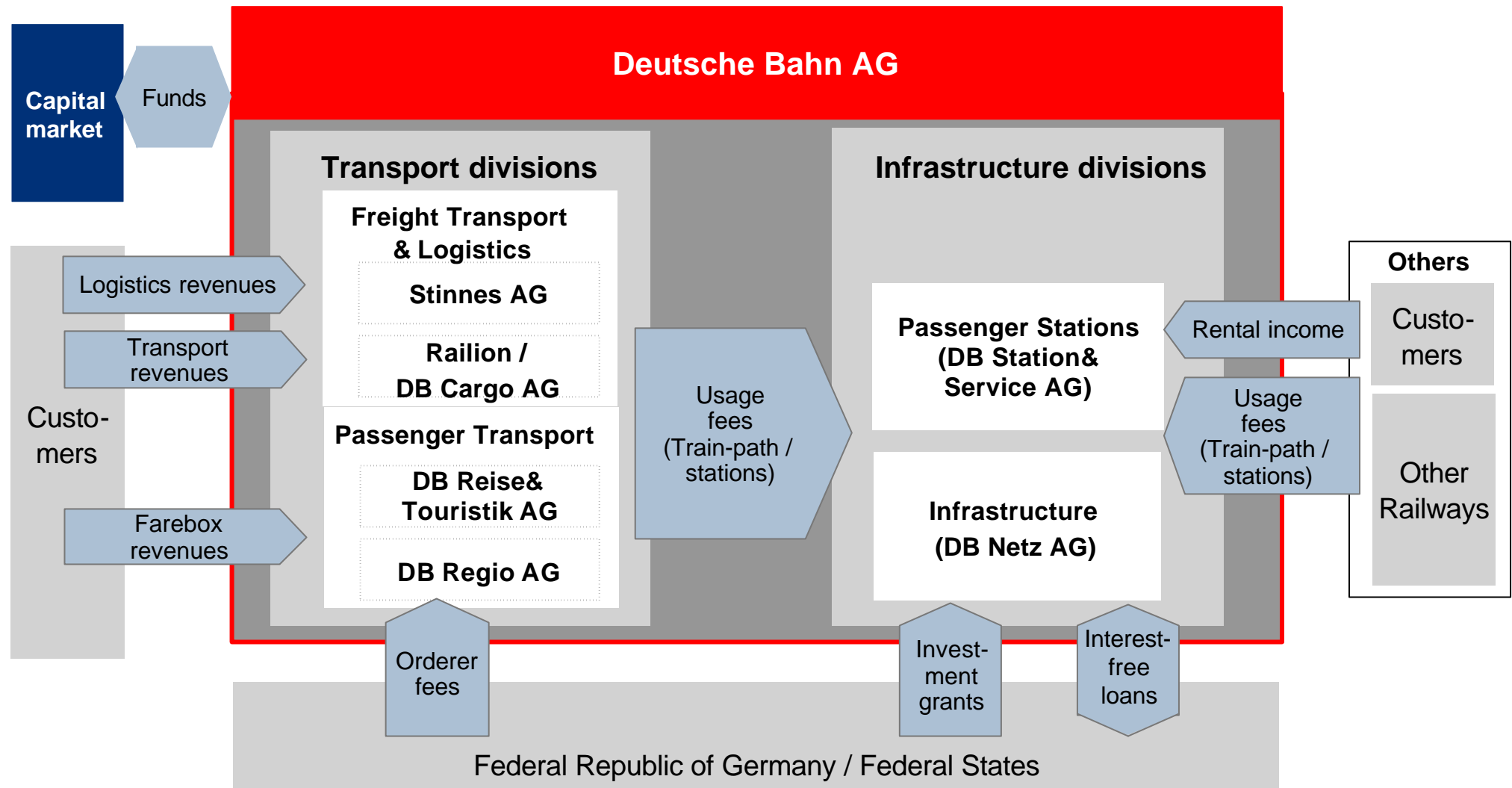
<sup>1)</sup> and related subsidiaries

<sup>2)</sup> actually via Railion GmbH

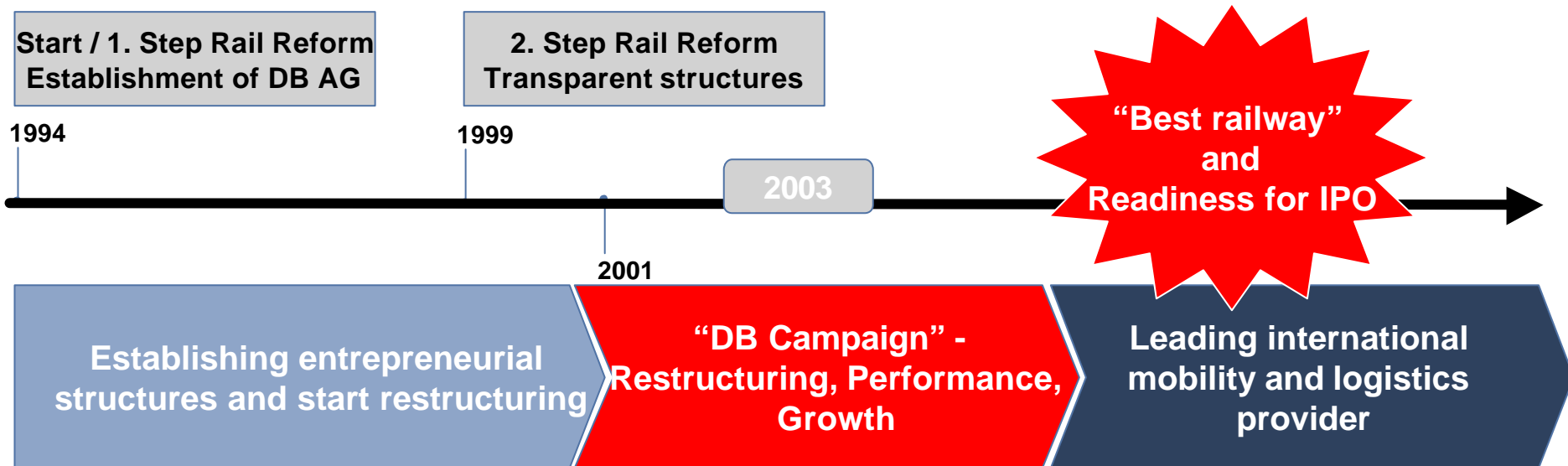
## Regulatory framework in Germany



## Structure of financial flows



## “DB Campaign” for successful completion of Rail Reform



### Success so far:

- ✓ Sustainable participation in growth of markets
- ✓ Convincing efficiency improvements (1994-2002 total of €3.9 billion)
- ✓ Benefit for German tax payers compared to structures prior to rail reform 1994 - 2002 > €90 billion

### Current strategic program

- “DB Campaign”: Restructuring, performance, growth: Improving competitiveness and portfolio focus on profitable business segments
- Increased capital expenditures and enhanced modernization efforts

### Realization of further growth

- Sound growth prospects of relevant market segments
- Further development of Stinnes as a leading global logistics player
- Positioning as leading European player in passenger transport



## “DB Campaign” - Restructuring, Performance, Growth



## Major progress in 2002 achieved

### DB Group

- **Profitability targets reached**, operating income better than forecast
- **Restructuring program “Fokus“ exceeds targets** in 2002
- Modernization: **Gross capital expenditures with new peak**
- Challenges from **flooding in East Germany** managed

### Passenger Transport

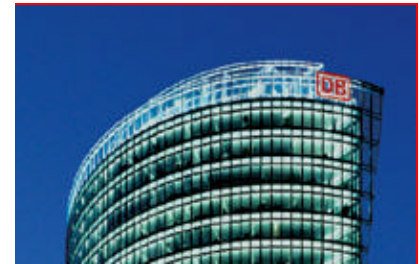
- Implementation of **new pricing structure and yield management** system in long-distance passenger rail transport
- New **long-term contracts** in local passenger rail transport
- Integration of new high-speed line Cologne-Rhine/Main in schedule

### Freight Transport / Logistics

- **Successful restructuring** and **new product / services structure** in Freight Transport
- **Logistics: Successful takeover of Stinnes**

### Infrastructure

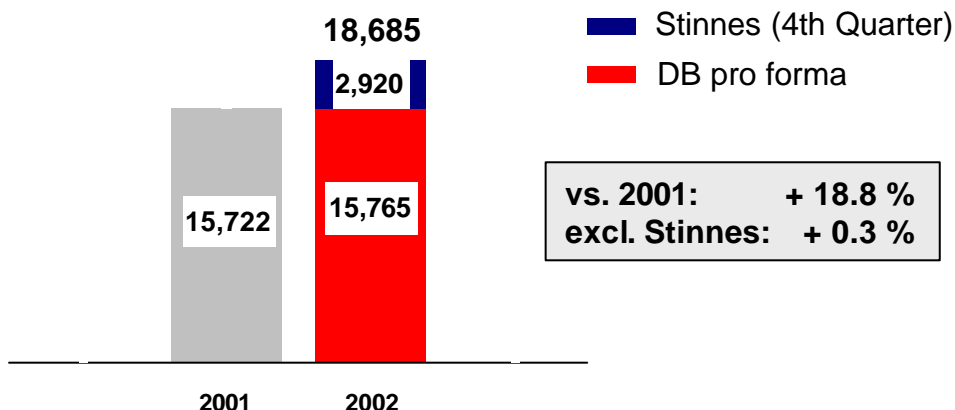
- Commercial start of **new high-speed line Cologne-Rhine/Main**
- European-wide coordinated change to **new timetable**
- Immediate action program to **improve attractiveness of passenger stations**
- **Re-integration of telematic activities** (incl. buy-back of assets)



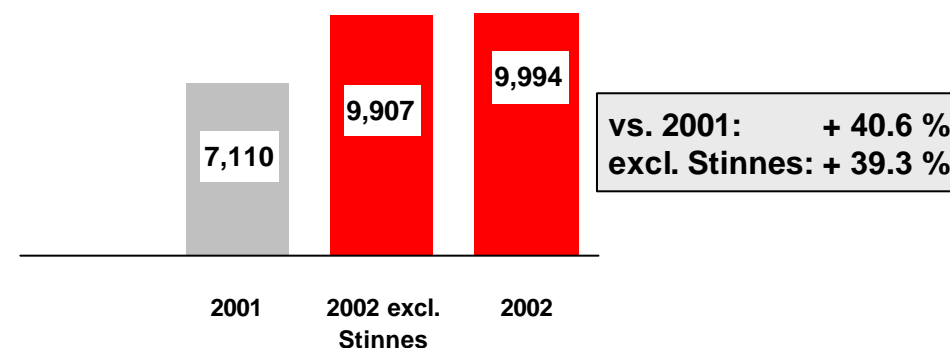
**In 2002 we have realized major projects for the benefit of our customers**

# Key figures of financial year 2002

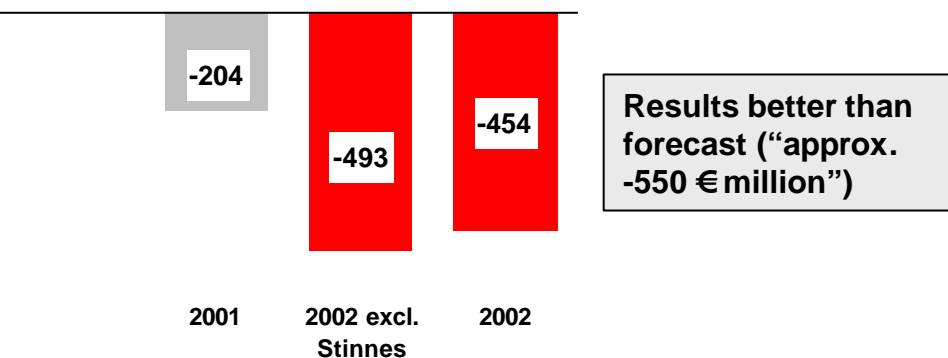
## Revenues (€ million)



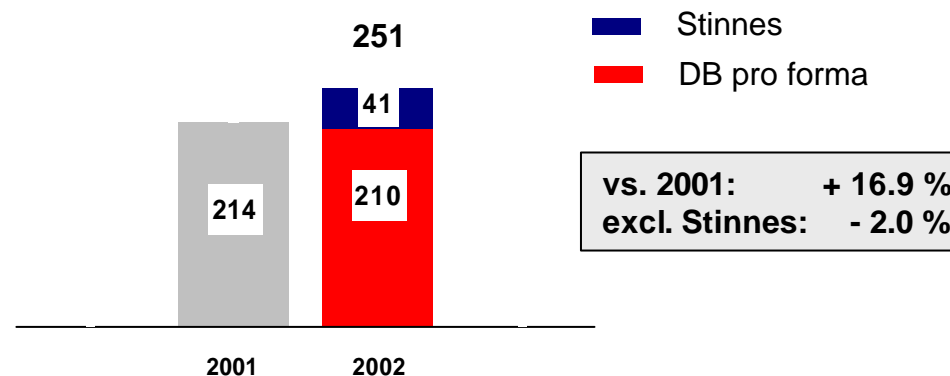
## Gross capital expenditures (€ million)



## Operating income after interest (€ million)

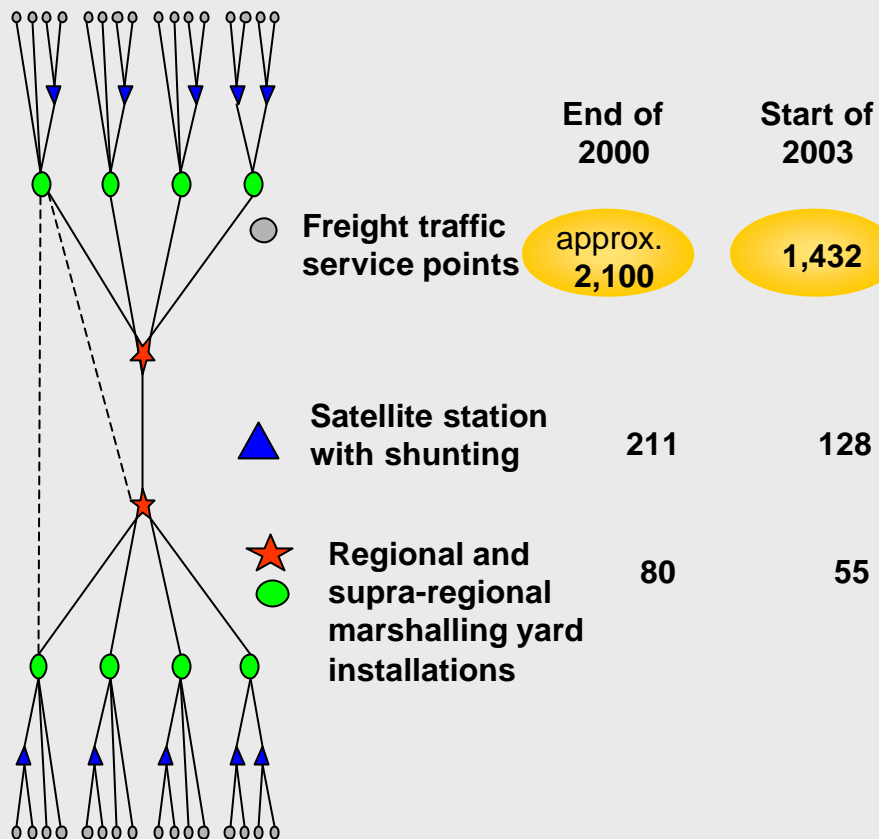


## Employees (year end; in thousand)



# Freight Transport: Restructuring of single freight car business

## Production structures



## Success

■ **Profitability improved** by €250 million p.a.

### Evaluation of service alternatives

- For all transports **service alternatives** were analyzed:
- Shifting to other locations / modes of transport
  - non-Group small scale rail companies
  - Combined rail/road transport



**The single freight car business has been successfully restructured**

# Growth opportunities in Freight Transport



## Combined transport

- Development of reliable offers for customers with forwarders / operators
- Implementation of business models suitable for the future
- Expansion of the existing network / international interlinking



## Internationalization

- Utilization of increasingly international activities of customers through enhanced offer of international services
- Expansion of Joint Venture Railion
- International cooperation / subsidiaries management
- Set-up of cross-border product management



## Growth activities

- Extension of the range of services through additional logistic services / full service offers
- Increasing productivity, quality and customer service
- Strategic participation in specialized forwarding companies



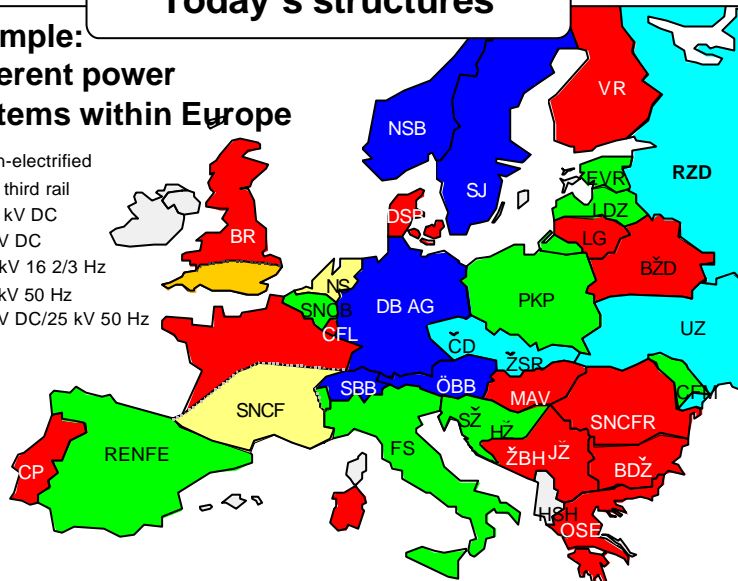
**Major growth opportunities to be found in combined transport, further internationalization and extension of the scope of services**

# Changing markets - new opportunities

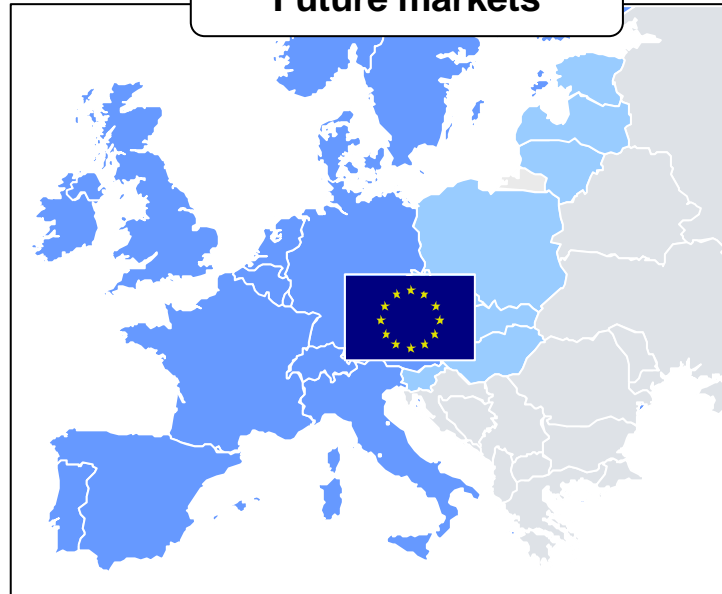
## Today's structures

### Example: Different power systems within Europe

- Non-electrified
- DC third rail
- 1,5 kV DC
- 3 kV DC
- 15 kV 16 2/3 Hz
- 25 kV 50 Hz
- 3 kV DC/25 kV 50 Hz



## Future markets



- Trade barriers, **national markets** and national production structures
- **Closed national rail transport markets** with high technical / operational hurdles
- Predominantly **nationally oriented / driven rail services**
- **Moderate growth rates** on rail

- European integration, **further internalization of markets**
- **Increasing market opening** in railway area, establishment of international standards
- Increasing demand for international and **integrated solutions**
- **Medium to high growth rates**



**We are preparing ourselves intensively for the ongoing European integration and see this as a chance for further growth**



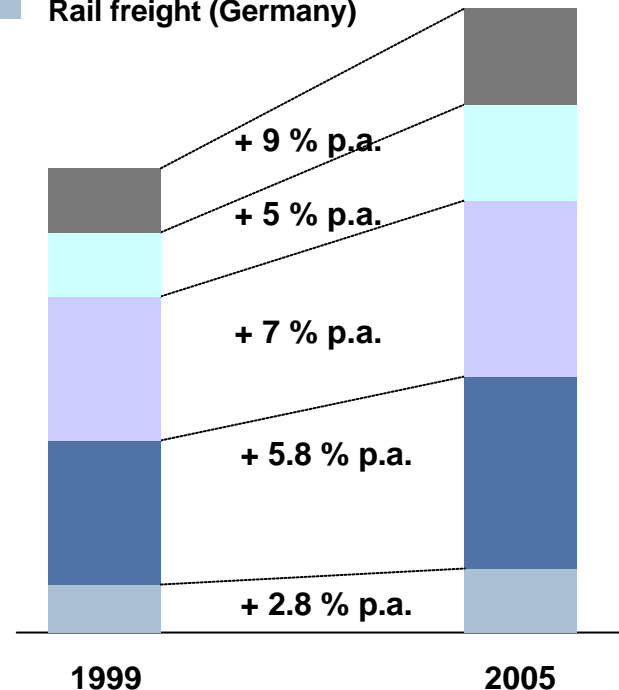
## Current trends in relevant logistic segments

### Trends

- **Increased outsourcing of the logistic processes by the producers**  
(concentration on core business)
  - ♦ Increasing **cost pressure**
  - ♦ Acceleration in **globalization process**
  - ♦ Shorter **life-cycles** and increasing **complexity** of the products
  
- **Integration of other logistics competencies**
  - ♦ Concentration on a few logistics providers with **extensive range of services**
  - ♦ Increased demand for **supply-chain-management** solutions
  
- **Concentration within the sector**
  - ♦ Increasing **dependency** on one logistics provider
  - ♦ Increasingly **internationally oriented production / logistics structures**, which can be fulfilled by only a few providers

### Development by segments

- Logistic services (Europe, USA, Asia)
- Air freight
- Sea freight
- European Land Transport
- Rail freight (Germany)



**In transport and logistics all relevant segments show attractive growth rates**

## Strong logistics position by acquisition of Stinnes

**STINNES**  
Logistics



- **Revenues 2002:** € 11.8 billion
- Stinnes is one of the few transport and logistics undertakings that can offer **globally interlinked networks** in land transport, sea and air freight from a single source
- **Competitive advantage** vis-a-vis competitors **from rail** as an interlinked mode of transport with a future in Europe
- On the basis of strong global networks, Stinnes will **extend its logistics activities** and be one of the leading providers in the world for integrated logistic services



## Current Portfolio of Stinnes Group

### Transport



- Revenues 2002: €6.2 billion
- # 1 in European land transport
- # 3 in global sea freight business
- # 6 in global air freight business
- 1,000 locations in 107 countries



### Chemicals



- Revenues 2002: €4.3 billion
- Global market leader
- # 1 in Europe and Latin America
- # 3 in North America
- 290 locations in 46 countries



### Materials



- Revenues 2002: €1.1 billion
- # 1 in steel logistics in Germany
- Leading global position by raw materials / in market niches
- 69 locations in 14 countries



**The Stinnes portfolio comprises three business segments**

**Although they are profitable the business segments chemicals and materials are not seen as core business for the DB portfolio**

Mid-term desinvestment

## Strengths of Stinnes / Schenker

### Schenker integrated logistics services



#### Land transportation



- European system transport movements
- Combined transport
- Special movements / services (Heavy load, Fairs)

#### Air and sea freight



- International system transport movements
- Container transport
- Special movements / projects

#### Logistics

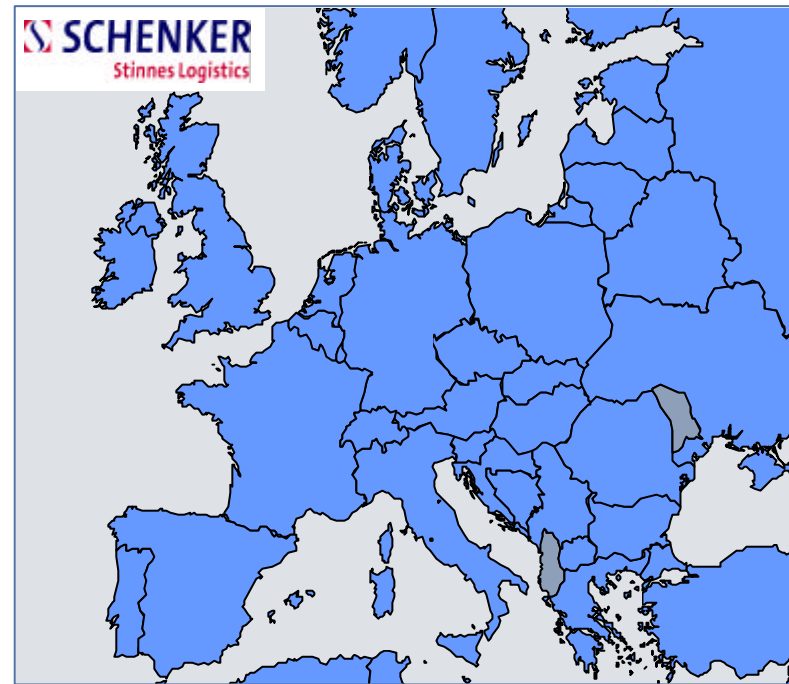
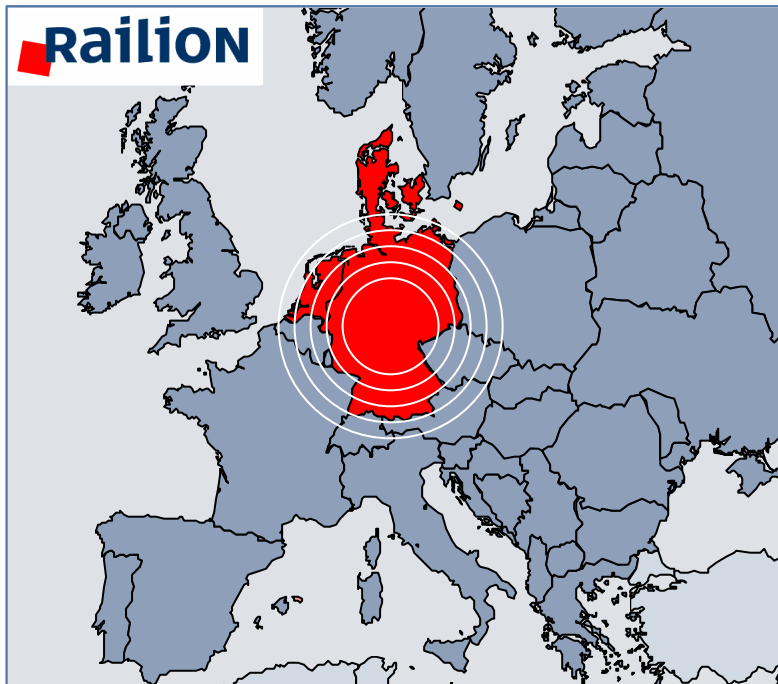


- Supply chain management
- Warehouse management
- Complex storage systems
- Added value services



**Stinnes / Schenker has an excellent reputation, profound know how and a strong global market position**

## Strong starting position: Railion and Stinnes / Schenker



■ Countries in Railion joint venture

■ Countries with Schenker representation

- Efficient **rail carrier** in Europe
- **Integrated freight railway** for Germany, the Netherlands and Denmark
- **Cooperation** with further partner railways

- **Integrated, complete range of services** from a single source
- **Network** with more than 650 locations in Europe, air and sea traffic worldwide



**We are already in a strong position for the increased integration of Europe and of the transport and logistics markets**

## Core elements of our Group strategy

### DB Group



- **Value-oriented resource allocation**
- **Management / staff recruitment and development**
- Capability for innovation / utilization of potentials from **vertical integration**

### Passenger Transport



- **Securing market position** in domestic passenger transport
- **Organic growth** in long-distance transport through service and yield management
- Exploration of **international involvement** in local transport

### Transport and Logistics



- **Efficiency** and quality in rail freight transport
- Utilization and expansion of strong **international networks** in rail, land, and air transport
- Extension of **logistics competence**

### Infrastructure



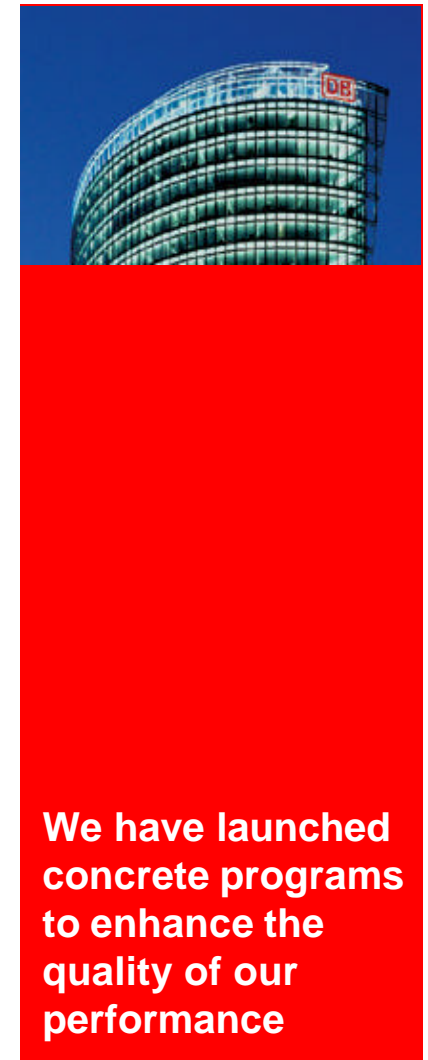
- Reduction of investment backlog and optimization of **existing network**
- **Elimination of capacity bottlenecks on rail infrastructure**
- **Utilization-driven modernization of passenger stations**





## Major areas of action 2003

<b>Passenger information</b>	<ul style="list-style-type: none"> <li>■ Introduction of passenger information system (RIS)</li> </ul>
<b>Acceptance level of new price system</b>	<ul style="list-style-type: none"> <li>■ Review and further development</li> <li>■ improvement in quality of information/advice</li> </ul>
<b>Punctuality</b>	<ul style="list-style-type: none"> <li>■ Package of measures “Operative Excellence”</li> </ul>
<b>Transport and Logistics</b>	<ul style="list-style-type: none"> <li>■ Concentration of competencies</li> <li>■ establishment of new Group Transport and Logistics division</li> </ul>
<b>Image of passenger stations</b>	<ul style="list-style-type: none"> <li>■ Cleanliness program</li> <li>■ Immediate action program</li> </ul>
<b>Start-up difficulties with new vehicles</b>	<ul style="list-style-type: none"> <li>■ Intensified collaboration with manufacturers to ensure and increase quality</li> </ul>



## Outlook 2003

### Market environment 2003

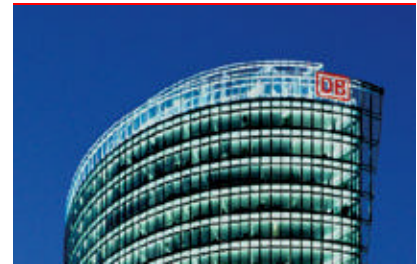
- **Unfavorable economic environment remains**
- **Competitive intensity** remains

### Our focus

- Continuation of **“DB Campaign”**
- Further **modernization of the rail system**
- **Competitive cost structures**
- **Improving profitability**
- Commitment to **fair framework conditions**

### Key topics

- Further **improvement of the quality** of our performance
- **Defense / extension of our market positions** in passenger and freight transport and logistics
- Establishment of the **Group division Transport and Logistics (integration of Stinnes)**
- Additional **cost-cutting efforts**



**In view of the unfavorable economic environment, considerable additional efforts are required in 2003**

# **Financial Year 2002, 1st Quarter 2003, and Capital Market Activities**

**Wolfgang Reuter  
Group Treasurer**

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## General remarks on financial year 2002

### internal changes

- First-time **inclusion of Stinnes Group** (inclusion of 4<sup>th</sup> quarter in P&L)
- **Reorganization of telematics activities**
- Phasing out of **historical burden compensation payments**
- **Intensive capital expenditures program continued**

### external changes

- **Improved framework** for completion of service contracts (amount of federal funds committed)
- Negative impact of **flood disaster in Eastern Germany**
- **Economic development** significantly weaker than expected; GDP +0.2 % (previous year: +0.6 %)
- **Passenger transport:** downturn in the market as a whole (-1.5 %)
- **Freight transport:** market stagnation, all modes of transport performed less well than expected
- Increasing intra- and intermodal **competition** in passenger and freight transport



**In 2002 first-time-inclusion of Stinnes group and telematics activities in consolidated financial statements**



## Development of transport performance 2002

### Rail passenger transport, PT (pkm million)

DB market share intermodal: 8 %  
DB market share intramodal: >90 %

74,459  
-6.2 %  
69,848

2001

2002

Long-distance: -6.1 % to 33,173 million pkm  
Regio: -6.2 % to 36,675 million pkm

### Rail freight transport, FT (tkm million)

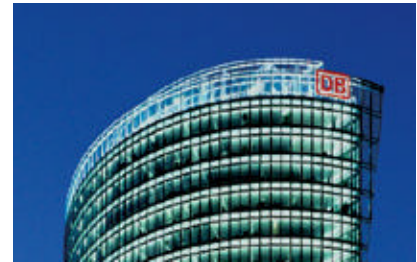
DB market share intermodal: 15 %  
DB market share intramodal: >90 %

80,348  
-2.9 %  
77,981

2001

2002

Railion Benelux/Denmark:  
2002: 5.5 million tkm (7.7 %)



**Transport performance is mostly influenced by:**

- weak economic development
- flood disaster
- streamlining of services

**Increase since 1993:**

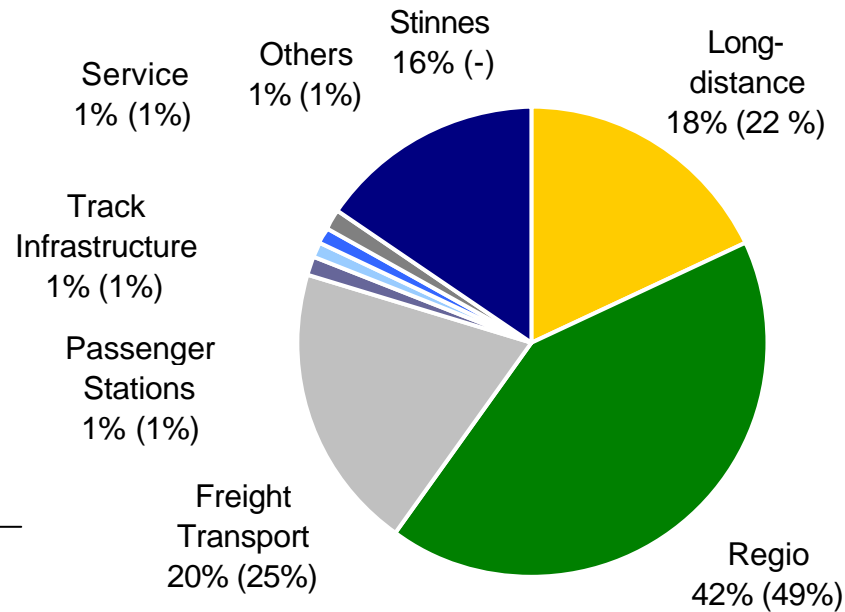
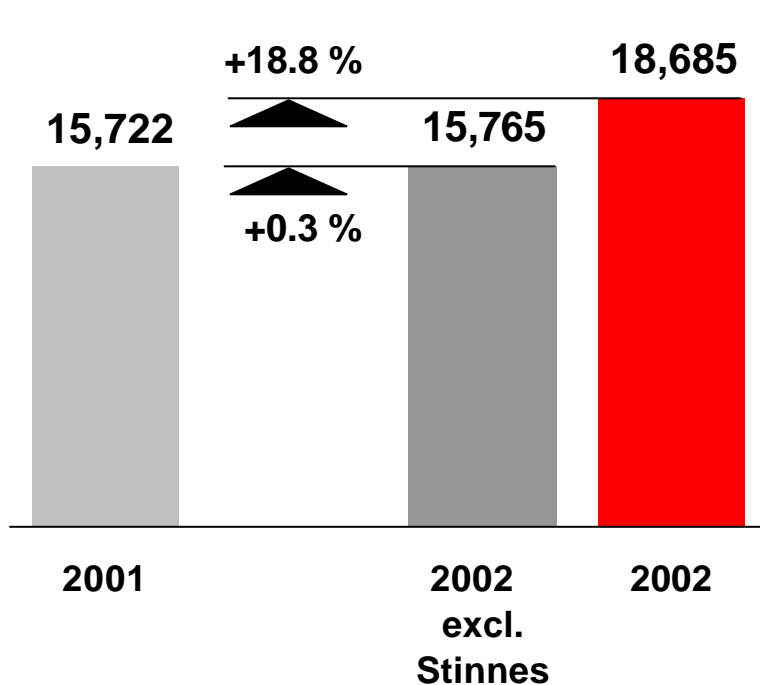
**PT: + 11 %**

**FT: + 21 %**

# Revenues 2002

## Revenues (€ million)

## Structure of revenues (%)



in brackets previous year's figures

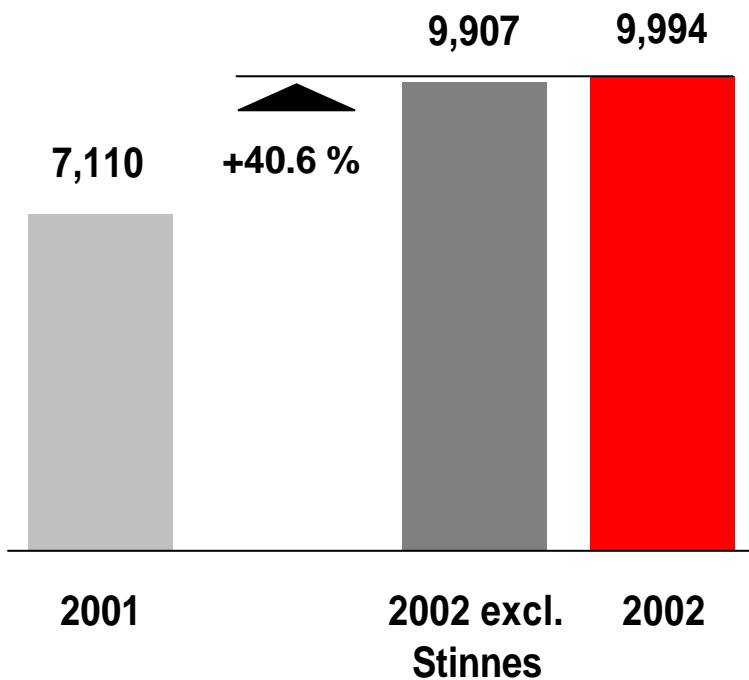


**Increase in revenues despite decline in transport performance**

**Increase since 1994 by 1.9 % p.a. (on a comparable base)**

# Gross capital expenditures 2002

## Gross capital expenditures (€ million)



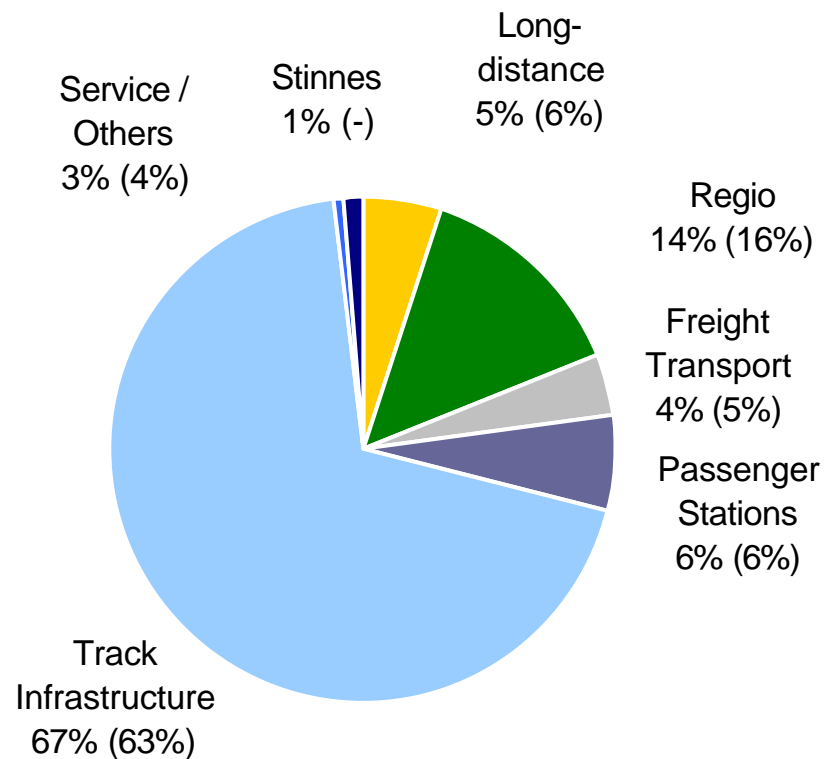
Ratio capex to revenues

45 %

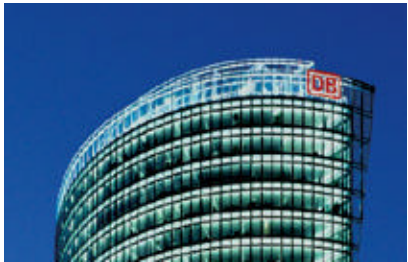
63 %

53 %

## Division by Business units (%)



in brackets previous year's figures



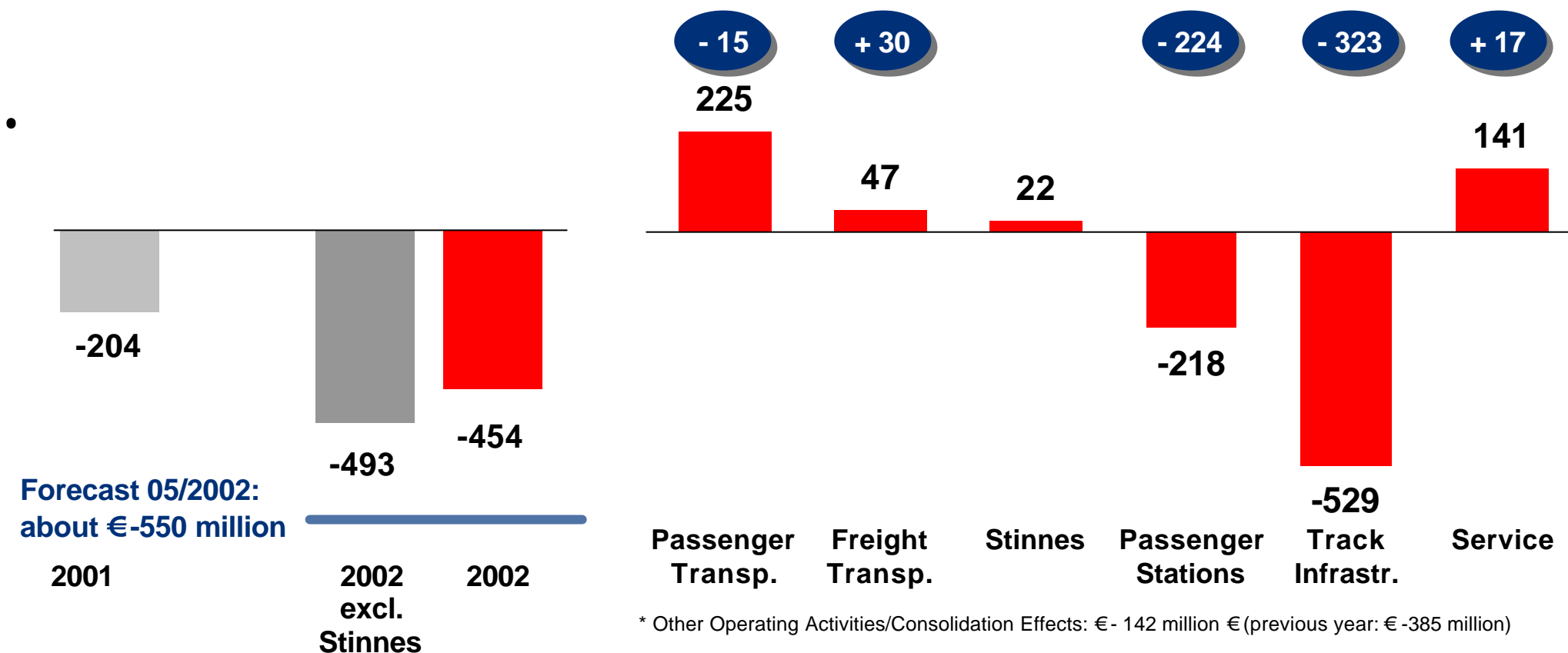
**Gross capital expenditures total €70 billion since 1994**

## Operating income after interest 2002

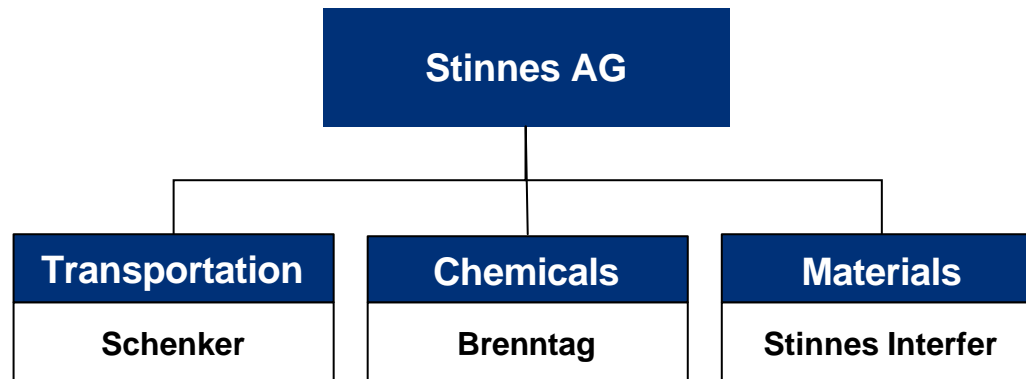
### Operating income after interest (€ million)

### Development of Group divisions (€ million)

● = vs. previous year



## Development of Stinnes in 2002



Key figures 2002 (€ million)	Stinnes Group	Transportation	Chemicals	Materials
Revenues	11,762	6,225	4,341	1,141
EBIT	322	137	141	9
Balance sheet total	4,986	2,394	1,991	427
Gross capital expenditures	288	148	112	25
Employees	44,320	33,224	8,590	1,893

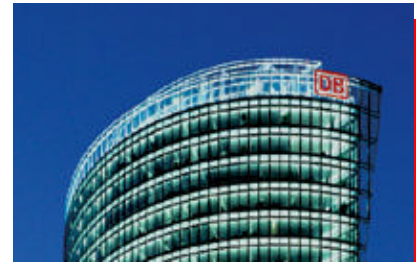
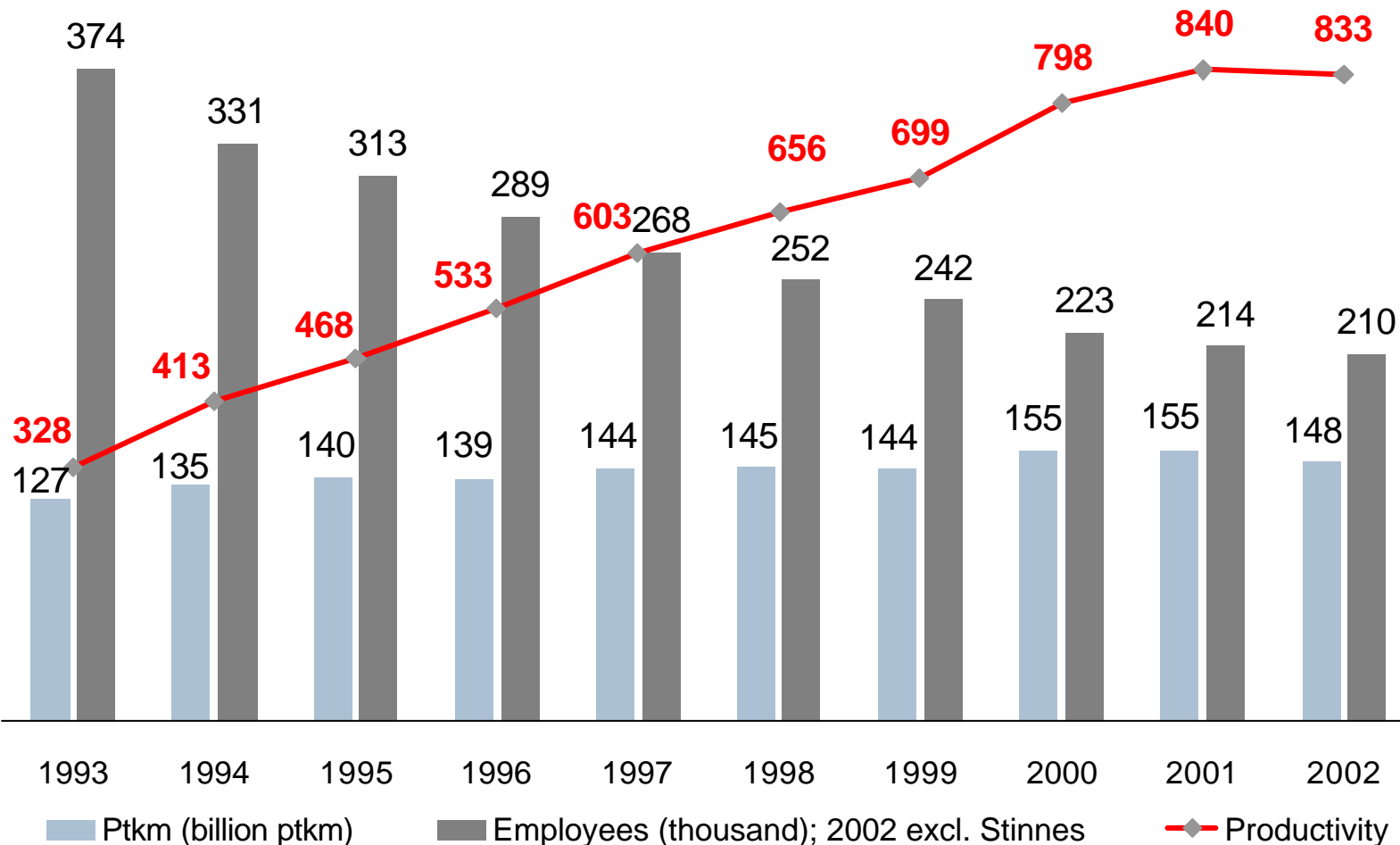


**Also Stinnes can  
look back on a  
successful  
financial year 2002**

## Productivity improvements since 1994

### Productivity

(thousand ptkm per employee)

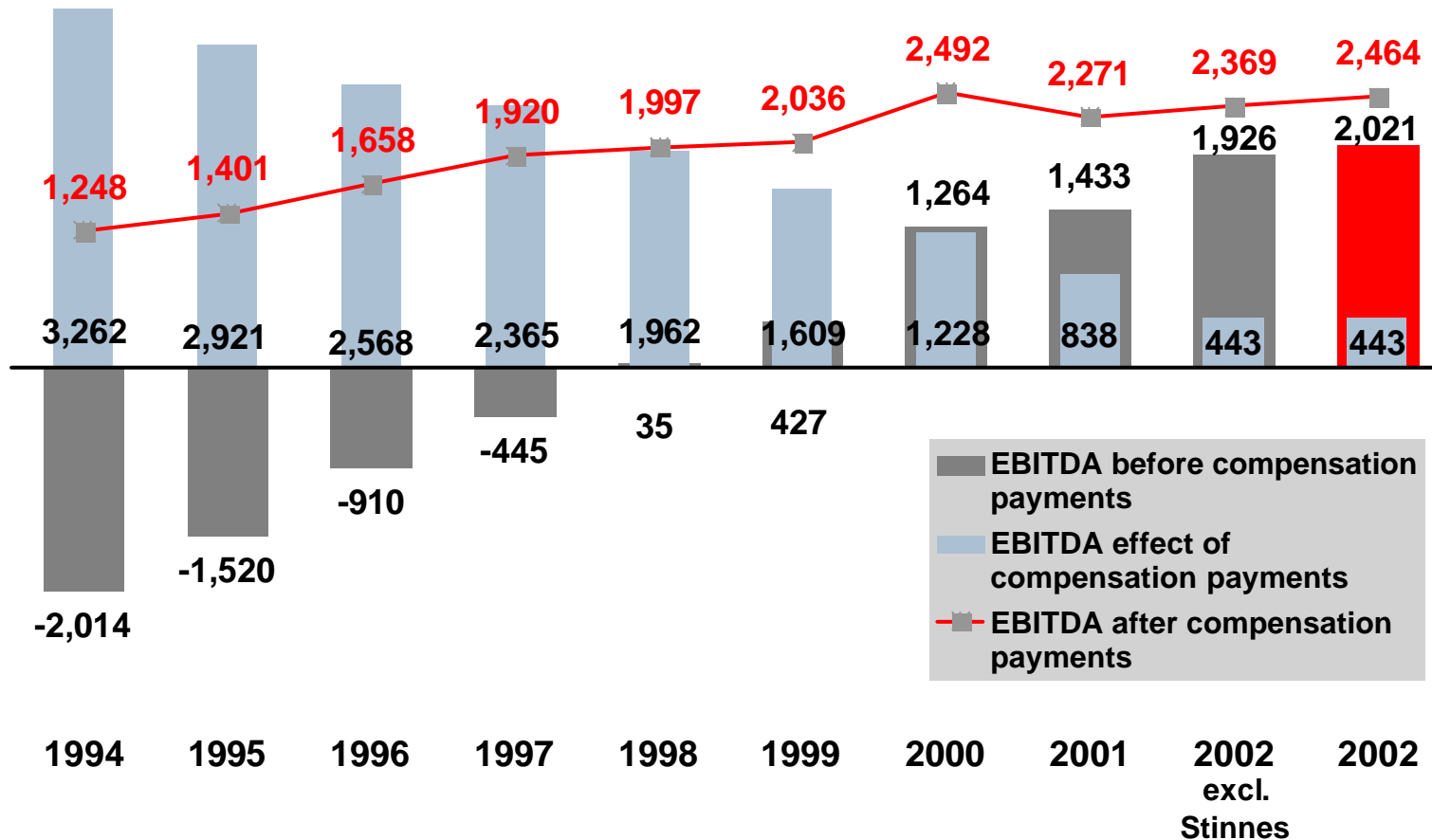


**Productivity has increased by 154 % since the start of the rail reform process**

**Since 1993:**  
 pkm: +11 %  
 tkm: +21 %  
 employees: -164,000

## Increase in EBITDA before compensation payments

**EBITDA before / after compensation payments**  
(€ million)



**Increase in EBITDA since 1994:**

**+ €3.9 billion /  
about €0.5 billion  
per year (before  
Stinnes)**

**in the same period  
decrease in  
compensation  
payments of  
€2.8 billion**

# Balance sheet structure 2002

## Balance sheet structure (as of 31 Dec 2002)

Assets				Equity and Liabilities			
	(± 2001)	share	€billion		(± 2001)	share	€billion
<b>Fixed assets</b>				<b>Equity <sup>1)</sup></b>	(-32.3 %)	12.4 %	<b>5.7</b>
				<b>Interest-free loans</b>	(+3.7 %)	16.8 %	<b>7.7</b>
				<b>Provisions</b>	(+1.0 %)	32.2 %	<b>14.8</b>
				<b>Interest bearing debt</b>	(+58.0 %)	24.0 %	<b>11.1</b>
				<b>Other liabilities</b>	(+45.4 %)	12.6 %	<b>5.8</b>
				<b>Acc./Def. <sup>3)</sup></b>	(-2.2 %)	2.0 %	<b>0.9</b>
<b>Current assets</b>	(+11.1 %)	86.5 %	<b>39.8</b>	<b>Total</b>	(+9.7 %)	100.0 %	<b>46.0</b>
<b>Prepay./Acc. <sup>2)</sup></b>	(+9.7 %)	13.3 %	<b>6.1</b>				
<b>Total</b>	(-83.3 %)	0.2 %	<b>0.1</b>				

(±%) = relative change compared to previous year (2001)

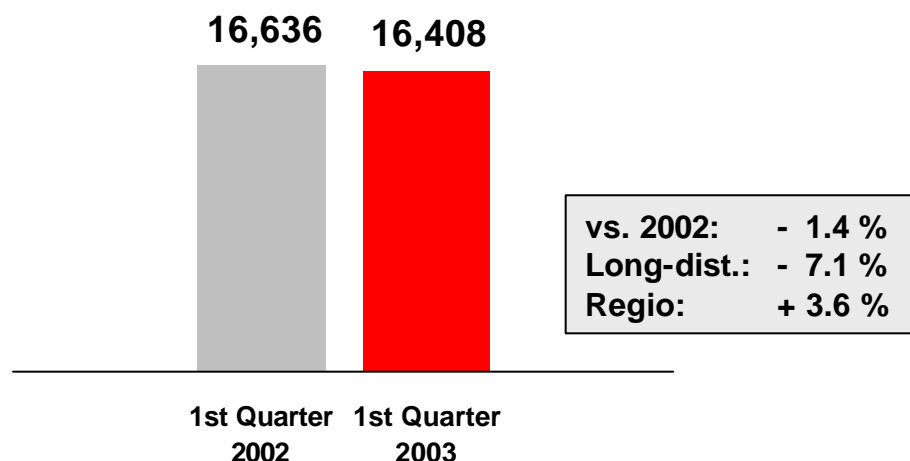
<sup>1)</sup> Goodwill offset in the amount of € 2.2 billion <sup>2)</sup> Prepayments and accrued income

<sup>3)</sup> Accruals and deferred income

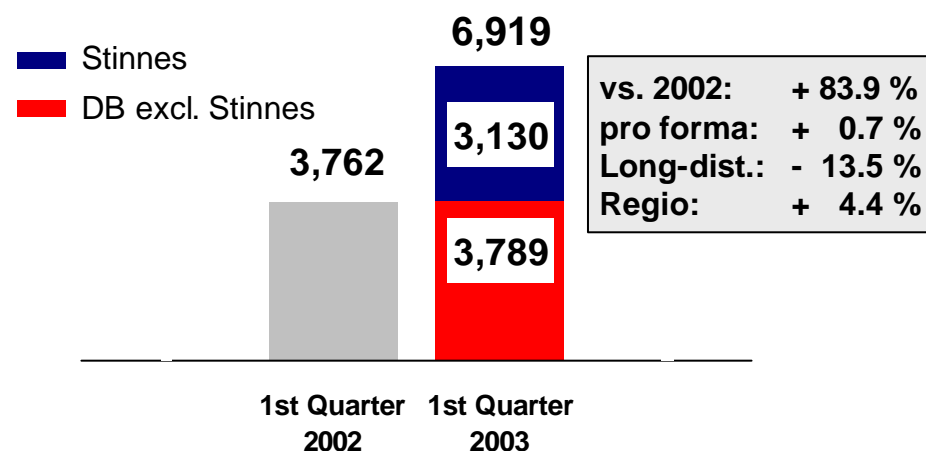


# 1<sup>st</sup> Quarter of 2003

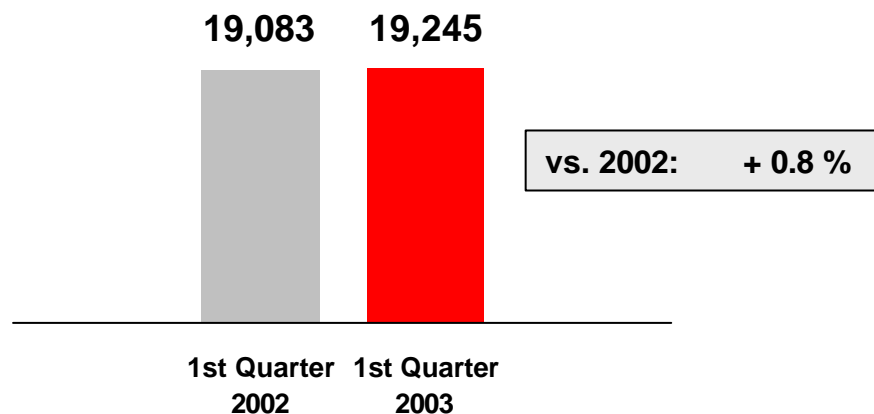
## Passenger transport performance (million Pkm)



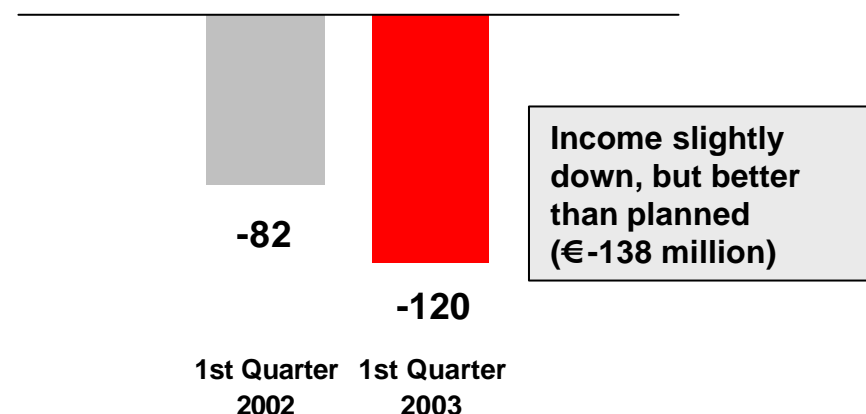
## Revenues (€million)



## Freight transport performance (million tkm)

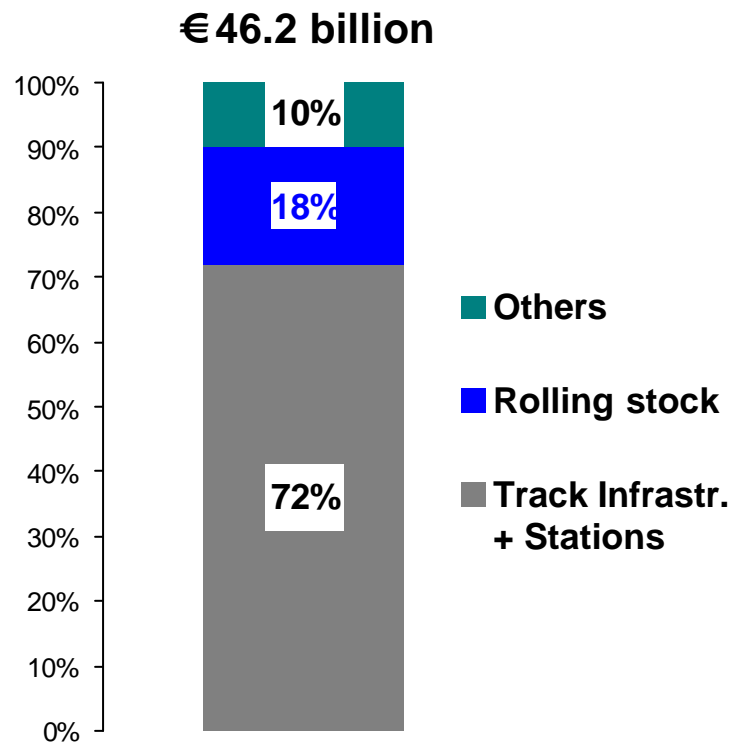


## Operating income after interest (€million)

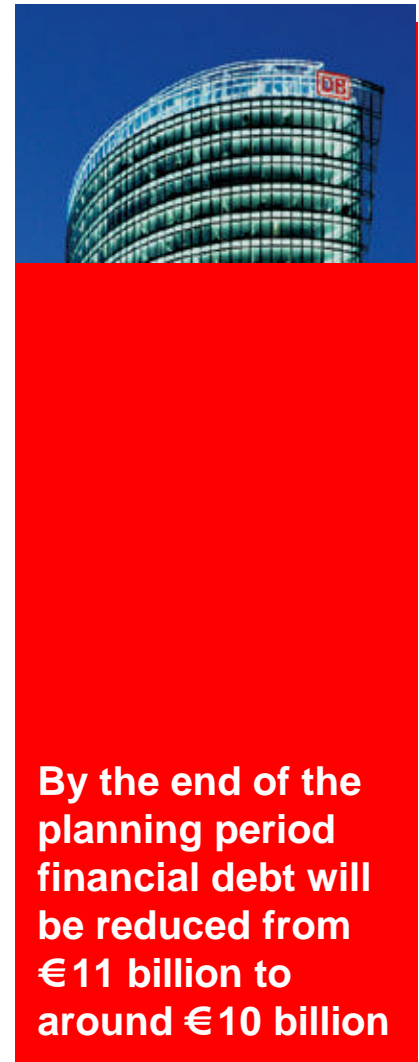
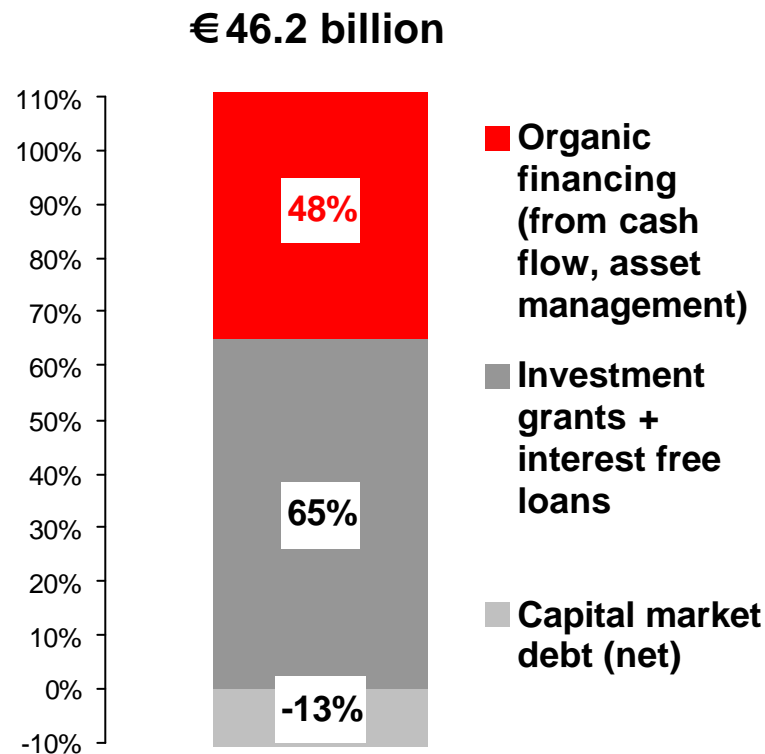


# Capital expenditures and financing 2003 - 07

## Allocation of funds

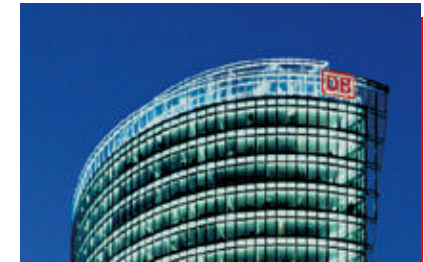
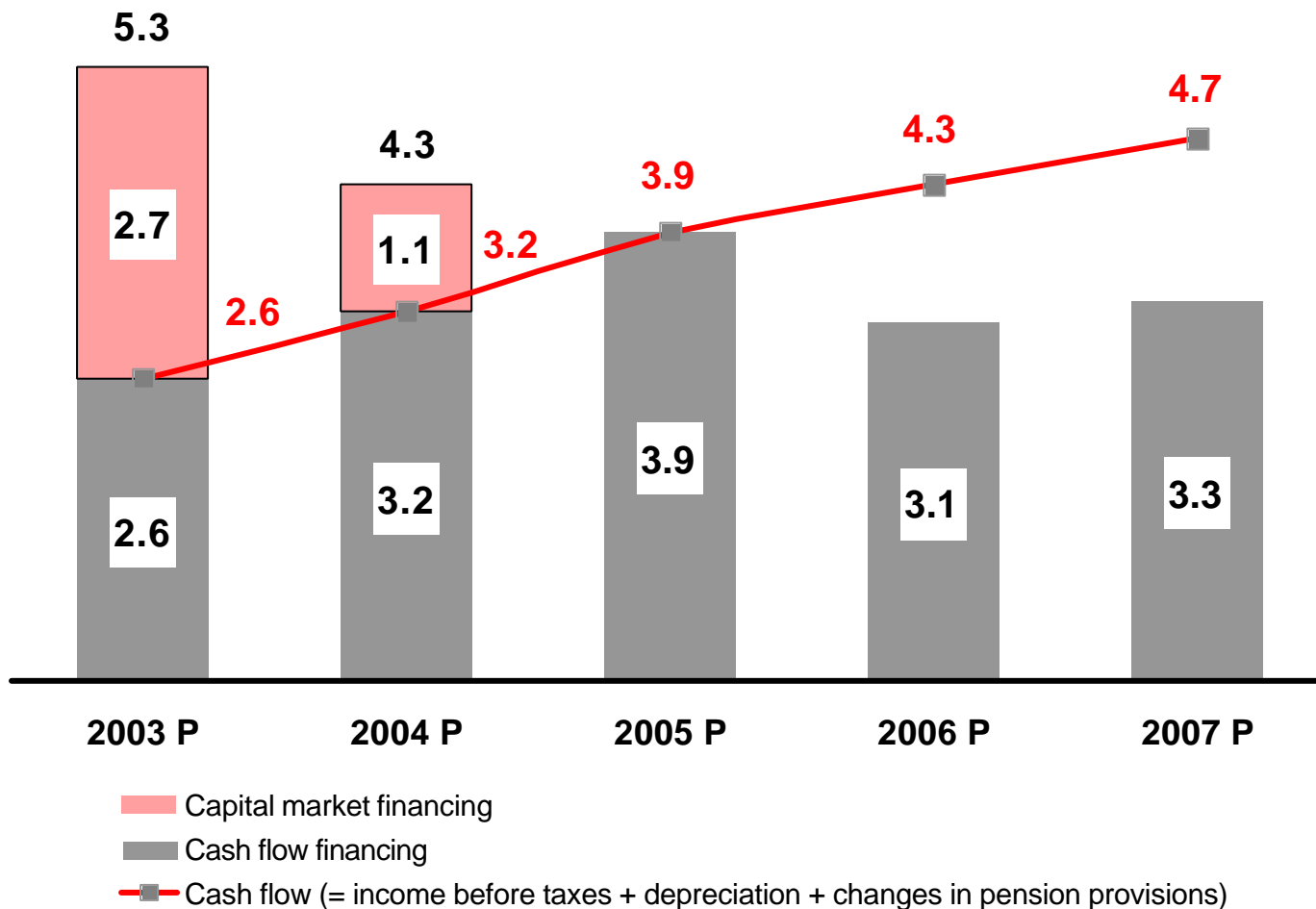


## Source of funds



## Future financing requirements

Financing requirements and cash flow 2003-07 (€ billion)




**Our financing requirements total €3.8 billion until 2007**

**Cash flow break-even will be reached in 2005**

## Major arguments for our very good rating

- Obligations of the Federal Republic of Germany as defined in Art. 87e of the Constitutional Law:
  - **“Infrastructure obligations”**: Funding of capex in infrastructure approx. € 6 billion p.a.
  - **“Common good obligations”**: supply of funds for ordering local passenger transport; €6.75 billion p.a.
  - Obligation to keep **majority shareholding (currently 100 %)**
- Deutsche Bahn is the **principal provider of mobility** in Germany and the largest logistics and transport undertaking in Europe
- **A stable cash flow** due to high share of revenues provided by long-term service contracts (revenue share in 2002: 24 %)
- **Vertical integration** as a decisive entrepreneurial success factor
- **Productivity increased by 154 % and EBITDA before payments for inherited burdens increased by about €4 billion** since start of the rail reform process
- Sound **financing structure** and conservative funding strategy



**Creditworthiness criteria of Deutsche Bahn:**

- obligations of the Federal Republic
- significance for mobility in Germany
- financial performance

## Focus on securing our very good creditworthiness

### Commitment to strong creditworthiness

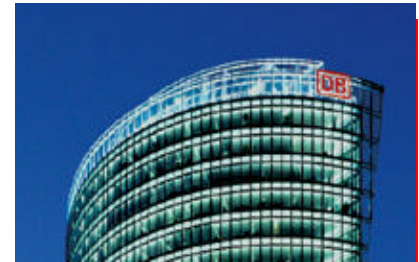
- **Rating:** Moody's (Aa1) / S&P (AA)
- **We intend to maintain our strong business and financial profile**

### Capital market orientation

- **Corporate Governance Principles implemented**
- Focus on **institutional investors**
- Bonds of € 2.2 billion placed successfully in **2002**
- **US dollar market debut** with a 600 million USD bond
- **€ 1 billion placed successfully in 2003**

### Investor relations

- Extension of our investor base by **expanding our road shows** to the Far East region
- Increased transparency by publishing **Annual Reports** of all stock corporations and an Interim Report of DB Group



**Deutsche Bahn will focus on capital market requirements even more in the future**