Mobility Networks Logistics

Press Conference
Interim Report January - June 2006

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Check against oral presentation

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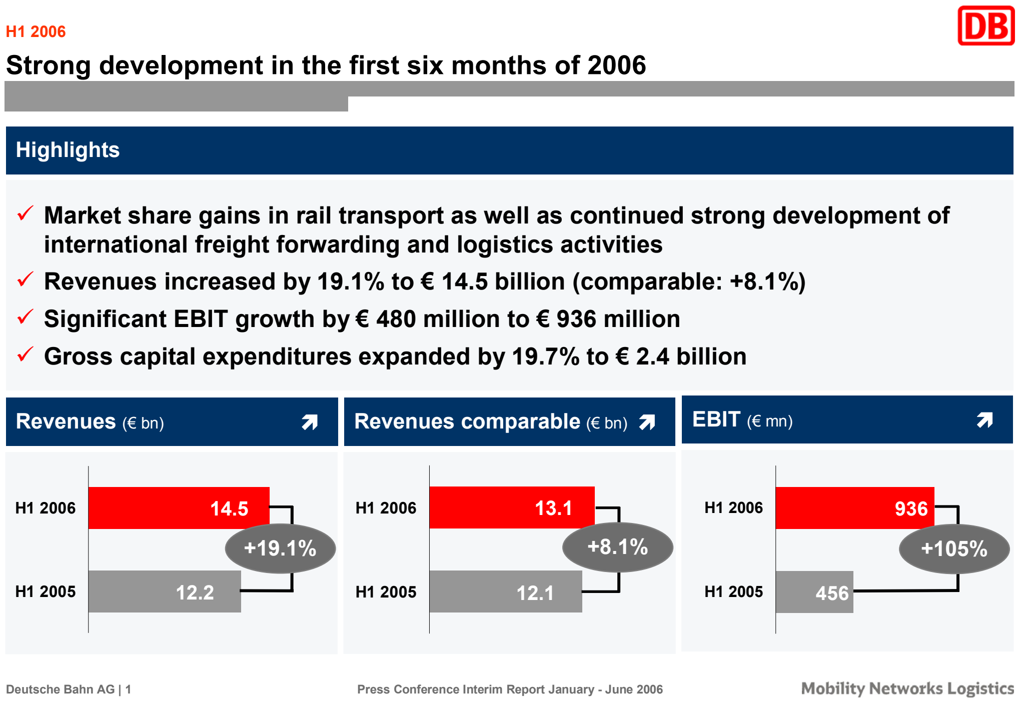


Ladies and Gentlemen,

may I also start by welcoming you to this morning's press conference. Over the next 20 minutes I would like to take you in some detail through the key figures relating to our business and financial performance, and then conclude with a presentation of our updated forecast for 2006 financial year.

The first half of 2006 was particularly successful for us – and you can see here, at a glance, the **improvements in all key figures**:

- We gained market share in rail transport, and our freight forwarding and logistics activities also performed well above average.
- Revenues were up 19.1 percent to EUR 14.5 billion – on a comparable basis plus 8.1 percent to EUR 13.1 billion.
- We improved EBIT by EUR 480 million to EUR 936 million.

H1 2006

General remarks

Market environment	**Economic environment partially more favorable** ↗ Slight improvement in Germany, positive impulse for rail business and especially for rail freight business ↗ Strong development of international freight forwarding and logistics activities (especially in Asia and North America) ↘ Significant burdens from energy prices
Competition	**Persistently high competition pressure** ▪ High level of intra- and intermodal competition in rail freight and passenger transport as well as pressure on margins in European land transport ▪ Ongoing consolidation process in logistics markets
Infrastructure utilization	**Further increase in utilization of DB infrastructure by non-Group railways**
Comparability of H1 2006 vs H1 2005	**Growth from operations and acquisitions** ▪ **Additions in 2006:** BAX Global (BAX), RAG Bahn und Hafen GmbH (RBH), Linjegods AS and StarTrans-Group ▪ **Disposals in 2005:** Deutschen Eisenbahn-Reklame GmbH (DERG) and STINNES-data-SERVICE GmbH (SDS)

Deutsche Bahn AG | 2 Press Conference Interim Report January - June 2006 Mobility Networks Logistics

The macroeconomic conditions that are relevant for us slightly improved in the first six months of 2006. They resulted in positive effects for rail transport in our market environment, from which our rail freight business unit Railion benefited in particular. Growth trends, especially in Asia and North America, continued to bolster our international freight forwarding and logistics activities. However, **rising energy prices** had a detrimental effect as they could not be completely passed on to customers, due to the high competitive pressure.

Comparing our business performance with the first six months of 2005, there are also effects arising from **changes in the scope of consolidation** to be considered. We further optimized our Group portfolio as a result of M&A transactions in line with our strategic focus. The effects of companies, some of which we acquired already in 2005, are now included in our figures for the first time. This applies primarily to US logistics service provider BAX Global, for which the acquisition was completed in January. In the first half of 2006, we also expanded our air freight activities with the acquisition of the Hong Kong-based StarTrans Group.

As is our common practice, I am going to explain, where relevant, the main effects of the consolidation-related changes.

H1 2006

Positive development of key performance figures

Passenger Transport

- **Slightly positive impact from macroeconomic environment**
- **Volume increases due to 2006 FIFA World Cup™**
- **High demand for special price and special package offers**
- **Positive effects from new and upgraded lines**
- **Tender-related losses**

Long-Distance

- ↗ Passengers (+3%)
- ↗ Transport performance (+5%)
- ↗ Load factor (+1 percentage point)

Regional / Urban

- ↗ Transport performance Rail (+4%/+8%)
- ↘ Transport performance Bus (-2%)

Transport and Logistics

- **Positive impact from macroeconomic environment**
- **Continued strong growth of air and sea freight markets (main drivers: Asia and North America)**
- **Additions of RBH (Railion business unit) as well as BAX, Linjegods and StarTrans (Schenker business unit)**

Railion

- ↗ Freight carried (+13%)
- ↗ Transport performance (+11%)
- ↗ Tons per train (+5%)

Schenker

- ↗ Shipments (land transport)
- ↗ Tonnage (air freight)
- ↗ Transport volume (sea freight)

Infrastructure

Track Infrastructure

- ↗ Train kilometers of non-Group railways (+17%)

Passenger Stations

- ↗ Station stops of non-Group railways (+22%)

Deutsche Bahn AG | 3 Press Conference Interim Report January - June 2006 Mobility Networks Logistics

Supported by the positive macroeconomic conditions, our overall performance in the first six months of 2006 was very satisfying.

In the business units of the **Passenger Transport** Group division, the increase in passenger volume generated by the 2006 FIFA World Cup™ was possibly the most striking event. In addition, our special price offers in long-distance and regional transport met with continued high demand. The opening of the new and upgraded Nuremberg–Ingolstadt–Munich and the upgraded Leipzig–Berlin lines led to more growth. This development is likely to continue in the second half of the year.

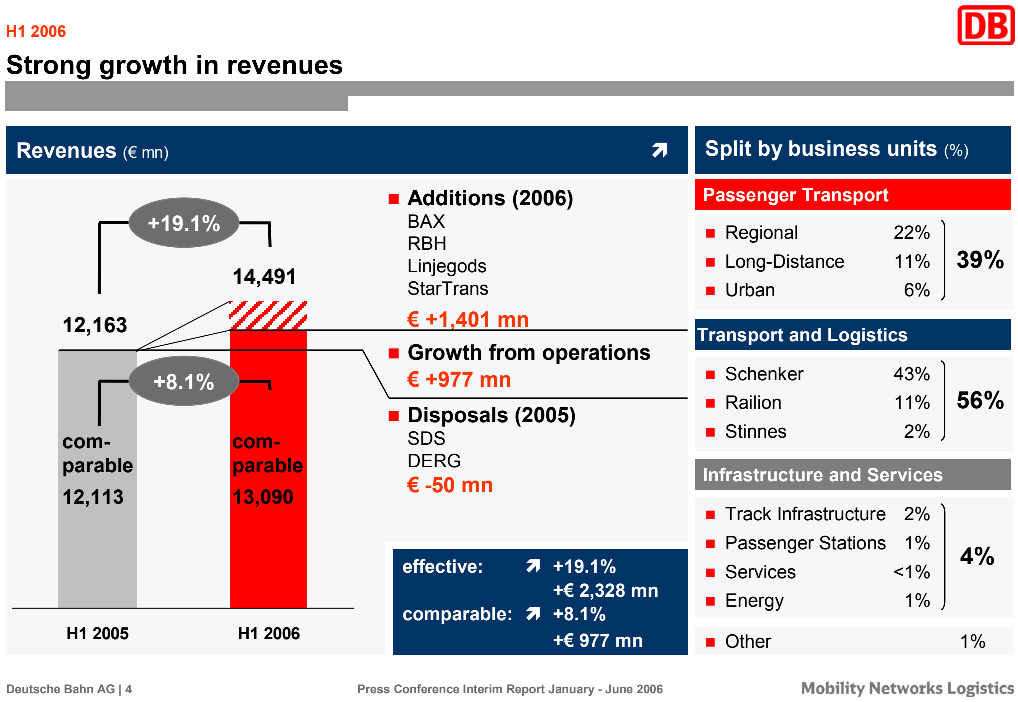
This resulted in a significant overall increase in the rail transport performance achieved by all business units of the **Passenger Transport** Group division. A slight decline of 2 percent in bus transport performance, however, was due to tender-related losses.

The business units in the **Transport and Logistics** Group division also benefited from the positive macroeconomic environment. The international logistics markets were also characterized by sustained high growth rates. In this market environment, the Schenker business unit performed well, achieving above-average growth rates. The key growth areas were once again the air and sea freight markets of Asia and North America. Further increases in performance resulted from the first-time inclusion of BAX, Linjegods and the StarTrans Group. Especially the acquisition of BAX enabled us to exploit additional growth potential, such as in air freight on routes within Asia, from Asia to North America and Europe, and on routes from North America, as well as in sea freight on inner-Asian routes and routes from Asia. We further increased shipment volumes in European land transport.

Overall, we successfully maintained our market positions.

In the Railion business unit, Railion Deutschland AG achieved a significant increase in transport performance and, based on current estimates, grew at a higher rate than the German freight transport market. This performance was enhanced by the first-time inclusion of RBH. Capacity utilization, measured in tons per train, significantly improved.

In the business units of the **Infrastructure and Services** Group division, the Track Infrastructure business unit benefited from double-digit increases in the demand for train-path allocations from non-Group companies. The demand from intra-Group customer stayed at the level of the same period last year. In the Passenger Station business unit, non-Group rail companies with double-digit growth rates led to a slight overall increase in the number of station stops.



Driven by the positive performance development, **revenues** in the first six months of 2006 showed a strong increase of 19.1 percent to EUR 14.5 billion, with business operations growing by 8.1 percent or EUR 977 million.

Further growth resulted from the changes in the scope of consolidation as mentioned above. These involve the addition of BAX, RBH, Linjegods and StarTrans, with a revenue volume of around EUR 1.4 billion. The disposals were STINNES-data-Service and Deutsche Eisenbahn-Reklame.

The revenue split by business unit has shifted further in favor of the Transport and Logistics Group division’s activities, primarily due to the inclusion of BAX.

H1 2006

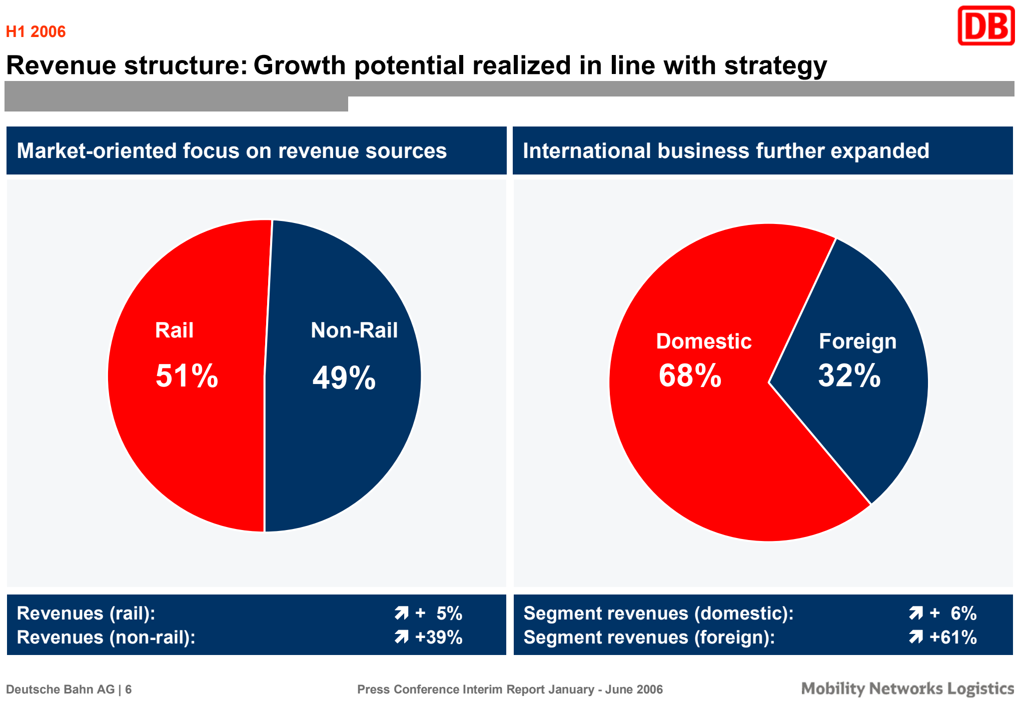
Significant revenue increase in Schenker, Railion and Long-Distance units

Revenues (€ mn)	H1 2005	H1 2006	+/-
Long-Distance Transport	1,454	**1,582**	+128
Regional Transport	3,219	**3,220**	+1
Urban Transport	857	**870**	+13
Schenker (incl. BAX)	4,319	**6,268**	+1,949
Railion	1,397	**1,536**	+139
Stinnes	264	**301**	+37
Track Infrastructure	217	**265**	+48
Passenger Stations	143	**156**	+13
Services	59	**43**	-16
Energy	106	**169**	+63
Other	128	**81**	-47
Total	**12,163**	**14,491**	**+2,328**

Highlights

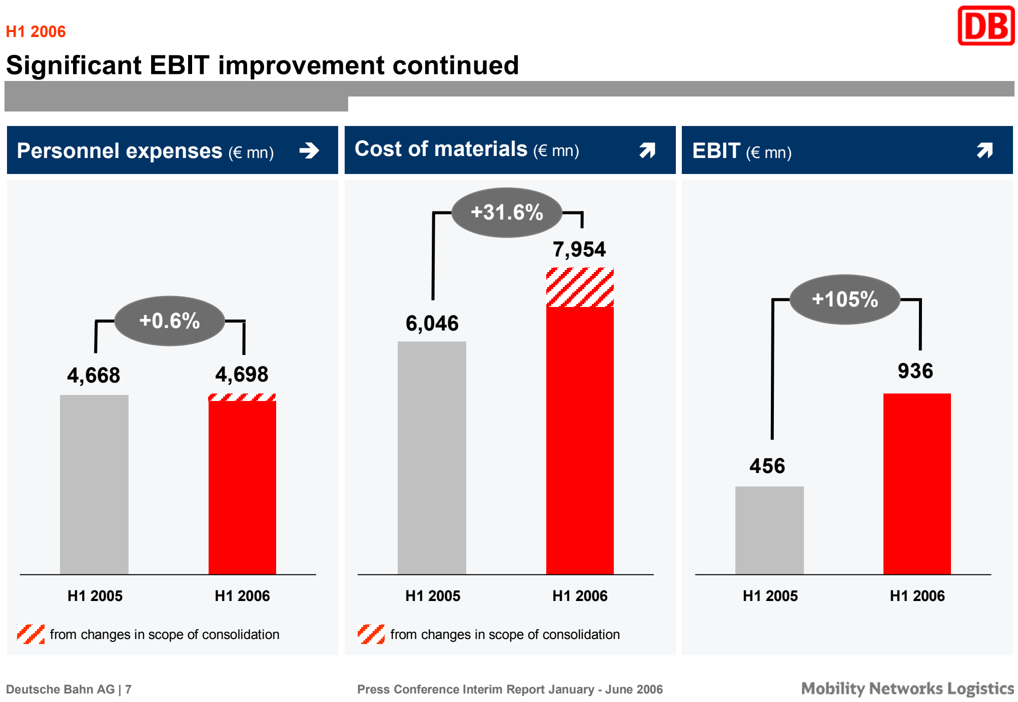
- **Long-Distance:** Continued strong performance development
- **Regional:** Higher fare-box revenues offset by decline in ordered-services fees
- **Urban:** Positive development of fare-box revenues at the S-Bahn (metro) in Hamburg and Berlin
- **Schenker:** Once again strong growth from operations and additional increase from first-time consolidations (especially BAX)
- **Railion:** Positive performance development supported through addition of RBH
- **Track Infrastructure/Passenger Stations:** Further increased infrastructure utilization of non-Group railways
- **Energy:** Expansion of energy services offerings and effects from price developments on (global) energy markets

Looking at the **revenue performance by business unit**, we can see the effects of the positive performance in rail transport and logistics mentioned earlier, and also the effects of acquisitions in the logistics area. Performance in the Schenker and Railion business units was positive with an increase of 45 percent and 10 percent, respectively, as well as in the Long-Distance business unit with an increase of 9 percent. An encouraging performance was also achieved by the Track Infrastructure and Passenger Stations business units because demand from non-Group rail companies, as mentioned before, increased again significantly. The Regional and Urban Transport business units stayed at the level of the comparable period last year.



Overall, the **structural split of revenues** within the DB Group has shifted, with an almost even share coming from both rail and non-rail activities. Based on the strong performance of rail operations, the structural shifts of the past few years have been mainly due to the focused expansion of our logistics activities through the acquisitions of Schenker in 2002 and BAX this year. It is important to realize that – in line with the very nature of the logistics business – revenue growth in logistics is more dynamic. The expansion of our logistics business has also resulted in a greater internationalization of our activities. Consequently, we now achieve around one third of our revenues outside Germany. This means that, since the start of the German Rail Reform in 1994, we have succeeded not only in restructuring our core rail business and making it profitable. We have also been able to participate successfully in the growth of the European and international transport and logistics markets.

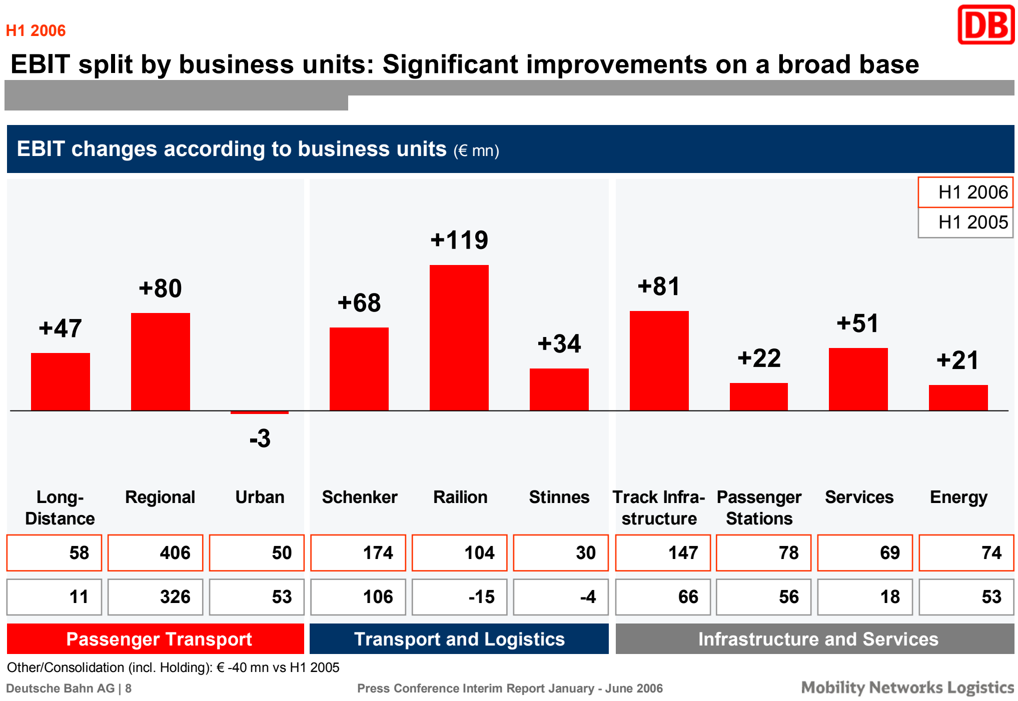
Throughout, this process has been fully in line with our strategy to position the DB Group as a leading global provider of mobility and logistics services.



Together with the successful expansion of our business, we have built an impressive **track record** of **profit improvements**. This is an area where we were able to make further progress in the first half of 2006. While personnel expenses stayed fairly stable, total expenditures rose, driven in particular by increased cost of materials.

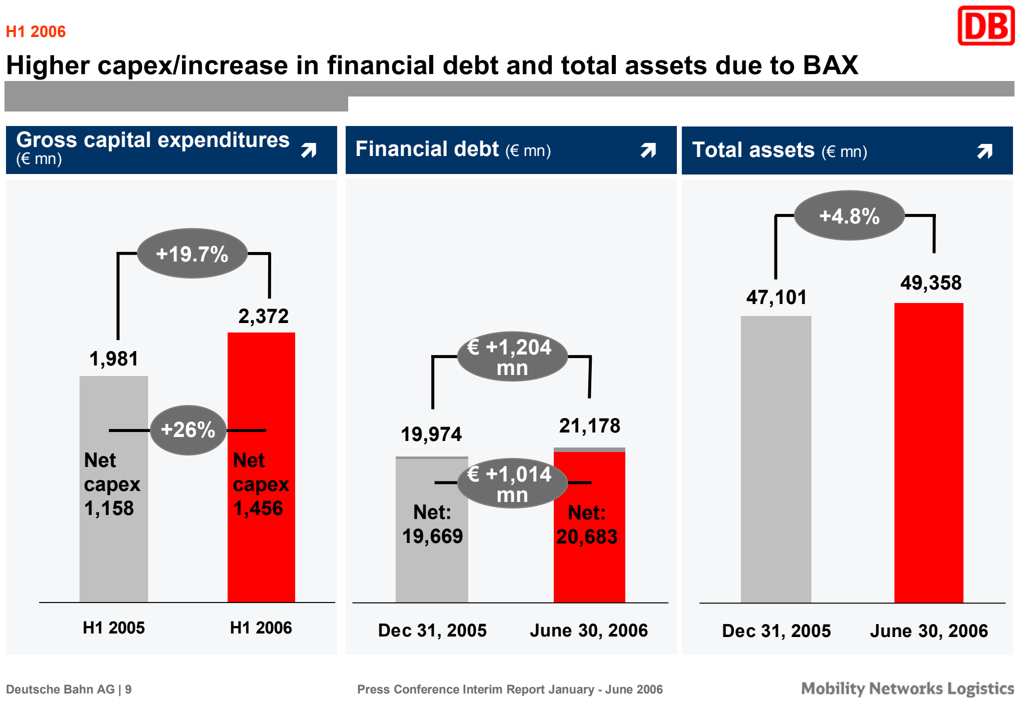
Effects resulting from the expansion of Schenker's business and the first-time inclusion of BAX offset the effects of a collective agreement to reduce working hours that has been implemented since July 1, 2005. The expansion of the business operations and the BAX acquisition are reflected in the cost of materials.

Overall, based on the revenue performance described, we were able to increase our operating profit, or EBIT, by EUR 484 million to EUR 936 million – and thus more than double the previous figure.



The **EBIT improvement** was achieved on a broad base across virtually all business units, with the most significant improvements coming from the Railion, Track Infrastructure, Regional Transport and Schenker business units. It is worth pointing out that it was the core rail business that, as in previous years, was the main contributor to EBIT improvement. While the Long-Distance Transport business unit is more advanced in its restructuring process, the Railion business unit has now achieved the turnaround. Mr. Mehdorn has already given you the details. However, further efforts are necessary and are planned for the years ahead. The business units of the **Infrastructure and Services** Group division developed in the right direction due to internal efficiency programs.

The positive development of the Schenker business unit is attributable primarily to Schenker's existing business activities. As expected, the additional profit contribution made by BAX was small due to the current integration costs.



In line with our modernization program, we have continued our capital expenditures at a high level during the first six months of 2006, with the main focus on track infrastructure. **Gross capital expenditures** increased by 19.7 percent to EUR 2.4 billion. We contributed to this total approximately EUR 1.4 billion of our own funds, representing a 35 percent increase compared with the same period last year.

We tapped the financial markets to finance the BAX acquisition, while capital expenditure requirements for business operations were funded, to a large extent, from cash flow. Considering the liquidity reserves, **net financial debt** thus increased by EUR 1.0 billion to EUR 20.7 billion.

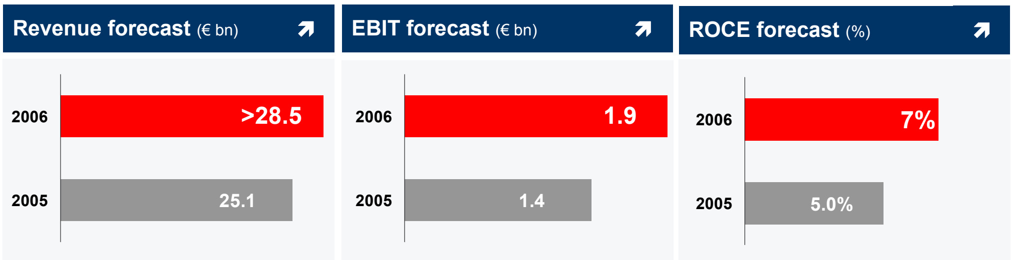
Overall, **total assets** were up slightly compared with the balance sheet date, December 31, 2005. The increase reflects, for the most part, the business expansion in the Schenker business unit and the first-time inclusion of BAX.

Outlook

Expectations raised vs March 06 forecast

Forecast 2006 Financial Year

- **Significant increase in revenues expected**
- **EBIT forecast at € 1.9 bn (€ +300 mn vs March 06 forecast)**
- **Further ROCE increase anticipated**
- **Gross capital expenditures estimated at or better than previous year's level (€ 6.4 bn)**



Deutsche Bahn AG | 10 Press Conference Interim Report January - June 2006 Mobility Networks Logistics

The positive performance to date and more precise expectations for the second half of 2006 allow us today to increase the forecast we gave you at the Annual Results Press Conference back in March:

- Based on current estimates, we now anticipate revenues in excess of EUR 28.5 billion. That is EUR 500 million above the level expected in March.
- For our EBIT, we now expect a figure of EUR 1.9 billion, which is EUR 300 million above the level expected in March.
- Based on this EBIT performance, we are now aiming for a ROCE of 7 percent.
- Capital expenditures are expected to be at least at last year's level, which was EUR 6.4 billion.

To achieve these goals, we will systematically continue to implement our current internal programs. With regard to the macroeconomic conditions in our market and competitive environment, we expect overall stability. This forecast is also based on the assumption that there will no unexpected developments on our key sales and procurement markets.

Ladies and gentlemen, may I thank you for your attention. Mr. Mehdorn and I will now be glad to answer your questions.

Appendix

Disclaimer

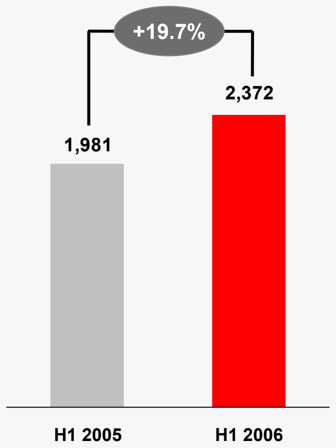
Disclaimer

This information contains forward-looking statements or trend information that are based on current beliefs and estimates of Deutsche Bahn's management and involves known and unknown risks and uncertainties. They are not guarantees of future performance.
In addition to statements which are forward-looking by reason of context, including without limitation, statements referring to risk limitations, operational profitability, financial strength, performance targets, profitable growth opportunities, and risk adequate pricing, as well as the words "may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, or continue", "potential, future, or further", and similar expressions identify forward-looking statements.
These forward-looking statements are subject to certain risks and uncertainties that could cause the Company's actual results or performance to be materially different from those expressed or implied by such statements. Many of these risks and uncertainties relate to factors that are beyond Deutsche Bahn's ability to control or estimate precisely, e.g. future market and economic conditions and the behavior of market participants. Deutsche Bahn does not intend or assume any obligation to update these forward-looking statements.
This document represents the Company's judgment as on the date of this presentation.

Appendix

Modernization process continued: capex programs of € 2.4 bn

Gross capital expenditures
(€ mn)



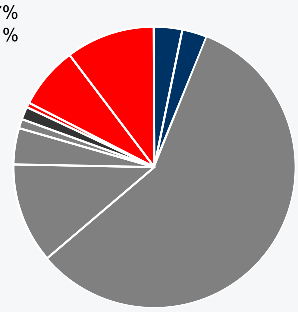
Split by business units (%)

Passenger Transport 18%

Regional 10%
Long-Distance 7%
Urban 1%

Transport and Logistics <7%

Schenker 3%
Railion 3%
Stinnes <1%



Infrastructure and Services 75%

Track Infrastructures 58%
Passenger Stations 12%
Services 4%
Energy 1%

Other 1%