

# Finanzpräsentation 2006

Hong Kong – Singapore – Tokyo – Beijing

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Deutsche Bahn AG

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Chief Financial Officer

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Diethelm Sack

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April 2006

# Focused Group structure with three strong pillars

<b>DB Group (2005)</b> 	<ul style="list-style-type: none"> <li>■ DB AG management holding company</li> <li>■ Vertically integrated group structure</li> <li>■ Rating: Aa1 / AA</li> </ul>	Revenues (€ bn)	25.1	Gross capex (€ bn)	6.4
		EBIT (€ bn)	1.35	Total assets (€ bn)	47.1
		ROCE (%)	5.0	Employees (as of Dec 31)	216,389

Passenger Transport	Infrastructure and Services	Transport and Logistics			
<ul style="list-style-type: none"> <li>■ # 1 in European rail passenger transport</li> <li>■ # 1 in European public urban transport</li> <li>■ # 1 in German bus transport</li> </ul>	<ul style="list-style-type: none"> <li>■ Largest rail track infrastructure in Europe</li> </ul>	<ul style="list-style-type: none"> <li>■ # 1 in European rail freight transport</li> <li>■ # 1 in European land transport</li> <li>■ # 2 in air freight ■ # 3 in sea freight</li> </ul>			
External revenues (€ mn)	11,228	External revenues (€ mn)	1,129	External revenues (€ mn)	12,426
EBIT (€ mn)	719	EBIT (€ mn)	379	EBIT (€ mn)	272
Gross capex (€ mn)	718	Gross capex (€ mn)	5,129	Gross capex (€ mn)	424
Employees (as of Dec 31)	53,830	Employees (as of Dec 31)	76,280	Employees (as of Dec 31)	63,698
ICE fleet	233	Length of lines operated (km)	34,218	Freight cars	96,731
Locomotives	2,057	Passenger stations	5,707	Locomotives	2,848

# Upside potential from efficiency programs and growth opportunities

## Market / competition

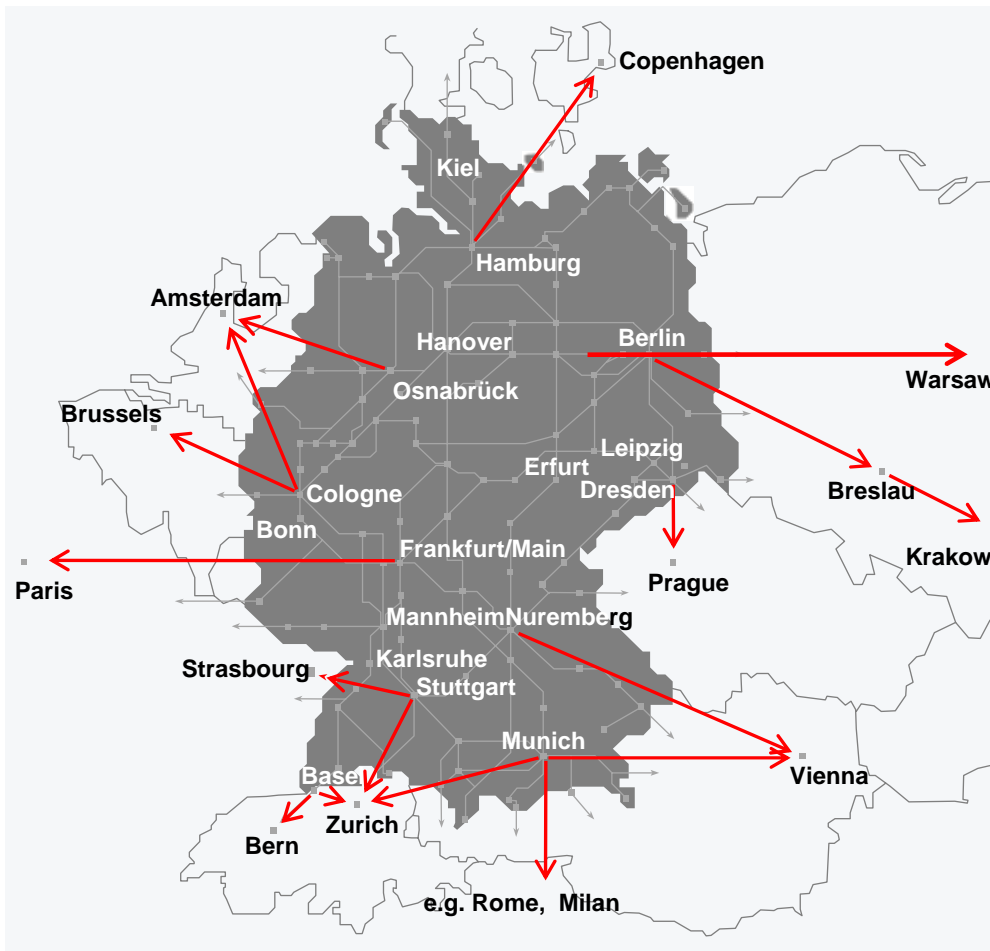
- Moderate growth rate in domestic market
- Losses of market shares in regional and urban transport due to increased competition (DB: currently 96% market share intramodal)
- Risk of reduced public financing for regional/urban passenger transport contracts
- Increased traffic density in conurbations
- Liberalization in EU rail passenger transport in 2010

## Our business model

- Further efficiency gains in existing operations
- Further profitable growth in Long-distance Passenger Transport
- Active role in consolidation process of mobility services in conurbations (rail, light rail, bus). DB with ability to act as integrator of services
- Strengthening of market position in bus transport
- Expansion into neighboring countries (mainly urban transport, bus transport)

# Strategic focus: maintaining of strong position in domestic market

## Inter-linked within Europe



## Highlights

### ■ Long-distance

- ▶ Improved operating performance in terms of reliability and punctuality
- ▶ Attractive price offerings and frequent traveler programs (bahn.comfort, bahn.bonus)
- ▶ Modern ICE-fleet
- ▶ High-speed connections such as Berlin–Hamburg (since 2004) or new direct high-speed offerings between major cities such as Cologne–Stuttgart (since 2005)

### ■ Regional

- ▶ Completion of long term transport contracts with the federal states
- ▶ Attractive price offerings
- ▶ Further increases in fare box revenues

### ■ Urban

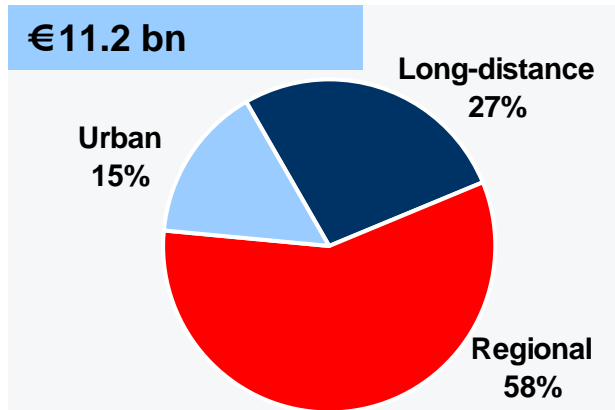
- ▶ Usage of external growth opportunities in a consolidating market
- ▶ Expansion of bus services

# Overview

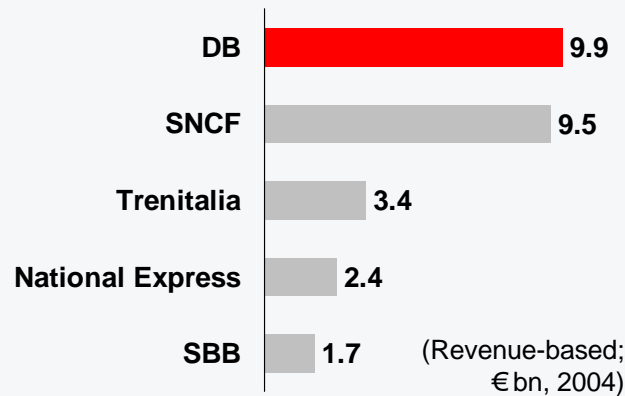
## Highlights

- ✓ Successful turnaround in Long-distance unit
- ✓ Market share gains due to transport performance growth above market average (DB rail: +3.3%; market average: -1.0%)
- ✓ Efficiency improvements in all business units

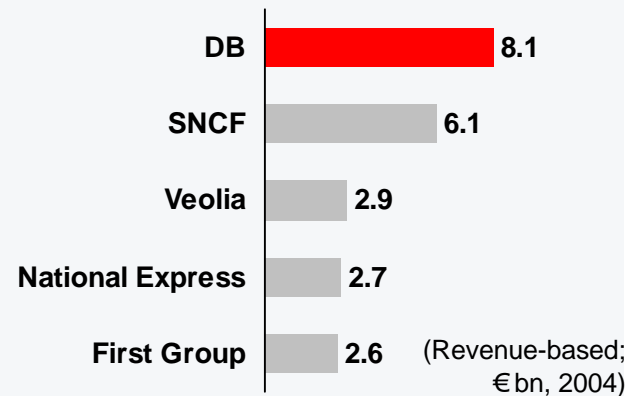
## Revenue structure 2005 (%)



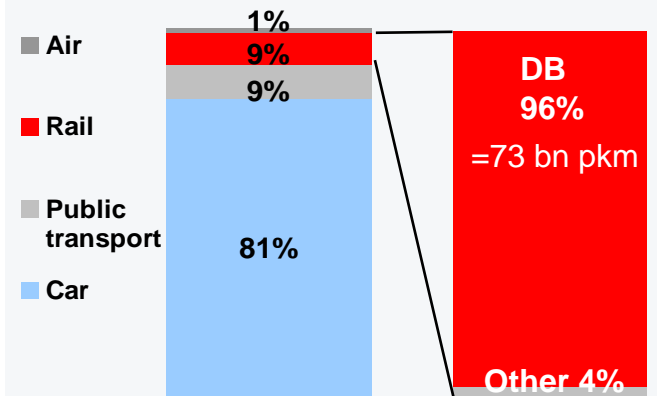
## #1 in rail passenger transport in Europe



## #1 in European public regional / urban transport



## Market share, domestic (2005, pkm, %)



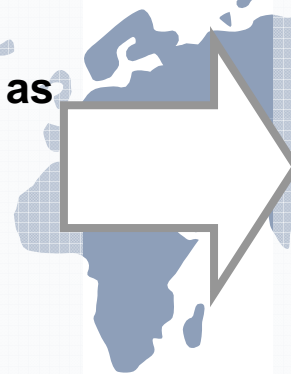
# Leading market positions in transport and logistics: further growth ahead

## Market / competition

- Liberalization in EU rail freight transport in 2007
- Globalization: Shift of industrial production closer to customers
- Strategic trap for railways: Acting as carrier / loss of contact to final customers
- Customers request full range of transport and logistic services: international / global, just-in-time, reliable, value for money
- Higher growth rates in Asia / America and global air / sea freight
- Still fragmented markets in logistics

## Our business model

- Rail freight business: European approach
- Positioning as a globally acting full-service provider
- Organic growth plus M&A-activities (air / sea freight, contract logistics)
- Synergies in European Transport services: Rail freight / Road transport
- Further expansion of business in areas with high growth in GDP
- Chances from stronger position in transport and logistics services in or from ports



# Acquisition of BAX strengthens our position in transport and logistics



## Acquisition process

### 1 Customers

- Improved access to major customers in the USA and Asia
- Complementarity in terms of customer base in automotive and high tech business
- Enlargement of business activities with our present customers in America and Asia

### 2 Marketing / Sales force

- Strong brand in North America and Asia
- Powerful sales organization in the USA

### 3 Network Quality and Purchasing Power

- Area-wide distribution network in North America
- Higher volumes on transpacific route
- Significant transport volumes from the USA to Europe

### 4 Additional business

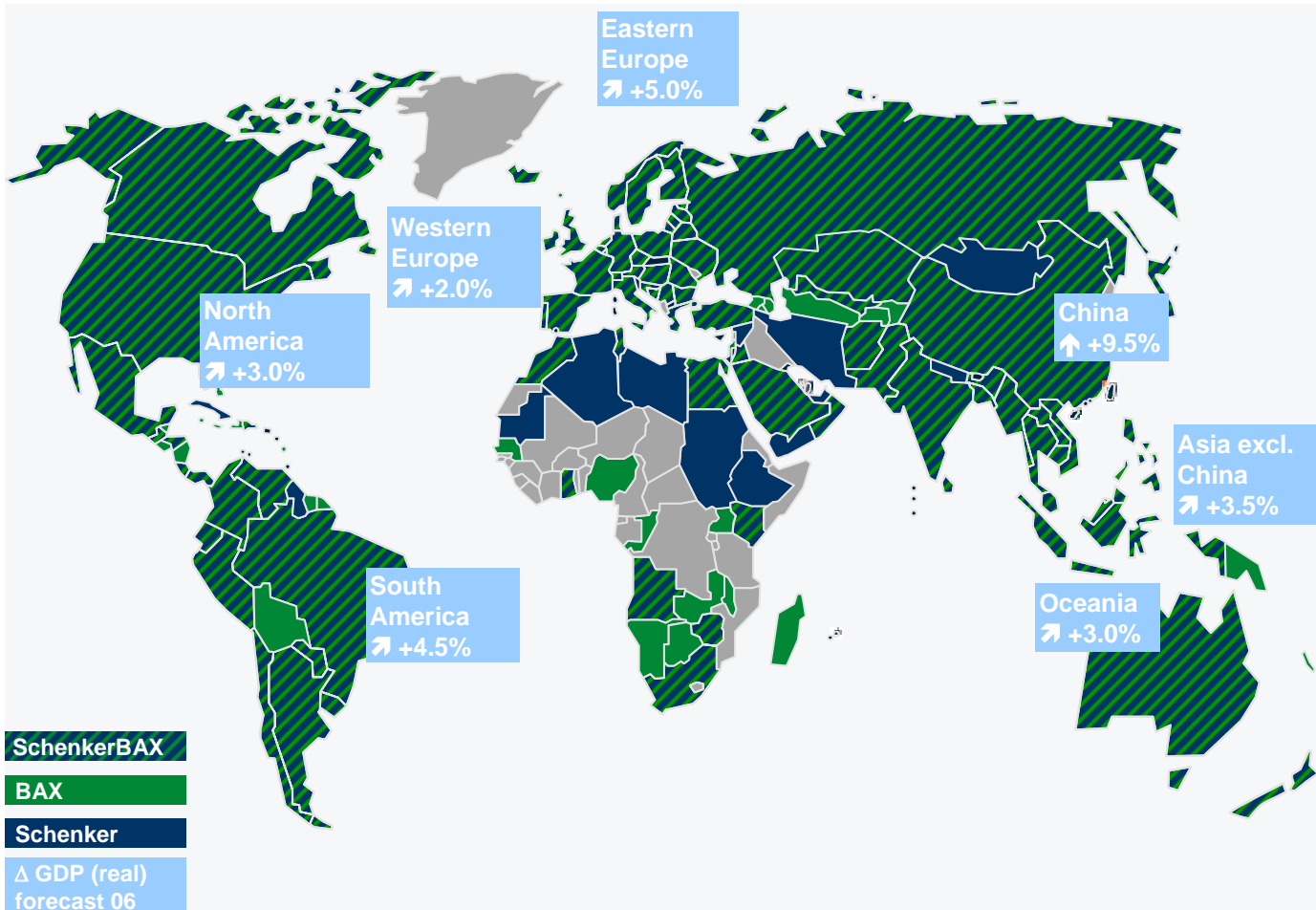
- New business opportunities with existing BAX customers in Europe
- Increase in seaport hinterland traffic because of higher transport volumes from the USA to Europe

- Acquisition of 100% of the shares in BAX Global Inc. from The Brink's Company
- Successful closing of the acquisition process in January 2006. Purchase price was based on an enterprise value of about USD 1.1 billion (approx. €950 million)
- Integration process started in January 2006. Current progress as scheduled
- First-time consolidation in 2006 financial year

# Schenker and BAX: Global services / strong position in Asia Pacific

Schenker and BAX with a presence in about 130 countries

Strategic fit



- Looking at the regions represented in BAX business portfolio, the acquisition complements our own previous activities
- The combination of Schenker and BAX will help us in enhancing our position as an international logistics service provider in major growth markets, and in the Asian-Pacific region, China and the US in particular
- In addition, it boosts our market position as a leading global transport and logistics company. This is particularly true for our air and sea freight business



## Global services also contribute to growth in European land transport

### Expansion in air and sea freight



- Growth momentum in the global air and sea freight markets continued at high levels in 2005. One of the essential drivers is the ongoing trend of shifting production capacities to Asia
- Air freight
  - ▶ Routes from North America to Europe continued to experience strong market growth. Further growth also on routes from Asia to Europe
- Sea freight
  - ▶ Exports from Asia to Europe were a main growth engine in the global sea freight market

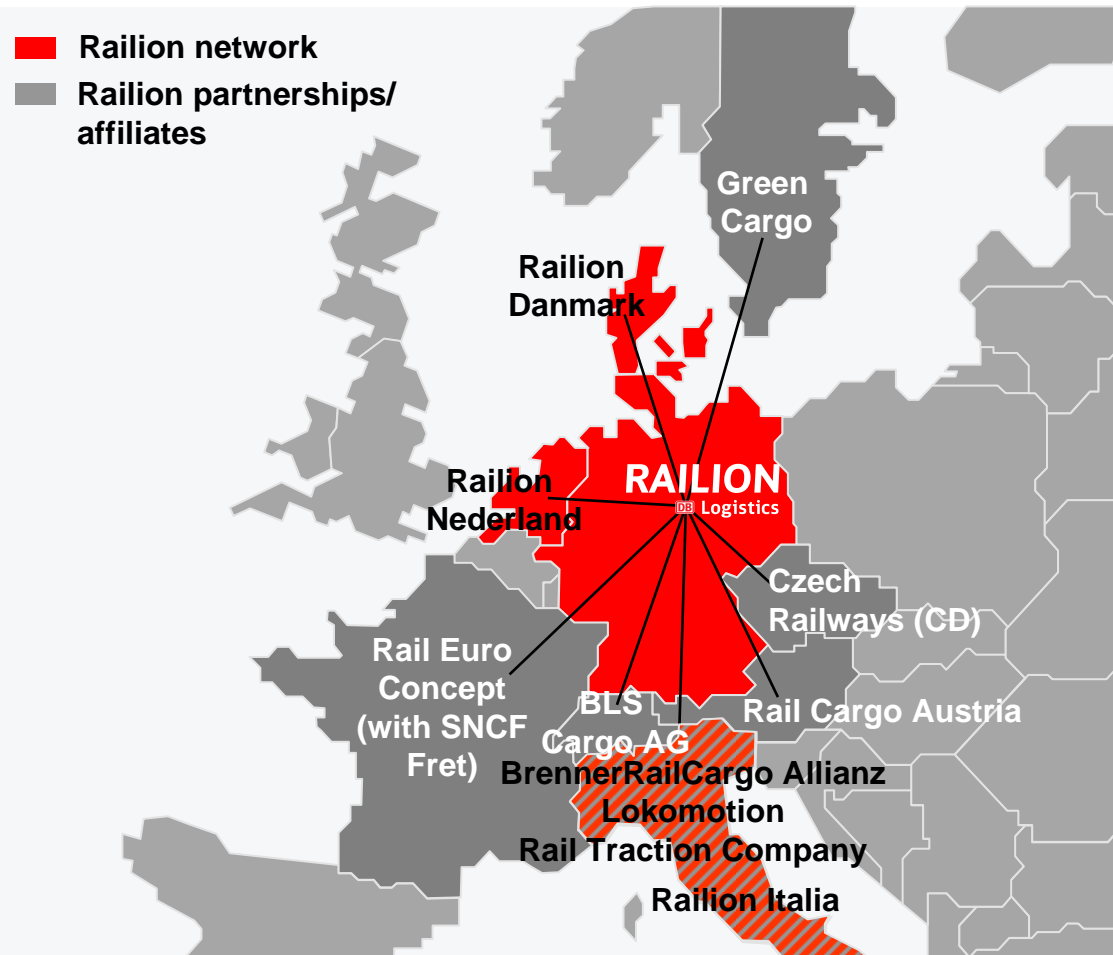
### Generation of new land transport volume



- Expansion of sea freight volume from Asia and North America to Europe generates transport volume for rail/road transport especially in seaport hinterland traffic
- Increase of the intra-European transport volume with the integration of BAX
  - ▶ Additional transports for existing customers
  - ▶ New transports for customers from North America and Asia

# Railion: focused on Europe

## European network



## Remarks

- **Chance:** Usage of advantages of the rails on long distances offers further growth potential. Liberalization of European rail freight transport markets by 2007
- **Current position:** Railion is the leading European rail freight carrier. Nearly 60% of Railion shipments cross at least one border
- **Strategy:** Three major strategic approaches in line with market requirements:
  - (1) Further expansion of our Railion network
  - (2) Direct market access: we operate transports in foreign countries on our own or via a Group subsidiary
  - (3) Strategic partnerships and cooperations
- **Advantage DB:** Unique portfolio with combined strengths of Railion and Schenker/BAX

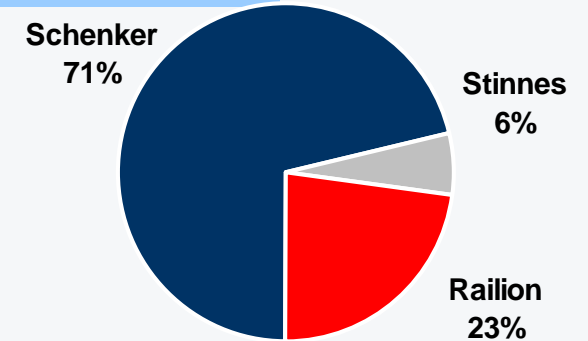
# Overview

## Highlights

- ✓ Railion: Countermeasures in view of market challenges started
- ✓ Further organic growth in logistics
- ✓ Additional growth potential from acquisition of BAX Global

## Revenue structure 2005 (%)

€12.4 bn



Schenker / BAX



- #1 in European land transport
- #2 in global air freight
- #3 in global sea freight
- Top 20 Player in contract logistics in a very fragmented market

Railion



- #1 in European rail freight transport
- Railion joint venture consists of 4 railways: Railion Deutschland, Railion Danmark, Railion Nederland, and Railion Italia
- Various partnerships and affiliates

Stinnes



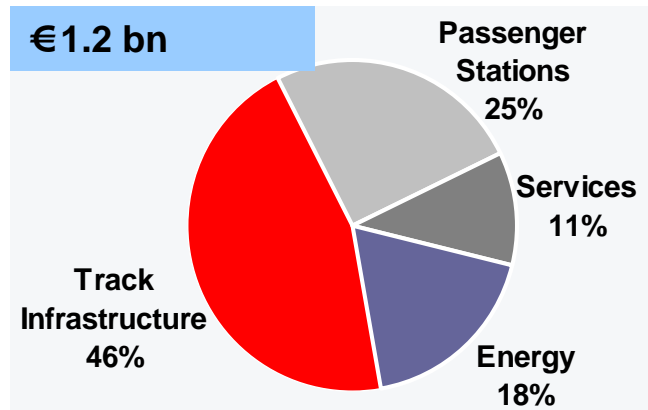
- #1 in European combined rail/road transport
- Business unit includes the Freight Logistics (bulk goods transport) und Intermodal (combined rail/road transport) business activities

# Overview

## Highlights

- ✓ Further modernization of infrastructure. Major projects such as new Berlin Central Station and Nuremberg – Ingolstadt – Munich on track for commercial start in 2006
- ✓ Efficiency gains from internal programs
- ✓ Increasing third-party usage of our infrastructure

## Revenue structure 2005 (%)



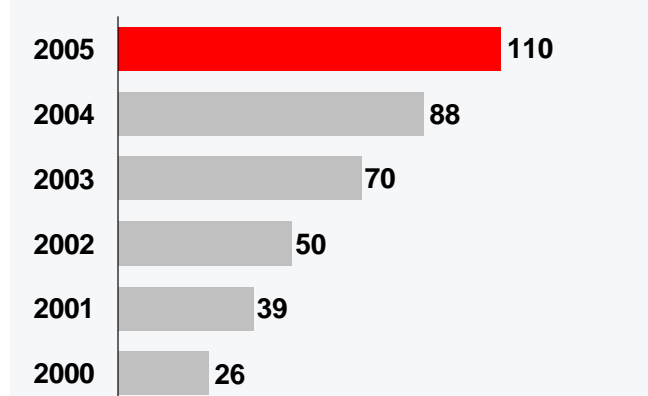
## Infrastructure

- Since 1994: **Non-discriminatory / open access** to our infrastructure. Transparent price-schemes for usage of infrastructure
- Still major share of Group capex. Focal points: existing network, command and control technology and ongoing station modernization efforts (incl. agreements with federal states)

## Services

- Major part of performance / services delivered to internal customers
- Increasing importance of business with non-Group customers

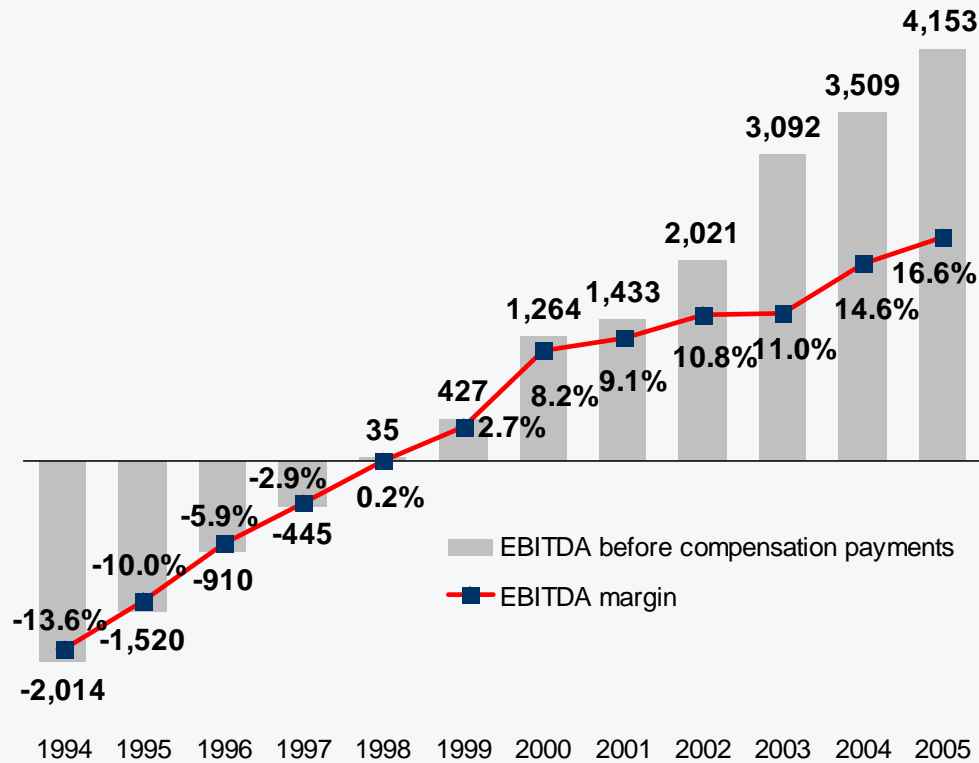
## Third-party usage of DB track-infrastructure (mn train-path km)



# Progress since start of German Rail Reform

## EBITDA\* and EBITDA margin\* (€ mn resp. %)

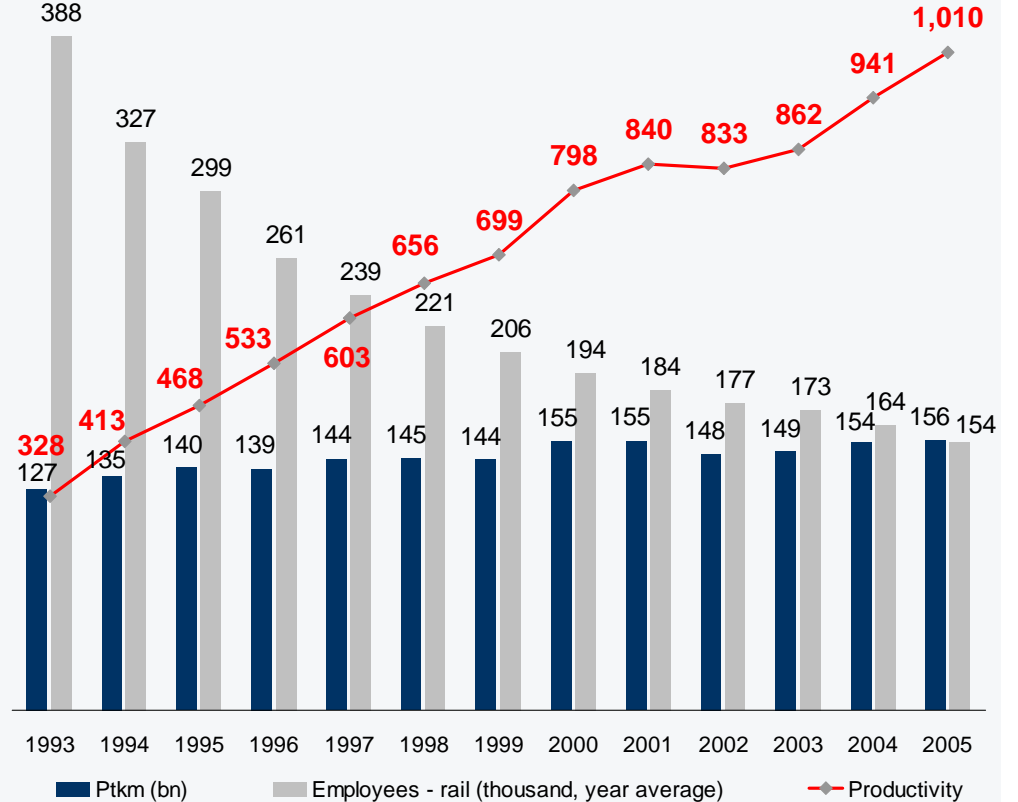
1994-2005: ↗ €+6.2 bn



\* before compensation payments

## Productivity – rail (thousand ptkm/employee)

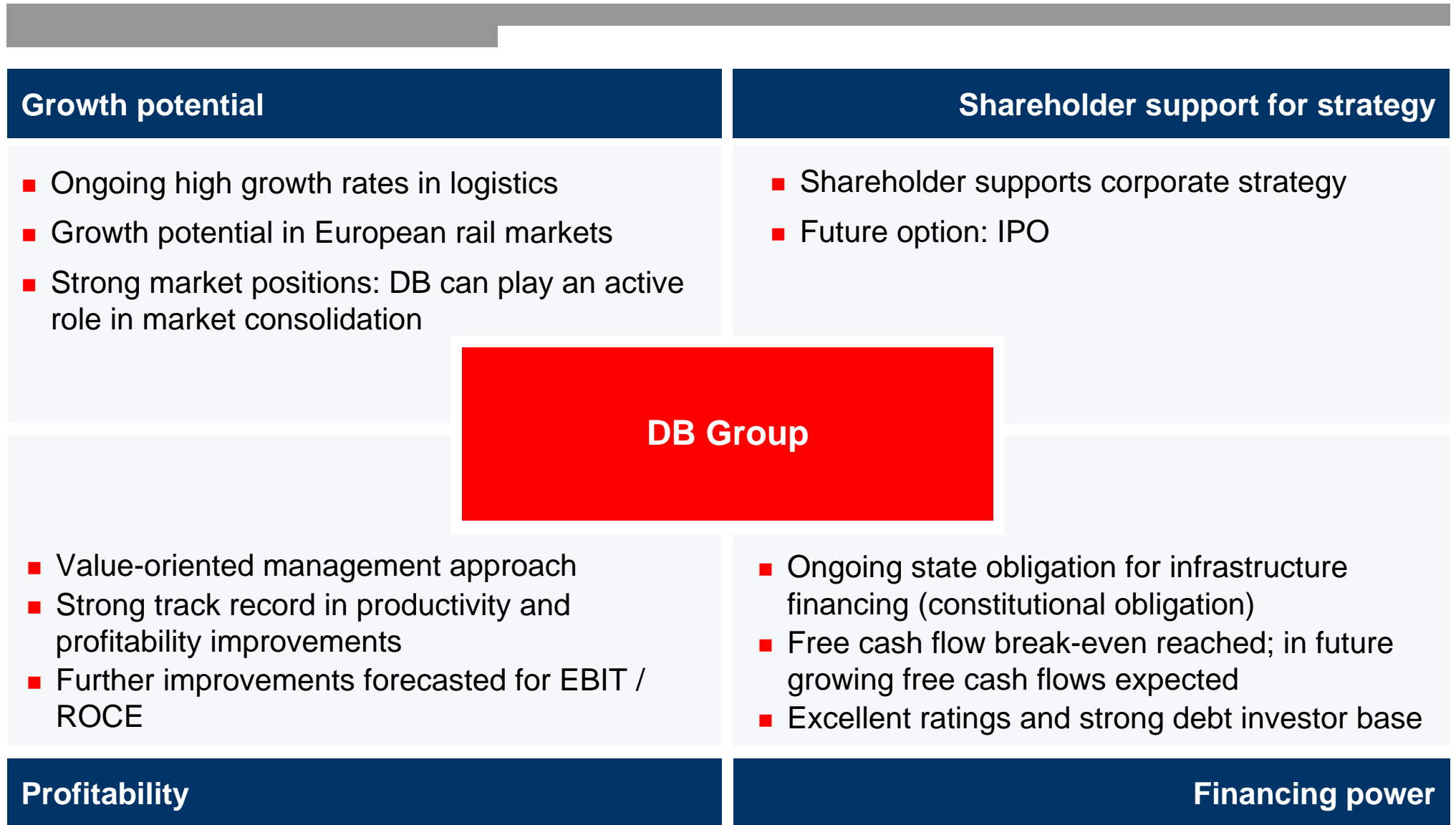
1993-2005: ↗ +208%



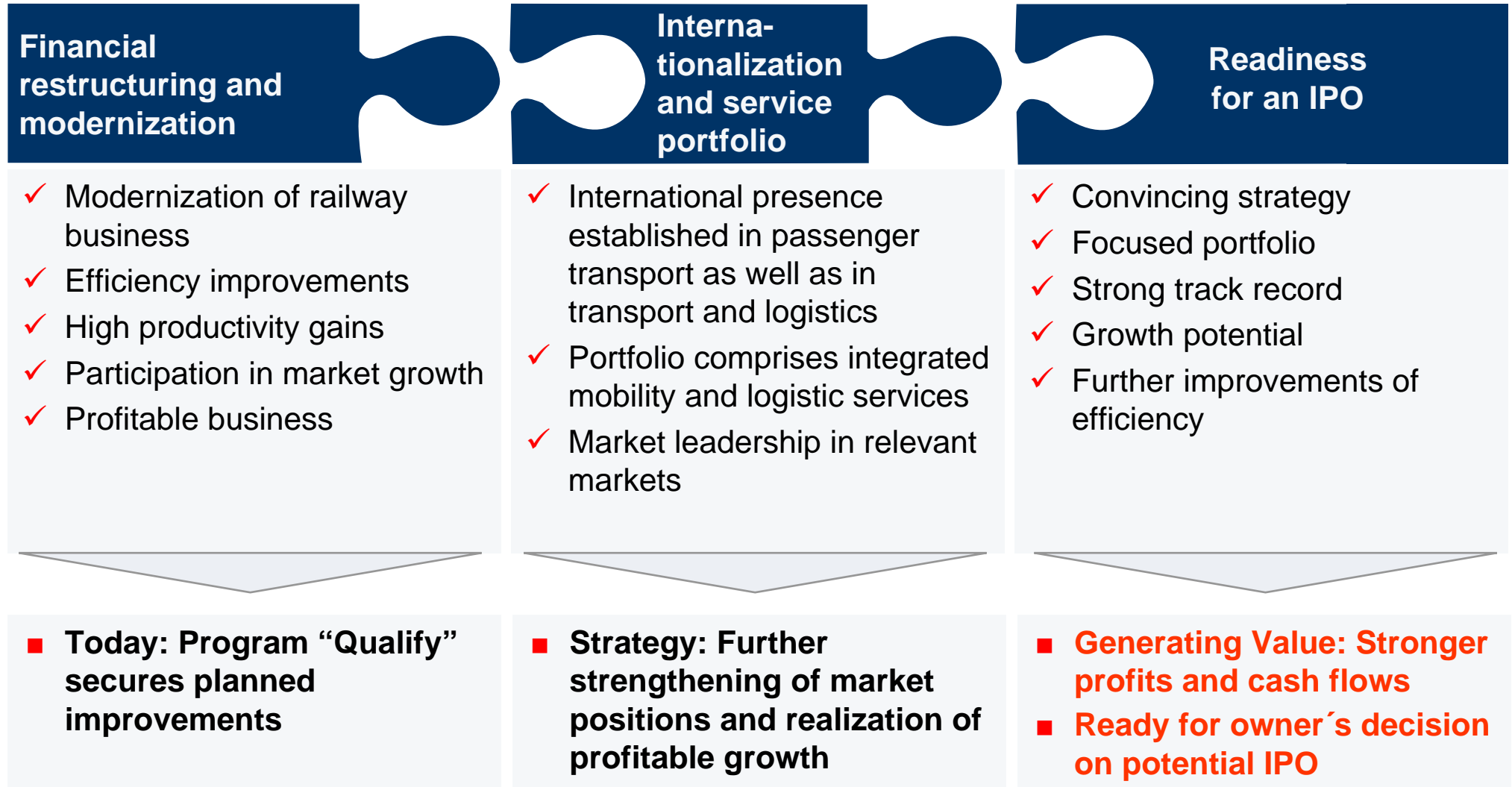
Figures until 2004 FY according to German GAAP



# DB Group is well positioned for further profitable growth



# Successful transformation of DB Group: ready for future IPO



# Finanzpräsentation 2006

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Deutsche Bahn AG

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Group Treasurer and Head of M&A

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Wolfgang Reuter

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April 2006

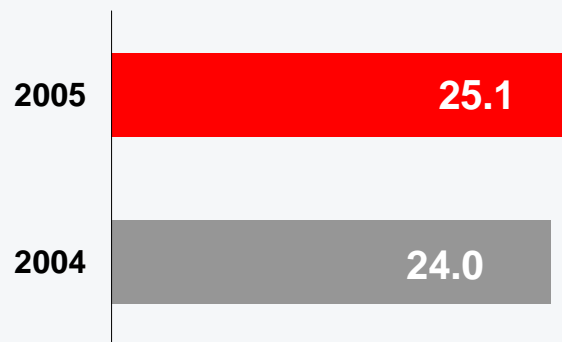


# Successful 2005 financial year

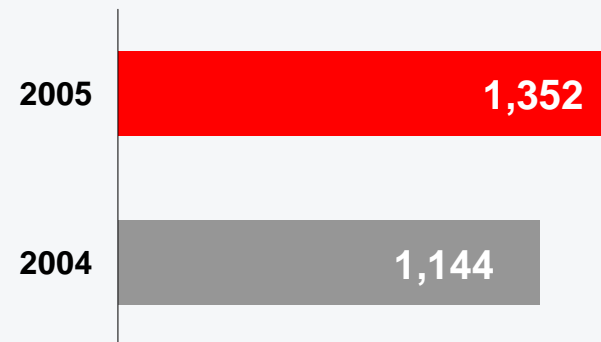
## Highlights

- ✓ Successful development of our business: revenue increase to €25.1 bn
- ✓ Further progress due to our internal programs
- ✓ EBIT growth of 18.2% to €1,352 mn
- ✓ ROCE increase to 5.0%
- ✓ Portfolio strengthened via major M&A transactions

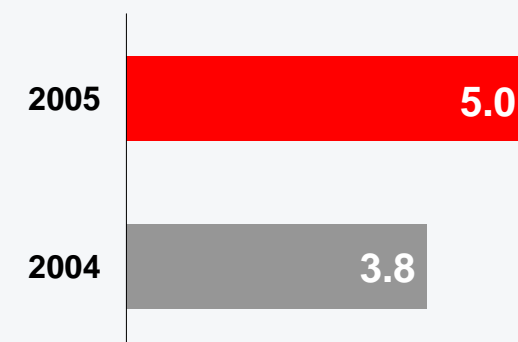
### Revenues (€bn) ↗



### EBIT (€ mn) ↗



### ROCE (%) ↗



## General remarks

### Market environment



#### Economic environment only moderate

- ➔ Slight recovery in Germany
- ➔ Schenker benefits from stronger GDP growth in international markets, e.g. Asia / North-America
- ➔ Significant burden from higher energy prices

<u>Δ GDP</u>	<u>2004</u>	<u>2005</u>
Germany	+1.6%	+0.9%
Euro-Zone	+1.8%	+1.4%
China	+9.7%	+9.5%
World	+3.9%	+3.0%

### Competition



#### High level of competition

- High level of intra- and intermodal competition in rail freight and passenger transport
- Ongoing consolidation process in logistics markets

### Infrastructure utilization by non-Group customers



#### Further increase in utilization of DB infrastructure by non-Group railways

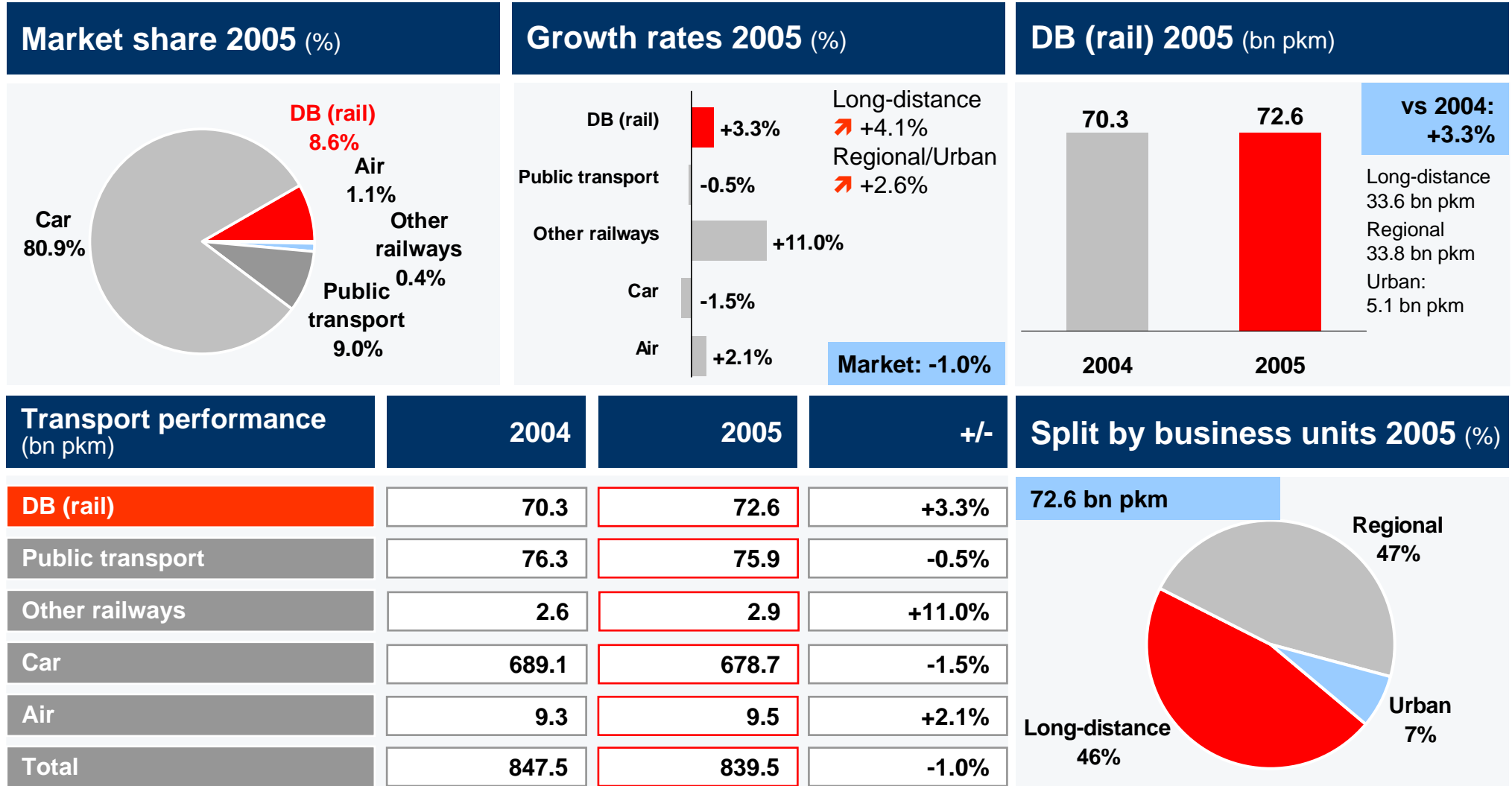
<u>Non-Group railways</u>		
Number (approx.)	290	300
Train-path km (mn)	88	<span style="border: 1px solid black; padding: 2px;">+25%</span> 110

### Comparability of 2005 FY

#### Portfolio stability: Success in 2005 FY from organic growth

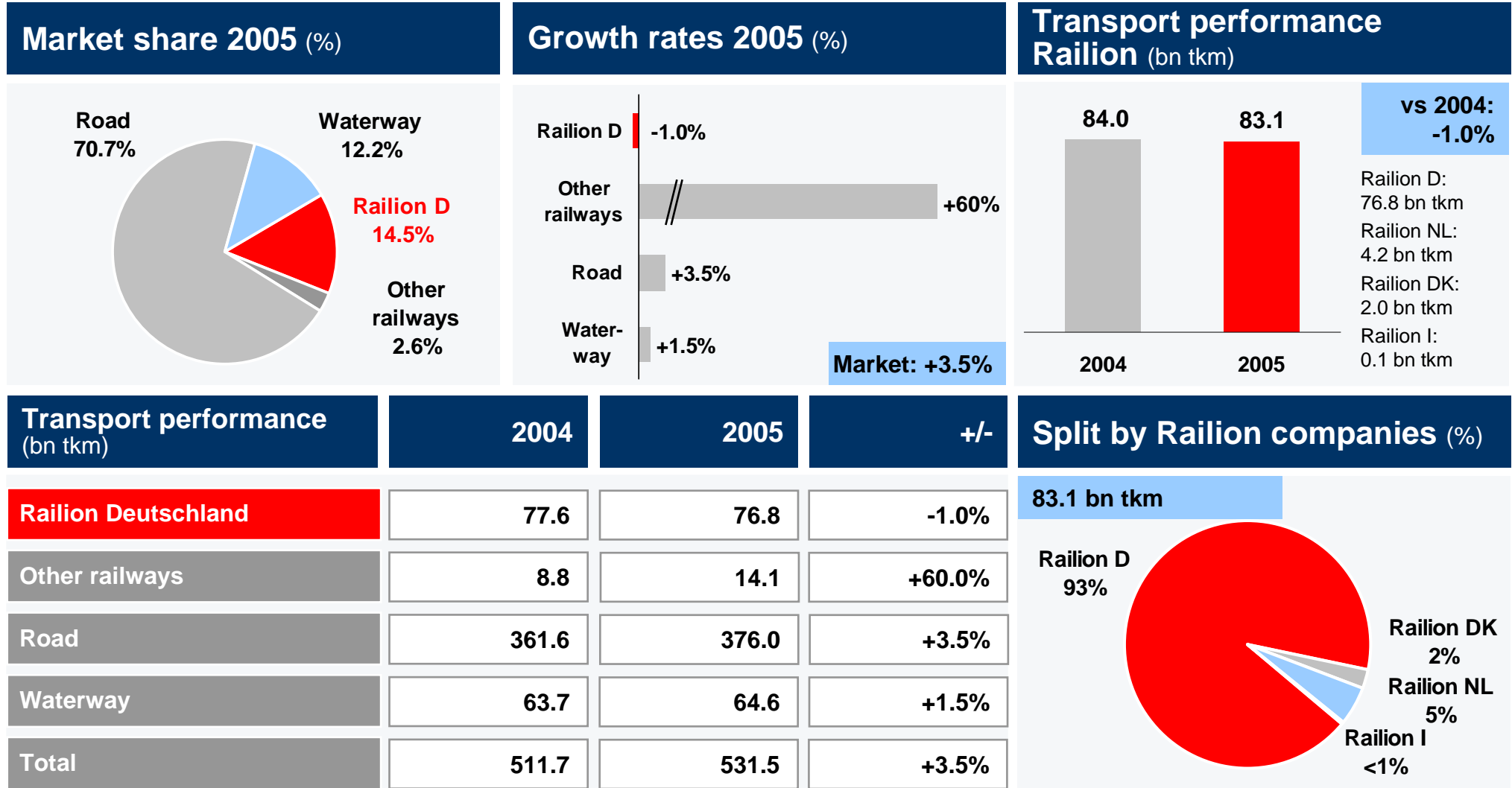
- Group portfolio without major changes compared to the previous year
- BAX to be included in consolidated financial statements in 2006 FY

# Transport performance in German passenger transport market



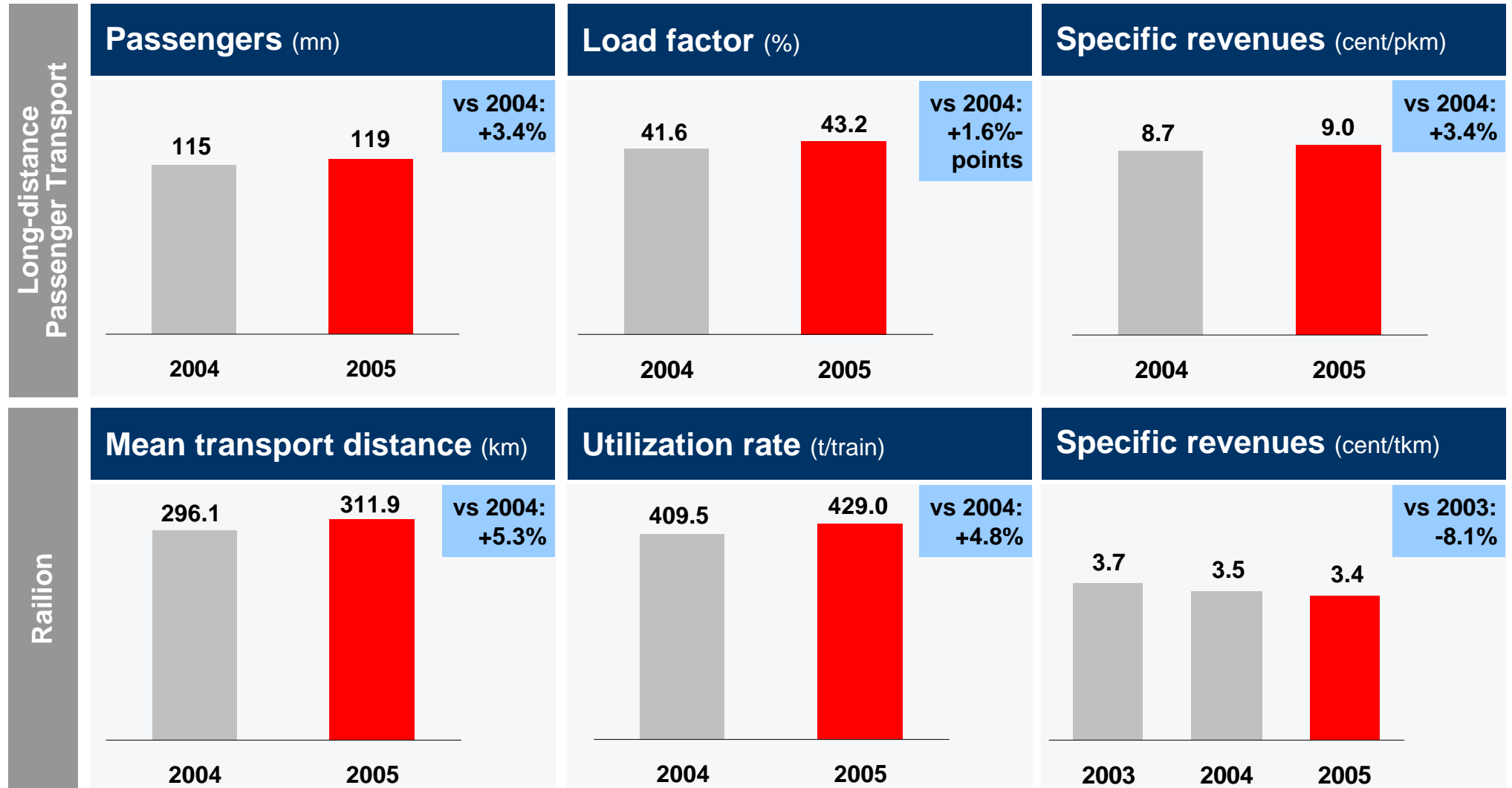
All data for 2005 is based on the information and estimates available as of Feb 15, 2006

# Transport performance in German freight transport market



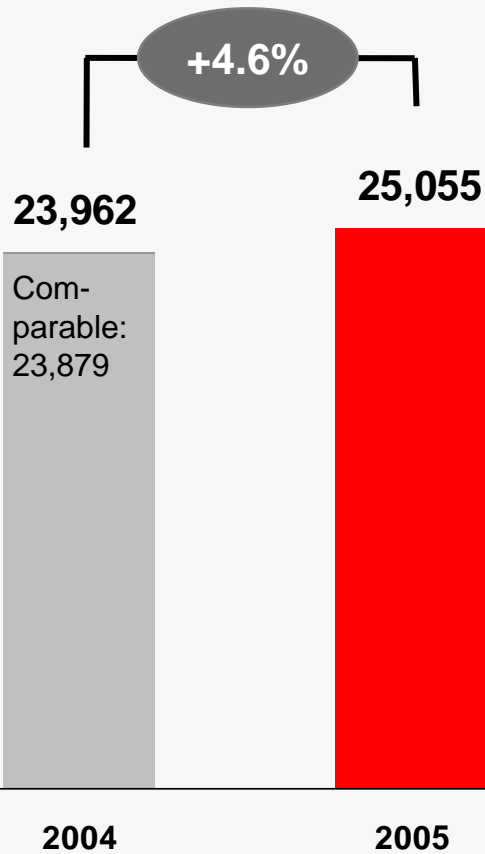
All data for 2005 is based on the information and estimates available as of Feb 15, 2006

# Key performance indicators in long-distance and freight transport



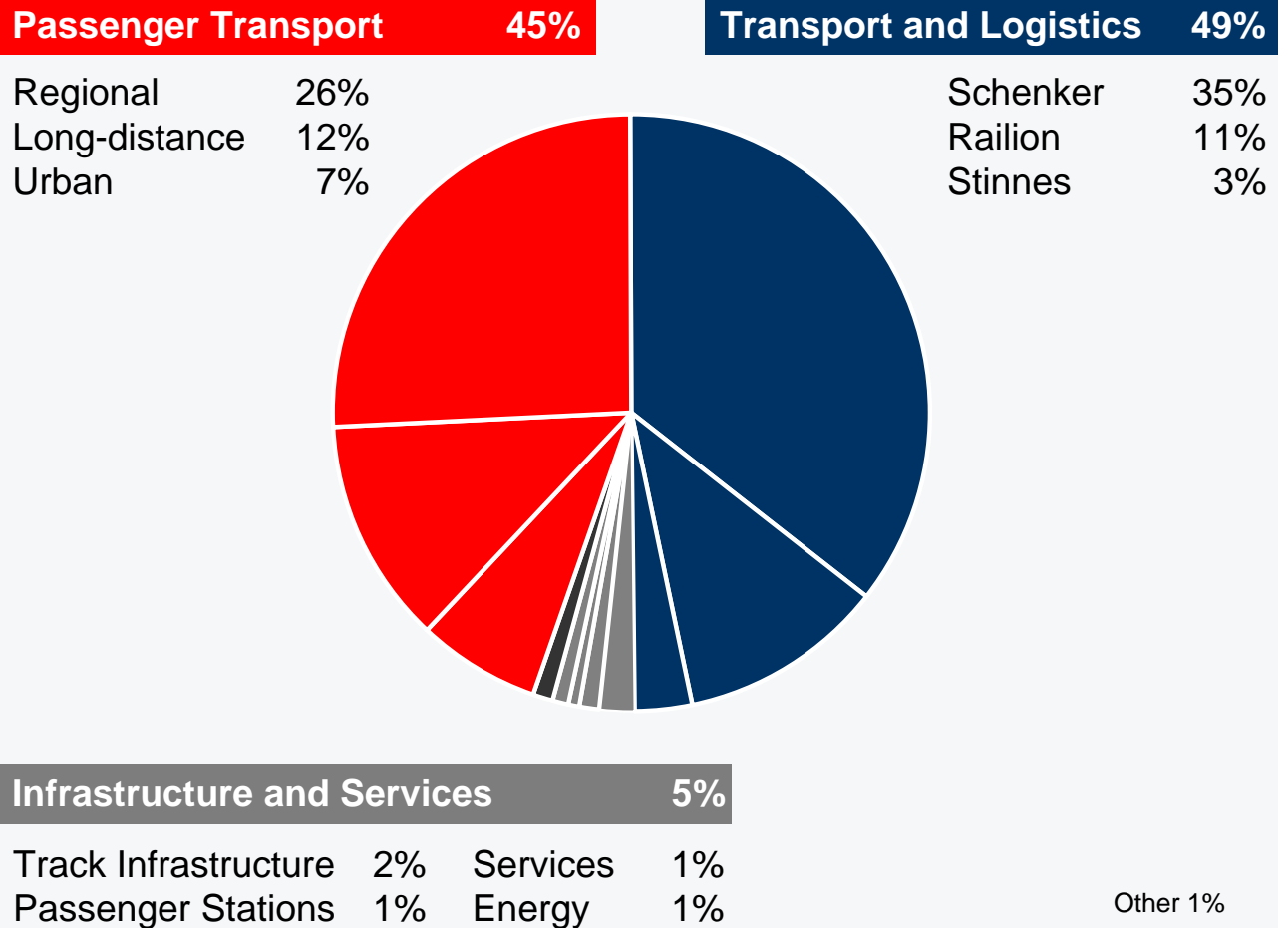
# Revenue increase based on a well-balanced portfolio structure

## Revenues (€mn) ↗



2004 comparable: without MITROPA AG and Deutsche Touring GmbH

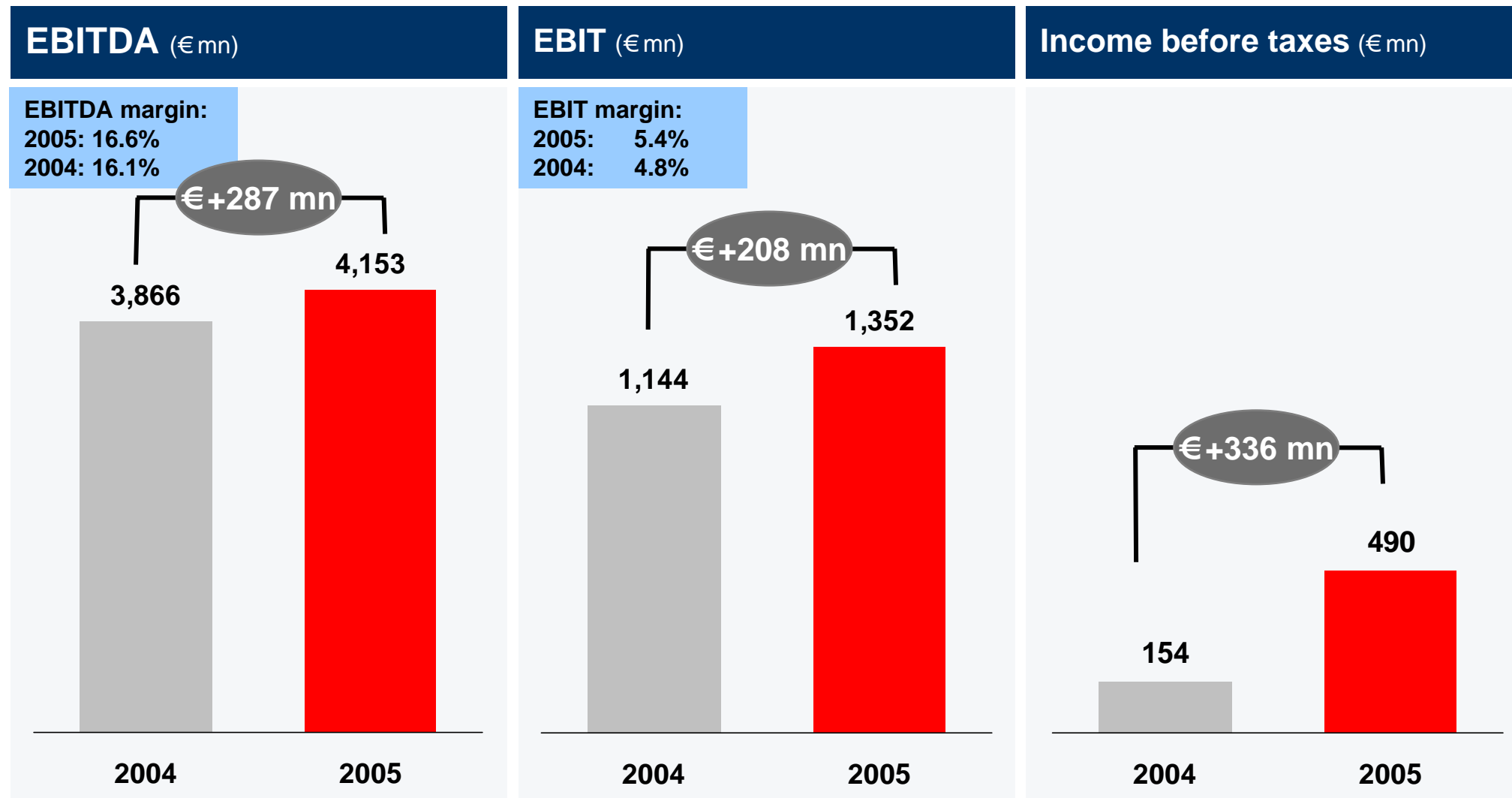
## Split by business units (%) →



## Schenker and Long-distance business units major drivers of revenue growth

Revenues (€mn)	2004	2005	+/-	Highlights
Long-distance	2,922	3,068	+146	<ul style="list-style-type: none"> <li>■ <b>Long-distance:</b> Positive response of customers to attractive offerings and high-speed links</li> <li>■ <b>Regional:</b> Positive development despite loss of highly frequented lines through tender processes</li> </ul>
Regional	6,437	6,452	+15	
Urban	1,688	1,708	+20	
Schenker	8,024	8,878	+854	<ul style="list-style-type: none"> <li>■ <b>Schenker:</b> Again strong growth – significant increases in particular in air and sea freight</li> <li>■ <b>Railion:</b> Shift of revenues to Stinnes. Unfavorable development in important market segments</li> </ul>
Railion	2,907	2,830	-77	
Stinnes	638	718	+80	<ul style="list-style-type: none"> <li>■ <b>Track Infrastructure / Passenger Stations:</b> Increased utilization of DB infrastructure by non-Group railways</li> <li>■ <b>Energy:</b> Expansion of energy services offerings and effects from price developments on (global) energy markets</li> </ul>
Track Infrastructure	480	511	+31	
Passenger Stations	268	287	+19	
Services	163	124	-39	
Energy	131	207	+76	
Other / consolidation	304	272	-32	
<b>DB Group</b>	<b>23,962</b>	<b>25,055</b>	<b>+1,093</b>	

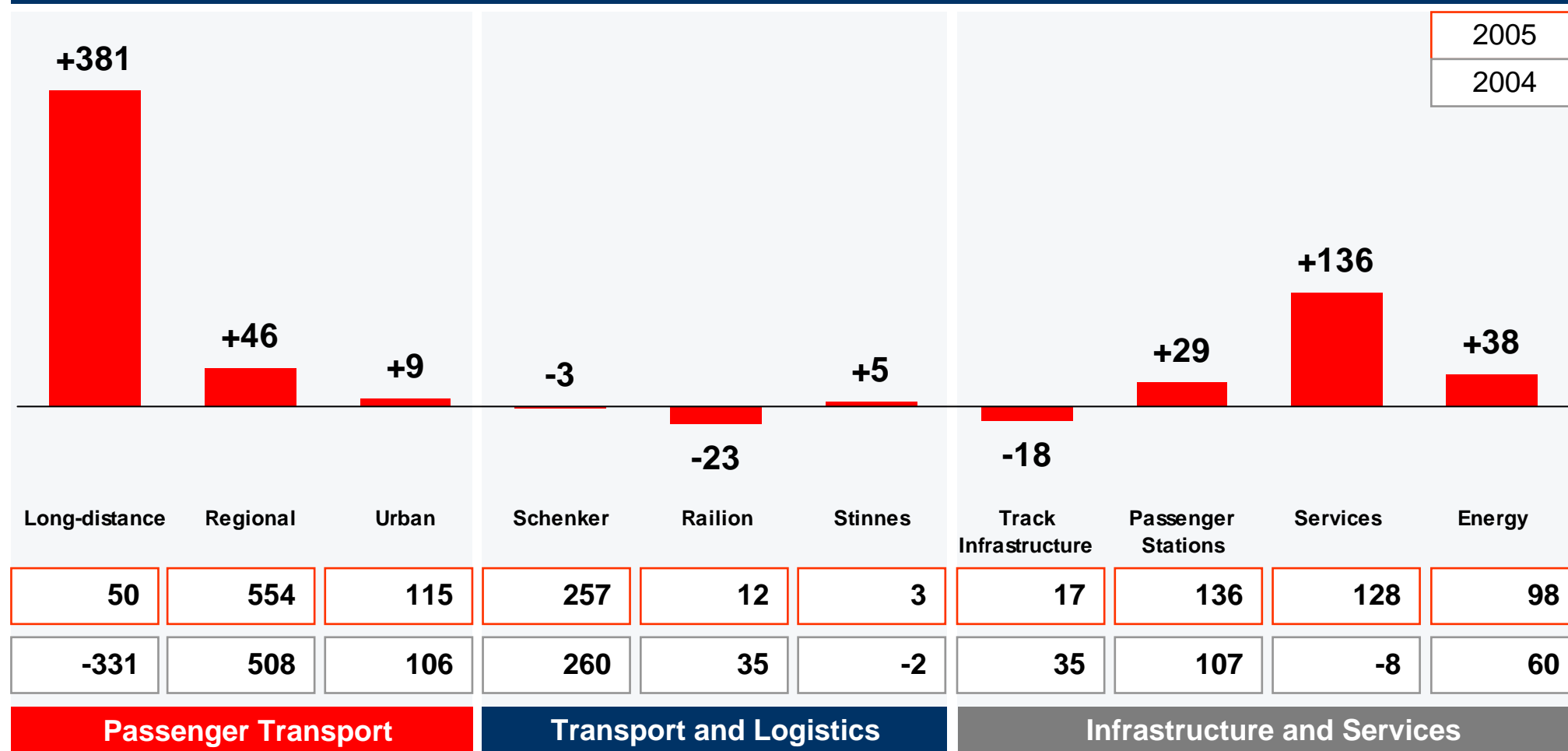
# Major profitability improvements





# EBIT split by business units: significant improvement in Long-distance

EBIT: DB Group improved by €208 mn - change split by business units (€ mn)

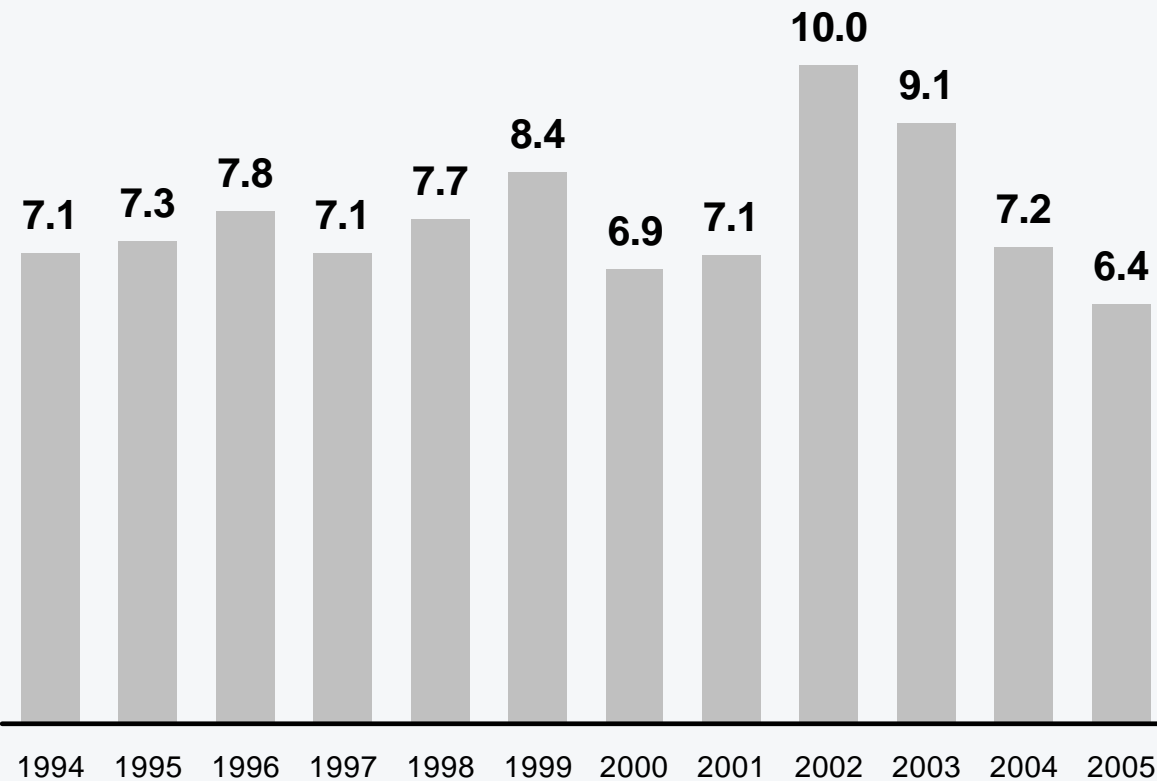


Other / consolidation: €-392 mn vs 2004

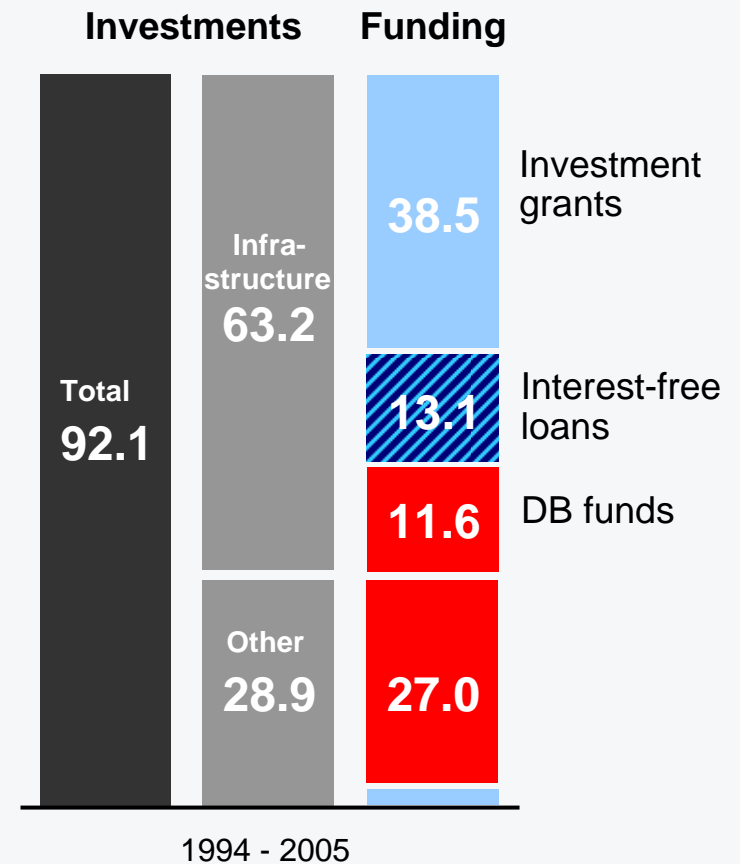
# Modernization: high capex level since 1994 for major overhaul of rail system

## Gross capital expenditures (€ bn)

Since 1994: about €92 bn



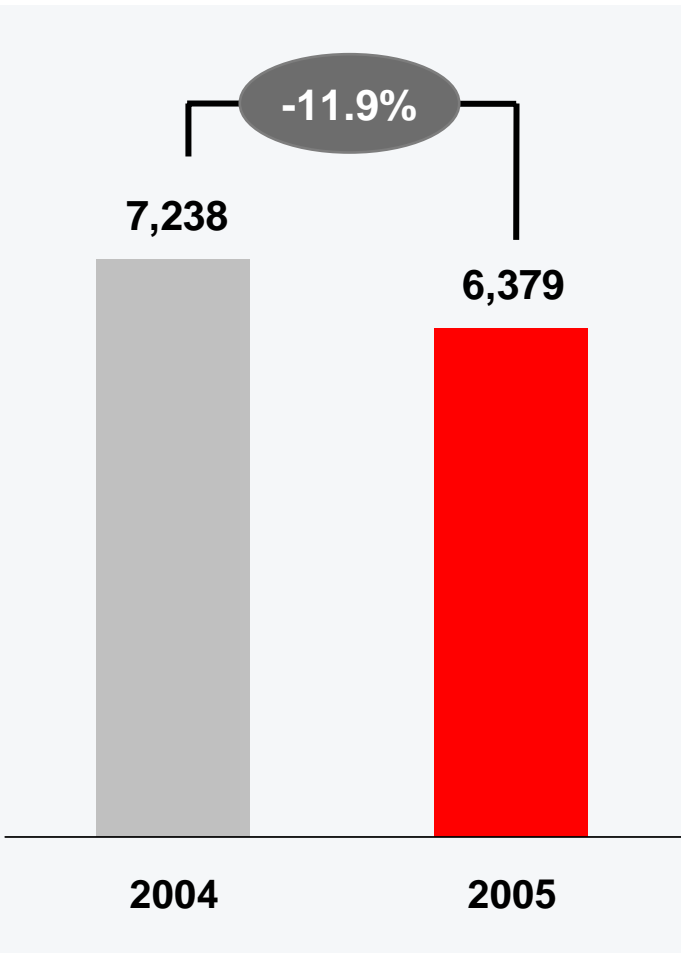
## Structure and source of funds (€ bn)



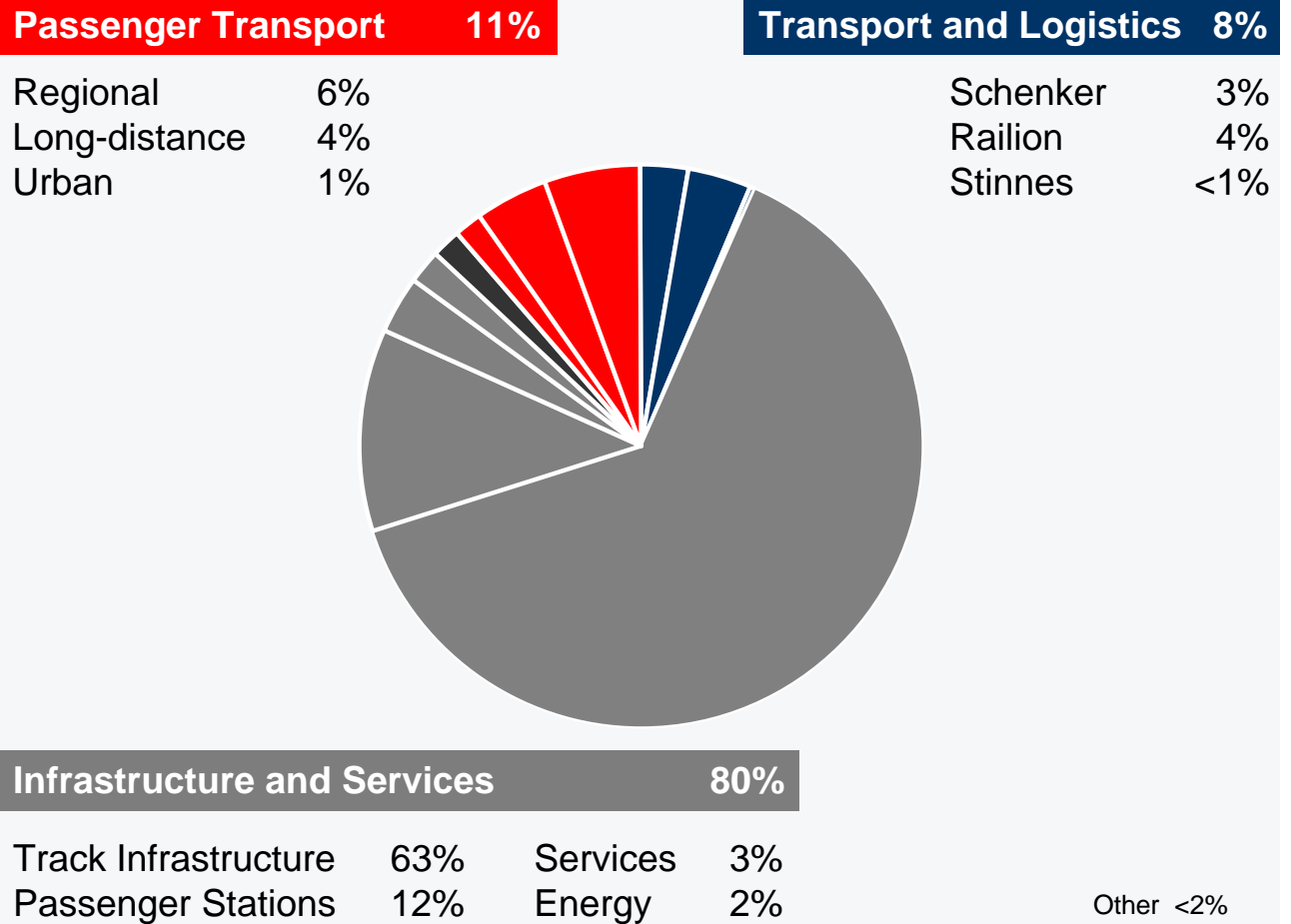
Figures until 2004 FY according to German GAAP

# Modernization process continued: capex programs of €6.4 bn

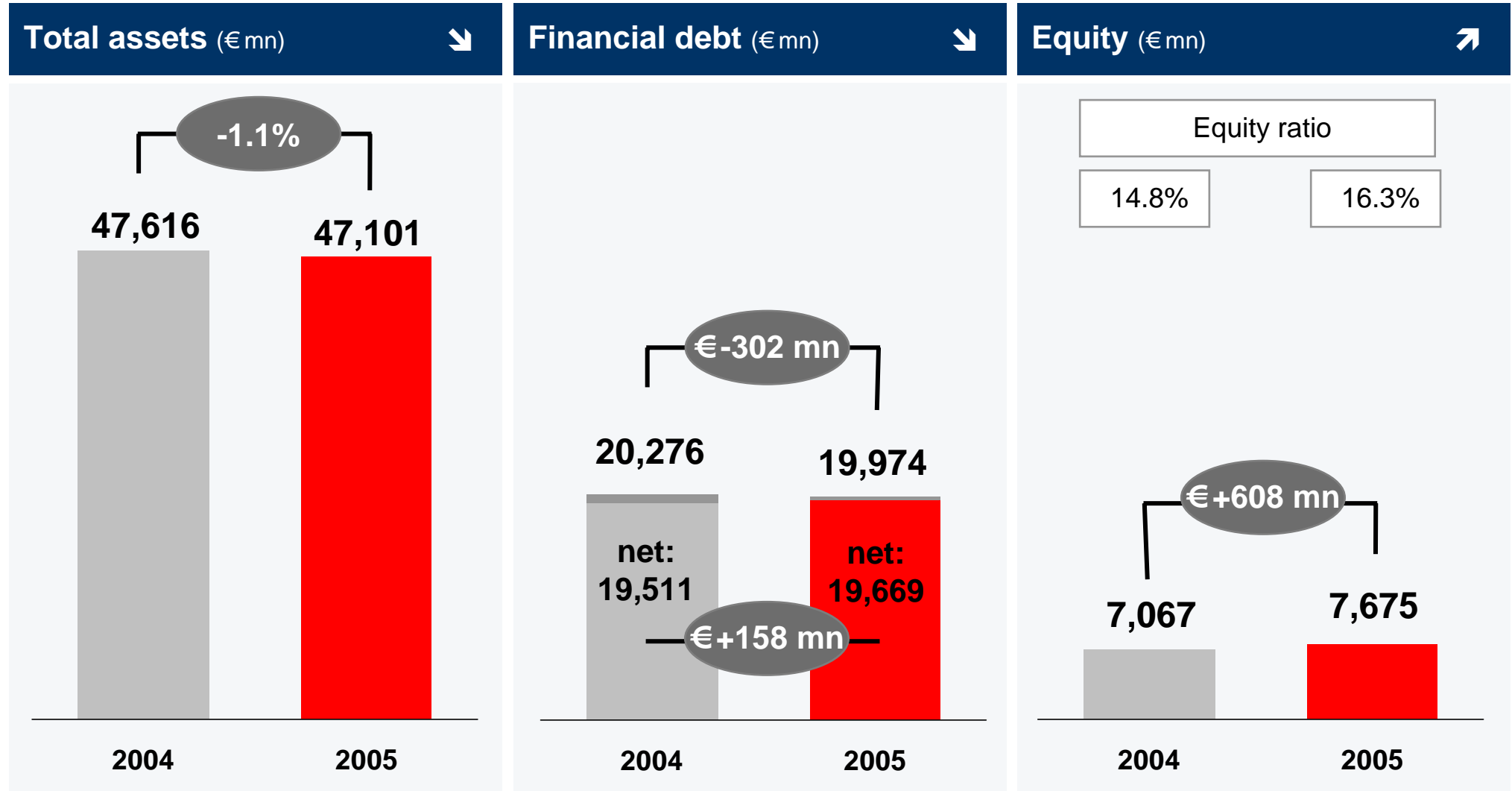
## Gross capital expenditures (€ mn)



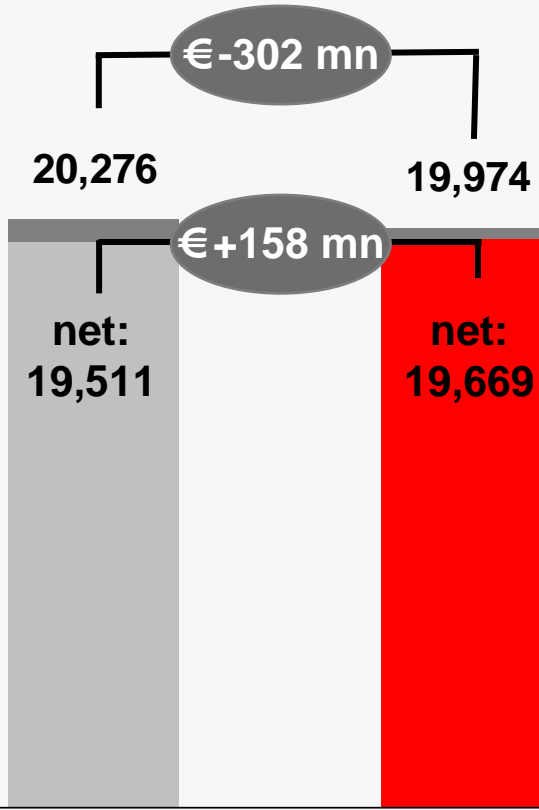
## Split by business units (%)



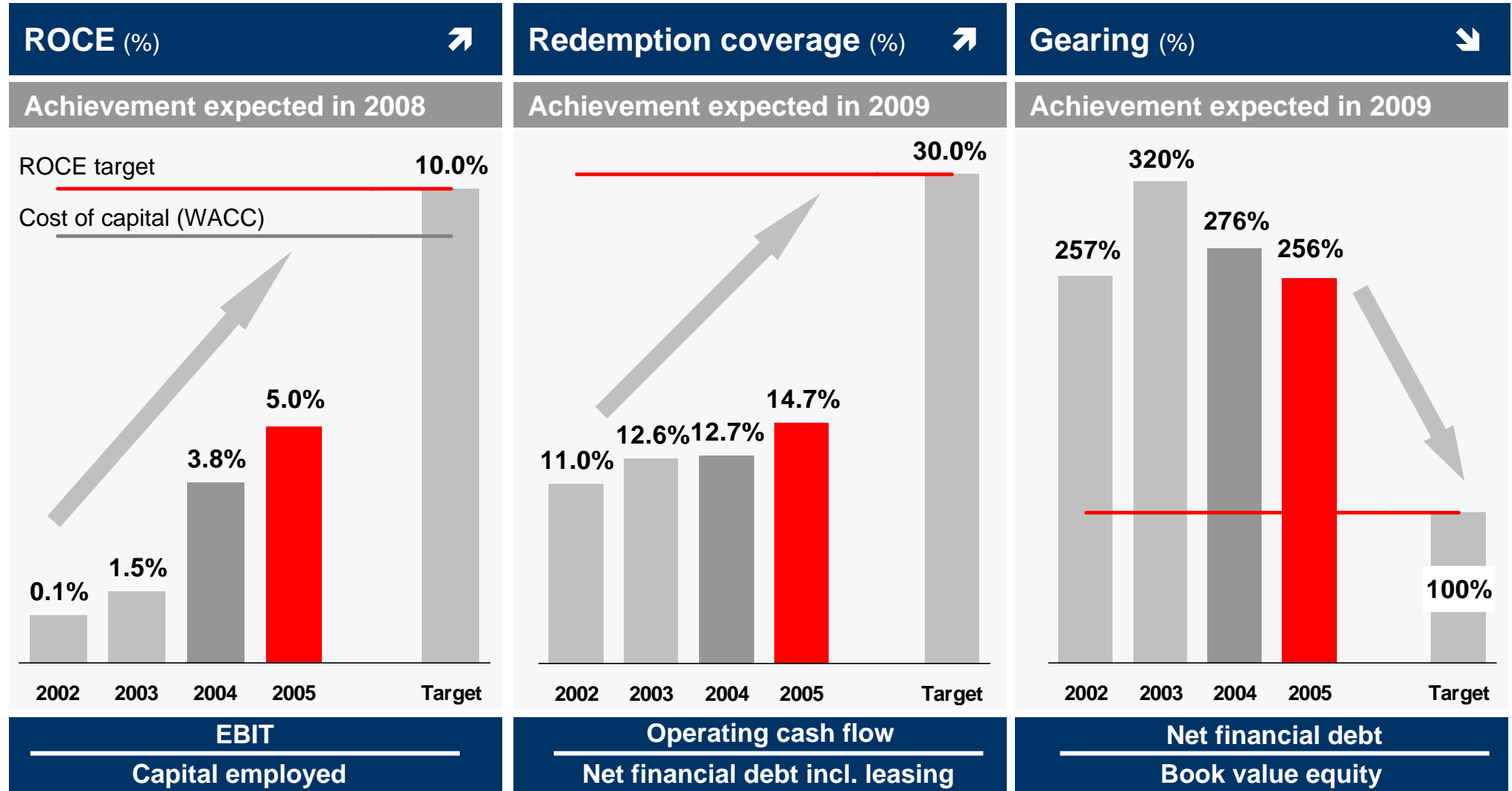
# Balance sheet: structural improvement and decrease in total assets



## Decrease in financial debt

Financial debt (€ mn)	↘	Financial debt (€ mn)	2004	2005	+/-
 <p>20,276</p> <p>net: 19,511</p> <p>2004</p> <p>19,974</p> <p>net: 19,669</p> <p>2005</p> <p>€-302 mn</p> <p>€+158 mn</p>		Bonds	9,988	10,115	+127
		+Eurofima	1,898	1,865	-33
		+Commercial Paper	330	-	-330
		+Bank liabilities (incl. EIB)	2,684	2,651	-33
		= Subtotal	14,900	14,631	-269
		+Finance lease (PV)	1,627	1,549	-78
		+Other	130	154	+24
		= Interest-bearing debt	16,657	16,334	-323
		+Interest-free loans (PV)	3,619	3,640	+21
		= Financial debt	20,276	19,974	-302
		./. Cash and cash equival.	-765	-305	+460
		= Net financial debt	19,511	19,669	+158

# Positive development of all value management figures



Figures until 2004 FY according to German GAAP

# Rating and refinancing structure

## Current rating

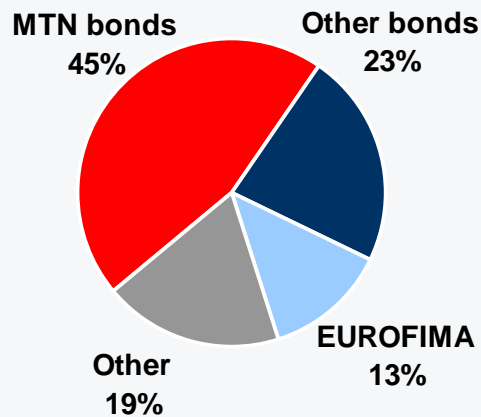
- Rating agencies confirmed ratings in 2005
- Excellent ratings:**  
 Moody's: Aa1 / stable  
 S&P: AA / stable

## Major refinancing activities in 2005

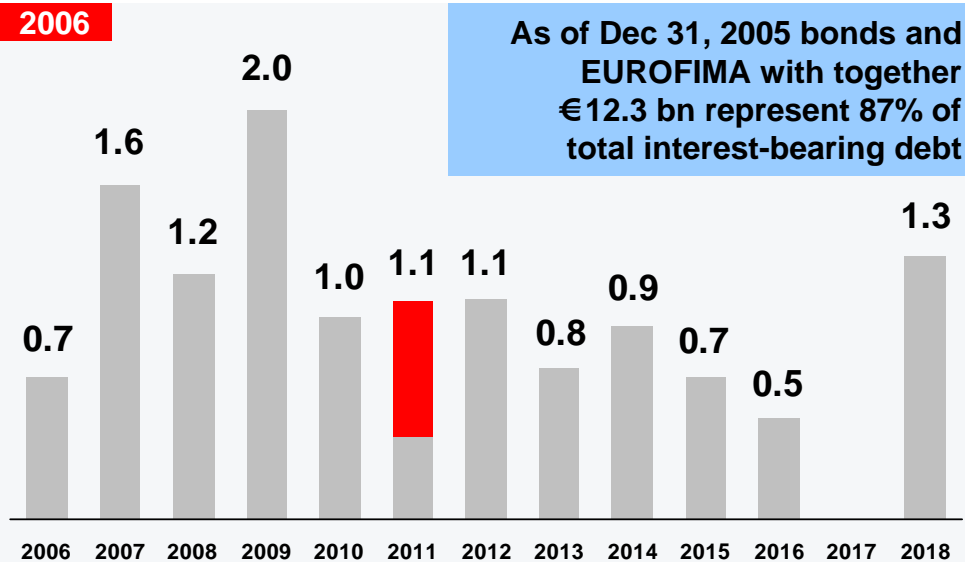
- Total volume in 2004:** € 1,669 mn
- No bond issues in 2005:** € 0 mn – cash inflow from USD 800 mn bond (time to maturity 5 years) in January 2006

## Interest-bearing debt

€14.1 bn  
(as of Dec 31, 2005)

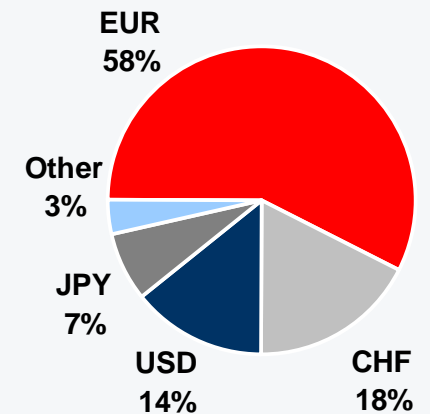


## Maturity profile bonds / EUROFIMA (€bn)



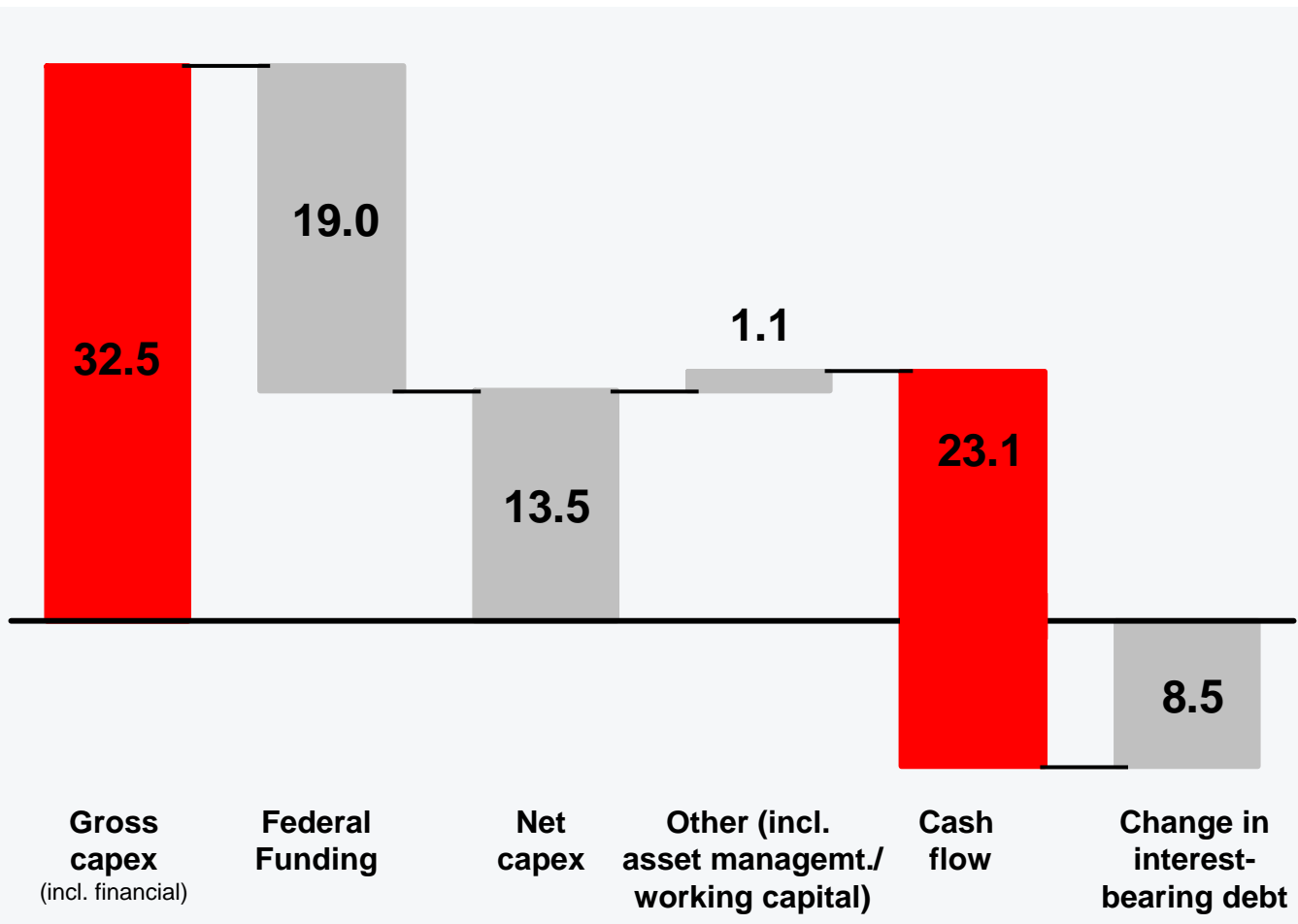
## Currency structure of MTN program (%)

€6.8 bn  
(as of Dec 31, 2005)

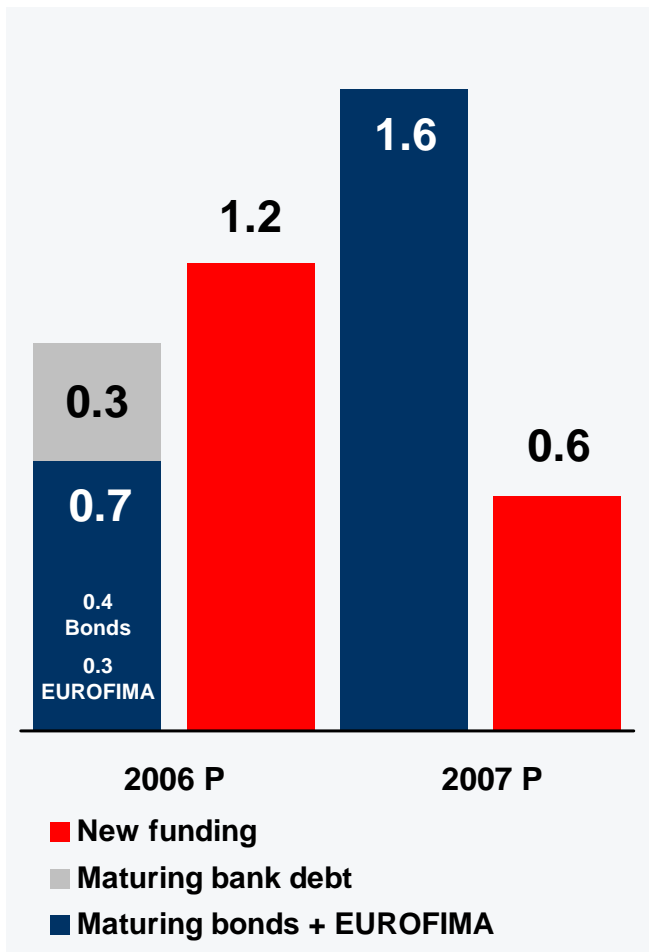


# Financing requirements

Capex and financing 2006-10 (€bn)



Capital market activities (€bn)





## Focus on maintaining our ratings

<p><b>Very good ratings</b></p>	<ul style="list-style-type: none"> <li>■ Ratings: Moody's (Aa1) / S&amp;P (AA)</li> <li>■ Intention to maintain strong business and financial profile</li> </ul>
<p><b>Obligations of federal and state governments</b></p>	<ul style="list-style-type: none"> <li>■ State obligations as defined in Art. 87e of the German Constitution                     <ul style="list-style-type: none"> <li>▶ <b>"Infrastructure obligations"</b>: Funding of infrastructure capex, approx. €3 bn p.a.</li> <li>▶ <b>"Public interest obligations"</b>: provision of funds for the ordering of local passenger transport services, approx. €6.7 bn p.a.</li> <li>▶ <b>Privatization hurdle of 49.9% shares</b> (majority shareholding)</li> </ul> </li> </ul>
<p><b>No. 1 mobility service / transport provider</b></p>	<ul style="list-style-type: none"> <li>■ Deutsche Bahn is the <b>principal provider of mobility</b> in Germany and the largest transport and logistics company in Europe with extensive global transport activities</li> </ul>
<p><b>Operating performance</b></p>	<ul style="list-style-type: none"> <li>■ <b>Stable cash flows</b> due to long-term service contracts with federal states (revenue share 2005: 18%)</li> <li>■ <b>Vertical integration</b> as a major business success factor</li> <li>■ Track record: <b>Productivity increased by 208%, EBITDA before special burden compensation increased by €6.2 bn and EBIT increased by €4.1 bn</b> since beginning of German Rail Reform</li> <li>■ Sound financing structure and conservative funding strategy</li> </ul>

## Further increases in revenues and EBIT in 2006 financial year

### Outlook 2006 FY

- Further improvements of operating performance and efficiency
- Continuation of modernization programs
- Increase in revenues to €28 bn
- Further EBIT increase by 15 – 20%

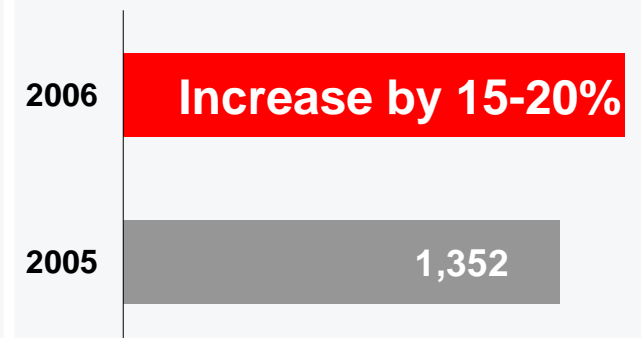
#### Assumptions

- Stable global political framework
- German economy with slightly higher GDP growth
- Decrease / no further increase of energy prices

#### Revenues (€ bn) ↗



#### EBIT (€ mn) ↗



## Disclaimer

### Disclaimer

This information contains forward-looking statements based on current beliefs and estimates of Deutsche Bahn's management. They are not guarantees of future performance. 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.

# Organizational structure

Shareholding: 100% Federal Republic of Germany

## DB Group

### DB AG as management holding company

#### Supervisory Board

(10 representatives of the shareholders + 10 representatives of the employees)

#### Management Board

Chairman and CEO	Finances and Controlling	Economic and Political Affairs	Personnel
Integrated Systems Rail	Passenger Transport	Infrastructure and Services	Transport and Logistics
Group functions	Long-distance Transport	Track Infrastructure	Schenker
Service functions	Regional Transport	Passenger Stations	Railion
	Urban Transport	Energy	Stinnes
		Services	

## P&L statement: further profitability improvements

(€ mn)	2004	2005	+/-	Main drivers
Revenues	23,962	25,055	+1,093	➔ Positive development of revenues
+ Inv. chan.+ int. prod. / cap.A.	1,928	1,673	-255	
Overall performance	25,890	26,728	+838	
+ Other operating income	2,860	2,366	-494	➔ Cost reductions by implementation of programs (in particular "Qualify") and effects from collective wage agreements
- Costs of materials	-12,054	-12,650	-596	
- Personnel expenses	-9,556	-9,211	+345	
- Depreciation	-2,722	-2,801	-79	
- Other operating expenses	-3,274	-3,080	+194	
Operating profit (EBIT)	1,144	1,352	+208	➔ Additional burdens from higher energy prices and freight rates
+ Financial result	-990	-862	+128	
Profit before taxes on income	+154	+490	+336	
- Taxes on income	+26	+121	+95	
Net profit for the year	+180	+611	+431	

## Balance sheet structure as of Dec 31, 2005

Maturity structure		Balance sheet (€ mn)	2004	2005	+/-
<b>Assets</b>	<b>Equity and liabilities</b>	<b>Assets</b>			
<b>Non-current</b> (91.1%)	<b>Equity</b> (16.3%)	<b>Non-current</b>	43,200	42,907	-293
	<b>Non-current liabilities</b> (59.4%)	<b>Current</b>	4,416	4,194	-222
		<b>Total assets</b>	47,616	47,101	-515
		<b>Equity and liabilities</b>			
		<b>Equity</b>	7,067	7,675	+608
		<b>Non-current liabilities</b>	29,440	27,963	-1,477
<b>Current</b>	<b>Current liab.</b>	<b>Current liabilities</b>	11,109	11,463	+354
<b>Total</b> 47.1	<b>Total</b> 47.1	<b>Total assets</b>	47,616	47,101	-515
<b>effective:</b>	↘ €-515 mn / -1.1%				

## Key figures 1994 - 2005

(€ mn)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Rail passenger transport performance (mn pkm)	72,554	70,260	69,534	69,848	74,459	74,388	72,846	71,853	71,630	71,028	70,334	64,539
Rail freight transport performance (mn tkm)	83,111	83,982	79,864	77,981	80,348	80,634	71,494	73,273	72,614	67,880	69,492	70,554
Revenues	25,055	23,963	28,228	18,685	15,722	15,465	15,630	15,348	15,577	15,452	15,249	14,793
Income before taxes	490	154	-133	-438	-409	37	91	201	183	369	283	251
EBITDA	4,153	3,866	3,092	2,464	2,271	2,492	2,036	1,997	1,920	1,658	1,401	1,248
Operating income after interest	-	-	-172	-454	-204	199	-87	171	273	327	247	232
Cash flow from business operations	2,652	2,736	-	-	-	-	-	-	-	-	-	-
Total assets	47,101	47,616	47,647	46,023	41,962	39,467	37,198	34,961	33,892	29,622	26,620	21,493
Gross capex	6,379	7,232	9,121	9,994	7,110	6,892	8,372	7,660	7,136	7,771	7,329	7,128
Net capex	2,360	3,244	4,013	5,355	3,307	3,250	3,229	3,040	6,223	5,056	5,107	5,533
Rating	Aa1 AA	Aa1 AA	Aa1 AA	Aa1 AA	Aa1 AA	Aa1 AA	-	-	-	-	-	-
Employees (year end)	216,389	225,512	242,759	250,690	214,371	222,656	241,638	252,468	268,273	288,768	312,579	331,101

Figures until 2003 FY according to German GAAP

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