



Interim Results Press Conference 2007

Hartmut Mehdorn
CEO and Chairman of the Management Board
Deutsche Bahn AG

August 23, 2007, Frankfurt/Main

Good morning ladies and gentlemen,

I'd like to extend a warm welcome to all of you to today's presentation of our results for the first half of 2007.

Today, we can report on DB AG's continuously successful development in the first half of 2007. The company's good business development is still on track as scheduled for further success.

At the same time we also made further progress in our strategic development as one of the world's leading transport companies. And I'll present some of our more important accomplishments that underlined our growth.

Today I can report that we have fully achieved the tasks that the Rail Reform assigned to us: we restructured and upgraded all of the business units one after the other. And in 2007 our track infrastructure was also able to post significantly positive results for the first time. We currently have more transport on the rail than ever before.

Our strategy for achieving a new, future-capable, direction for the DB Group is paying off - to the benefit of our customers, our employees and Germany as a business location.

Before I go into the details of the first six months I would first like to comment on another subject that is currently arousing emotions - the wage conflict with the GDL.

I do not wish to spend any time here discussing details of the current mediation process. This is because we have agreed that we will not comment on the talks, which are being led on our side by my Board colleague Ms. Suckale. I would just like to briefly recall why this industrial conflict is so especially difficult.

The demands made by the GDL union are not solely being made on behalf of the train drivers. Their demands also are being made on behalf of all of train crew members; this means the conductors and onboard restaurant personnel. More than 80 percent of our employees, and thus a majority of train crew personnel, are organized in the Transnet or GDBA unions with which we have already reached a collective wage agreement, the highest in the history of DB AG, and also the highest wage agreement signed in this year's round of wage negotiations in Germany.

It also marked the limits of what we could accept economically and will cost € 250 million per year. But we agreed because we want to honor the big contribution our employees have made to the success of Deutsche Bahn.

Employees in numerous job categories work around the clock in shifts within the DB system and are responsible for ensuring that our trains function safely and reliably. The train drivers are an important occupational group and they hold responsible positions. However, our railroad could never provide service without the local operating managers, schedulers, and employees in the vehicle and track-path maintenance areas.

We are a fair and conscientious employer for all of these employees and will remain so. Furthermore, our employment pact ensures job security until the end of 2010. None of our competitors, and hardly any other major German firm, offer this.

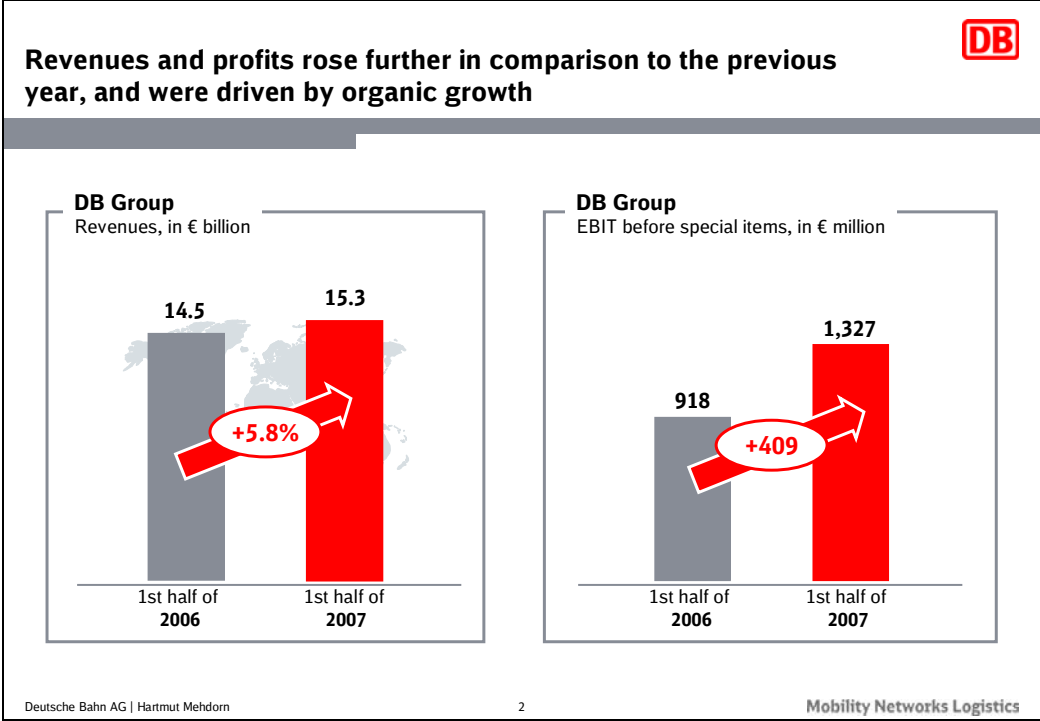
We can only continue to offer this kind of job security if wages develop within economically tolerable limits. Anything else would be at the expense of jobs held by employees throughout DB AG because we would no longer be able to hold our own against the competition. On average our train drivers earn 33,000 euros a year, which is already up to 25 percent over the amount paid by our relevant competitors.

We have to ask ourselves the question if this can be allowed to catch on in Germany, whereby persons within individual employment categories are able to earn significantly more than all of their other colleagues. All of the others, who played an equally important role in a company's success - especially as in the case of DB - and the functioning of its systems, would lose out.

The frequently invoked parallels to the Marburger Bund (doctor's association) or the Vereinigung Cockpit (pilot's association) do not fit the situation at the Bahn. We currently provide occupational training to over 8,000 young people in 25 different occupations. The training takes - just like training to become a train driver - three years and requires trainees to have completed at least 8 years of schooling (Hauptschule) with good grades. Therefore, a special status for individual job categories based on either education or qualification is not justified.

If what we are currently experiencing at DB catches on in our country it would have major repercussions on the social peace, the management of companies, and thus on the competitiveness of the entire German economy.

In this respect, the wage conflict should not only concern the DB AG Management Board and its employees – it should also be of concern to all the participants in the successful social partnership that exists in this country. I doubt that all of those who have been making frivolous comments about the wage conflict at DB fully understand this dimension.



I'd like to move on to the development of our business activities. In comparison to the first half of 2006, we recorded organic growth of about 6 percent during the first six months of 2007. This is a solid increase over the same year-ago period. All business units contributed to this favorable development.

Both the favorable economy as well as our improved and expanded customer offers enabled us to continue growing in our home market, Germany, as well as in Europe and around the world. The good level of incoming orders and customer demand led to an increased capacity utilization of our track infrastructure in the passenger transport segment and, above all, in the rail freight transport segment. Our infrastructure business units also noted a high level of demand.

At the same time we have maintained our very strong focus on our costs and the efficiency of our operational processes. As a result, we were able to further increase the Group's profits in line with our plans. We also believe that we are making good progress that will allow DB AG to post favorable business development for the full year.

These increased revenues and profits are urgently needed in order to refinance our modernization measures and to continue growing in the future.

In recent years DB AG has decisively focused on making modernization measures and capital expenditures that will ensure its future success. This was the only way to achieve a lasting increase in transport performance and customer satisfaction. These measures did, however, require a necessary and planned increase in our debt to the upper limit of what was economically tolerable.

We have now entered a phase where we can reduce our debt and the associated interest burdens and redemption payments as we originally planned, and must. We started this in 2006.

Let me make something perfectly clear here: any attempt to either consume or distribute DB's emerging economic success endangers the substance of the company. In order to secure our forward progress we will also closely monitor the development of our expenses in the second half. It's clear that efficiency and cost-cutting measures alone will hardly suffice to offset long-term rising energy costs and the highest wage agreement reached in Germany this year. This is why we have to examine how DB AG will handle these additional burdens.

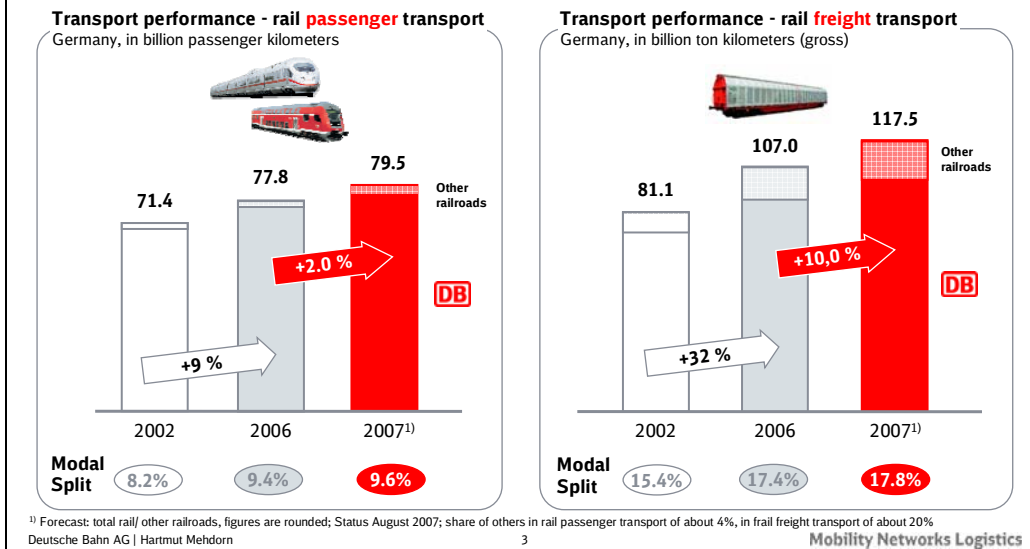
Warning strikes and strike threats have unsettled our customers and to date have led to lost revenues in the double-digit millions, which are lost forever. They cannot be regained by overtime work or other measures as in other industries.

The real damages, however, have been borne by millions of our customers. They were the ones who didn't know how they were going to get to work in the morning, if they would get to work, or were uncertain if their just-in-time supply chain would still function as planned.

In strictly business terms, the wage conflict with the GDL union is manageable because in the interim the group is positioned across modes of transportation and internationally, and, at the maximum, GDL can only effect about 15 percent of our business. If, despite our willingness to come to an agreement, strikes do take place - and I really hope they won't - we will be prepared for them with an extensive range of measures. DB will also ensure that the country will remain supplied and mobile even in this kind of situation.

Ladies and gentlemen, before our CFO, Diethelm Sack, follows with a detailed review of our key figures, I would like to present a few selected developments and events that took place during the first half.

Rail transport in Germany will also grow significantly in 2007



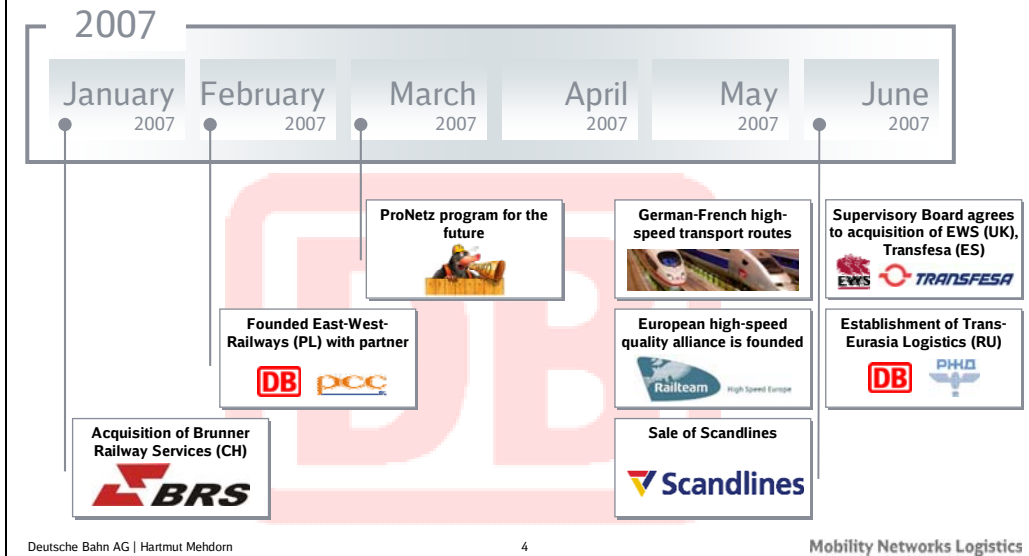
The booming rail transport sector continued to grow without interruption in Germany. This development was driven by our strategy of linking the various modes of transportation together to realize rail's strengths.

The railroad continued to gain attractiveness in Germany during the first half of 2007. In contrast to the stagnant overall market, passenger rail transport increased once again. We are gradually approaching a ten percent share of market in this segment. We anticipate that the total freight transport business in Germany will grow for the DB and its competitors by about ten percent for all of 2007. The Federal Statistical Office called 2006 a record year for this segment and we believe that we're likely to add another one to it. Growth rates like these have never been seen before for two consecutive years.

This is further confirmation that the increasingly internationally linked rail freight transport network is paying off and making it the favored mode of transportation across the long distances involved in European transport. Just how important our freight trains are for the German economy has only become apparent to some people in recent weeks in light of the threatened strikes.

In general, these favorable developments mean that we are reducing the traffic burden on Germany's Autobahns and transport hubs to a greater extent than ever before.

During the 1st half of 2007 we further strengthened our networks and continued to develop into a more customer-oriented organization



During the first six months of 2007 we made strategic moves in the areas of mobility, infrastructure and logistics and also further developed our transport networks. Our commitment to European rail transport, in particular, is the prerequisite for us to continue growing in the future. For this reason we will decisively continue to expand our portfolio in the coming years. We continuously improved our transport networks during the first six months of 2007 thereby creating the conditions for further growth in the future.

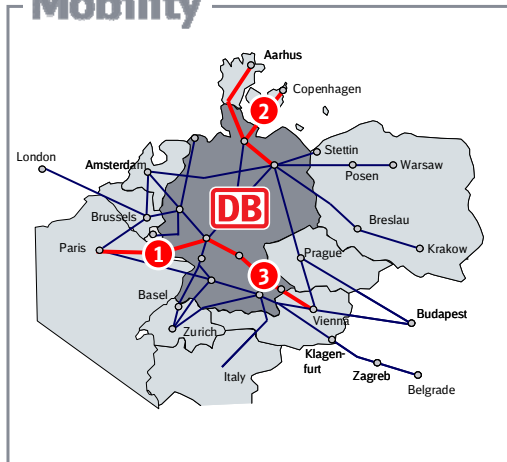
We successfully concluded the sale of Scandlines. Our primary concern here was ensuring that the company and its German locations had a secure basis for their future activities. The sale marked our withdrawal from a market segment that was not part of our core business.

Next, I would like to tell you more about how the networks within our divisions developed during the first half.

New international connections position the ICE at the forefront of European high-speed rail transport



Mobility



Linking major European cities to Germany's core network via ICE routes

- 1 As of June 07 - ICE from Frankfurt to Paris via Saarbrücken
- 2 Starting December 07 ICE from Berlin/Hamburg to Copenhagen/Aarhus
- 3 Starting December 07 ICE from Frankfurt to Vienna via Passau



Establish a single standard of service and quality for international travel

The internationalization of our ICE network across three national borders is the most important step for Passenger Transport this year. Our goal is to make the ICE the standard for high-speed rail transport in the center of Europe.

The first step toward this goal was the premiere of the Frankfurt - Paris ICE line, which smoothly began operations with the start of the new train schedule. Years of preparation are now bearing fruit. We recorded high customer demand for this new offer from the very first day. This will be followed in December with the new Frankfurt - Vienna ICE line as well as the start of ICE service on the Hamburg - Copenhagen line.

Together with our partners, we want to make the European high-speed alliance, RailTeam, a success as fast as possible. Our goal here is to make cross-border transport just as simple and comfortable for our customers as ICE travel is for them within Germany. This means that we are actively entering the growing European city-to-city connection market segment.

Currently, the share of revenues generated by international operations within DB's long-distance transport business stands at eight percent. We intend to expand this share.

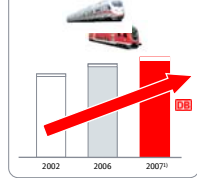
The Pro Netz program for the future is on schedule – and is viewed favorably by our customers.



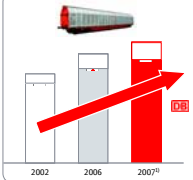
Networks

The boom in rail transport is continuing

Transport performance



Transport performance



- Strong growth seen in rail transport will also continue in the coming years
- Main corridors and hubs have to be upgraded to meet rising demand

The “Pro Netz” program upgrades the infrastructure in order to handle future increases in transport volumes



Status – construction progress

- Significant increase in preventive maintenance
- Work is progressing on schedule and as announced



Status – customer information

- Extensive flow of information has been well received and viewed positively by the general public and policy-makers

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Mobility Networks Logistics

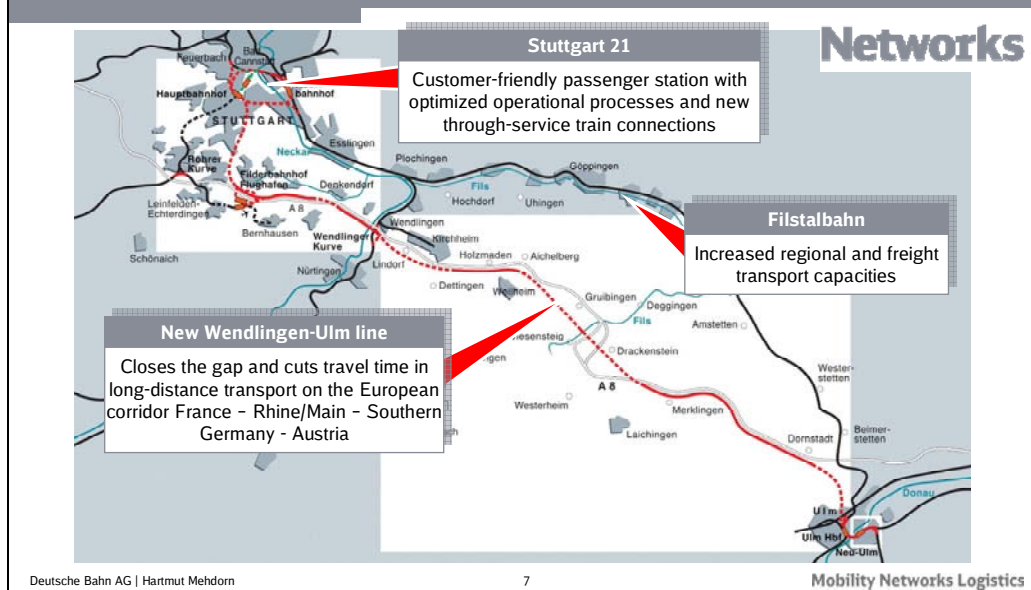
In March we launched our Pro Netz program to make our existing rail network fit for the future. The purpose of Pro Netz is to upgrade our main corridors and hubs to handle increased volumes of rail transport in the future. For example, the Hanover- Hamburg line, where volumes of freight and passenger transport have risen enormously in recent years.

We significantly increased the share of preventive maintenance projects during the first half year and we will further expand them strategically in the future. We have four months of intensive construction work in back of us today. Following their planning and announcement, nine of a total of 28 construction corridors have been completed without incident.

Up until July we had invested nearly 1.7 billion euros in the existing track infrastructure, or about € 450 million more than in the previous year. By October of this year we will have renewed about 5,500 kilometers of track path, over 2,000 switches and nearly five million sleepers, and we will have processed over six million tons of ballast. In this context I would like to mention the intensive customer information measures we took in conjunction with this work: we were able to almost fully avoid unplanned disturbances and we maintained customer satisfaction at a high level.

Currently about 80 percent of our customers in the long-distance transport sector say that they are either “satisfied” or “very satisfied” with the train journey they were taking when asked; 69 percent would recommend the offer to others. Results for our regional transport segment remained stable with more than 50 percent of our customers rating us as “good” or “very good.”

Stuttgart 21 and the new Wendlingen-Ulm line will further enhance the appeal of rail transport



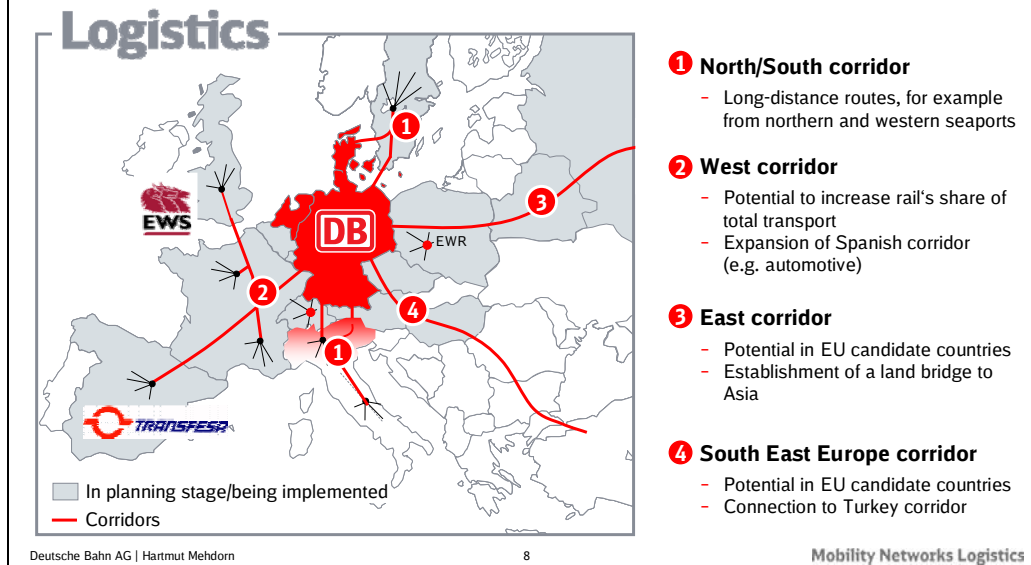
We achieved a breakthrough last month for the Stuttgart 21 project and the new Stuttgart - Ulm line.

These two measures are extremely important for us as an entire package. We will close an important gap in our high-speed network and create capacity for additional regional and freight transport. Stuttgart 21 means that all of Wuerttemberg will benefit from a new urban transport network with through-service train connections. DB's high level of capital participation in this project underscores our interest in this important project.

It is also important to move ahead now on the new Rhine/Main - Rhein/Neckar line, and build a high performance corridor over the long term from Frankfurt to Munich via Stuttgart.

The same applies to the Y stretch in the Hamburg/Bremen/Hanover triangle. Here again, we urgently need added capacity for fast ICE, regional, and seaport hinterland transport.

DB is rigorously expanding its European rail freight transport network along the main transport corridors...



We further expanded our rail freight network in Europe during the first half of 2007 by acquiring EWS and Transfesa, and engaging in projects with our railroad partners in Eastern Europe. We are now present on all of the important corridors. Both the UK and the Iberian Peninsula markets offer promising growth opportunities, especially when linked to Germany and France.

Today, after Italy, Poland is our second-most important rail freight market in Europe. In addition to our good collaboration with the Polish state railroad, PKP, we built up our own operation with East-West-Railways.

All of these activities ensure that we will be able to actively shape transport flows within Europe's number one transit country. In the coming years we will do all we can to remove the existing barriers blocking access to markets outside of Germany and realize opportunities that arise for the rail.

... DB is advancing the integration of rail in international logistics chains in the freight forwarding segment with a series of multi-modal projects



Multi-modal logistics center in Turku, Finland



- Multi-modal facility links together truck ship, plane and train
- New concept to increase efficiency, quality of service and cost-effectiveness

Railog's HungaRo-Express connects international seaports with Southeast Europe



- Railog, a Schenker subsidiary, links ocean freight from the tri-modal terminal in Rotterdam with rail transport and door-to-door service far beyond Southeast Europe


SCHENKERSkybridge expands with new air freight service between Dubai, Hahn (Germany), Toledo (USA)



- Closely integrated into SCHENKERSkybridge's inter-modal logistics offers
- Combines lower costs of ocean freight with the speed of air freight from Asia via Dubai


We also completed important projects in the international logistics sector. Our numerous new logistics centers link together all modes of transportation. For example, our new locations in Salzburg, Austria and Turku, Finland.

We are also generating synergies between air and ocean freight. We have established regular service to the USA from our hubs in Dubai and Frankfurt-Hahn to our hub in Toledo Ohio via our own air freight connections. Our Dubai hub connects to the ocean freight network to and from the Far East and Asia. The new service offers our customers attractive logistics chains on two of the world's most important trade routes.


DB is generating sustainable transport services and uncoupling transport growth from environmental burdens 

Mega-trends in freight transport


Globalization




Climate change and resource shortage



Deregulation



 **Excellent freight forwarding and logistics services...** ...with a strong rail backbone

100,000
Fewer truck trips every day on Europe's roads, and

21,000 tons of CO₂
less per day with DB AG's freight transport trains

33% reduction in
specific energy consumed by rail freight transport between 1990 and 2006

Source: 2007 Sustainability Report
Deutsche Bahn AG | Hartmut Mehdorn

Mobility Networks Logistics

At this point I would like to discuss another important aspect of our strategy: the subject of sustainability. We have achieved major successes in this area in recent years and we have been supported by global developments that all companies have to respond to.

This subject is covered in depth in our new Sustainability Report that is available to you as of today.

Based on the example of freight transport, the importance of integrating Schenker's activities becomes clear for transport policy goals in Germany.

Every day we take 100,000 long-distance truck trips off of the roads and onto the rails. If this trucks were lined up end-to-end the line would extend 1,500 kilometers. It's hard to image what the already overburdened autobahns in Germany would look like if they also had to carry this massive number of trucks in addition. This especially applies to bottlenecks like sea-port hinterland transports, the Ruhr region, or the Rhine Valley corridor.

And we made the already environmentally-friendly rail freight transport even more efficient. We reduced the specific energy consumed by rail transport per ton-kilometer by 33 percent since 1990.

This success strengthens our commitment to achieve a further 20 percent reduction by 2020.

We welcome the Cabinet decision in favor of partial privatization - a milestone for Germany's biggest transport company



Benefits of partial privatization



- Additional capital expenditures make it possible to further improve customer offers



- Responsibility is assured for the track infrastructure
- Fall-back provision strengthens influence of Federal government



- Continuation of business model without any experiments

Now is the time to benefit from the strong interest shown by the capital markets



Now is the time to benefit from DB AG's growth opportunities



Our ability to implement our sustainability strategy will be directly determined our ability to continue our business development.

And partial privatization in the coming year is the key prerequisite for this. It will enable us to continue developing successfully without strategic interruptions. It will guarantee the constant influence of the federal government and the states on the rail mode of transportation, and private capital will have a dynamic effect on DB AG.

The foreseen solution combines economic interests together with business efficiency. We are convinced that a partially privatized DB AG will be a real benefit for Germany as a business location. The opportunity to prepare such an important sector of the economy for the future is within reach.

In recent years our customers, employees and Germany as a business location have all benefited from DB AG's development. We have completely fulfilled our assigned tasks of the Rail Reform Act.

More ICE trains than ever before, more regional and urban transport, the biggest European freight railroad and an economic rail infrastructure on which more train kilometers have been traveled on than ever before - and which is being used by more railroad companies than in all of the remaining European rail networks together - and all of this in addition to integrated mobility and logistics chains around the world.

Regional transport in Germany, in particular, has benefited from the Rail Reform and from DB AG's strategy far more than it ever did during the old civil servant days: 30 to 40 percent more passengers, 20 percent more trains every day and regularly scheduled transport across Germany, including rural regions. And all of this with either new or thoroughly modernized vehicles.

We understand the hopes and concerns of people who want this positive trend to continue with a partially privatized DB AG.

Ladies and gentlemen, it was in the so-called "good old days" of the Bundesbahn and Reichsbahn when tens of thousands of kilometers of track were taken out of service, and when rural lines were served three times a day by shabby rail-buses.

We do not accept the fact that interested parties are playing on the fears of the public and are using patently false facts in attempts to deride the positive developments seen in rail transport since 1994.

And there is no way that we will accept it when interested parties - that should know better - stir up such fears. They know exactly who can contract out urban and regional transport services and who can cancel these contracts. And in any case, it's not the Deutsche Bahn.

Regional and urban transport is the backbone of our scheduled and interlinked transport system in Germany - and no other transport system in the world offers the same levels of coverage and closely meshed service.

Regional and urban transport represent 90 percent of our daily customers in passenger transport. Not only DB AG, every investor would have to be insane to endanger this.

And not even taking into consideration that the Federal Republic of Germany will remain DB AG's controlling shareholder even after partial privatization, and that they will continue to fully own the track infrastructure.

I can assure you here and now that in the future a partially privatized DB AG will do more - especially in the area of regional and urban transport - to fight to keep its customers than it is already doing today. The question posed by the capital markets isn't "how are you going to exit the transport sector that accounts for 90 percent of your passengers every day?"

The stock market asks: how are you going to grow further in your home market, Germany, and with the railroad in Germany. What kinds of offers are you going to make to ensure that the positive trend noted in previous years will continue?

Our message is clear: in addition to securing our position as the leading transport company in Europe and the world, we want more Bahn in Germany and an even more customer-friendly Bahn for Germany. Simply because this is our foundation and we can never let it weaken.

We also stand for a business model that wants to sustainably strengthen the railroad in Germany. A railroad that our national and international growth strategy will make even more attractive and capable of success in the future, and at the same time ensure that the owner structure secures the state's influence, instead of breaking up the company.

The foreseen partial privatization of DB AG will open up better opportunities to realize these demands than ever before. Now is the right time to grasp this opportunity for our company and also for Germany.

No other railroad in the world is better positioned to meet the challenges in the area of mobility and logistics than Deutsche Bahn.

And at the same time, some people question if Deutsche Bahn has to be engaged as leading global transport company? In return I ask: can Germany, as the world's leading export nation, really afford not to have such a champion?

Thank you very much.

Speech of Hartmut Mehdorn, CEO and Chairman of the Management Board,
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The spoken word applies.

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