DB Mobility Networks Logistics

„Our future: Sustainably successful!“

Annual Results Press Conference for 2011 Financial Year

Deutsche Bahn AG
DB Mobility Logistics AG

Dr. Richard Lutz
CFO

Berlin, March 29, 2012

- The spoken word takes precedence. -

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Ladies and gentlemen,

I, too, would like to extend a warm welcome to you all to today's annual results press conference. I will now take you through the **economic development** of DB Group in the 2011 financial year.

My **presentation** is divided into the usual **three sections**:

- I will start by giving you an **overview** of the key **underlying conditions** in the 2011 financial year.
- We will then take a closer look at how the **key data for DB Group** developed.
- And last, but not least, I will elucidate our current **outlook for the full year 2012**.

The **two main messages** of my presentation are:

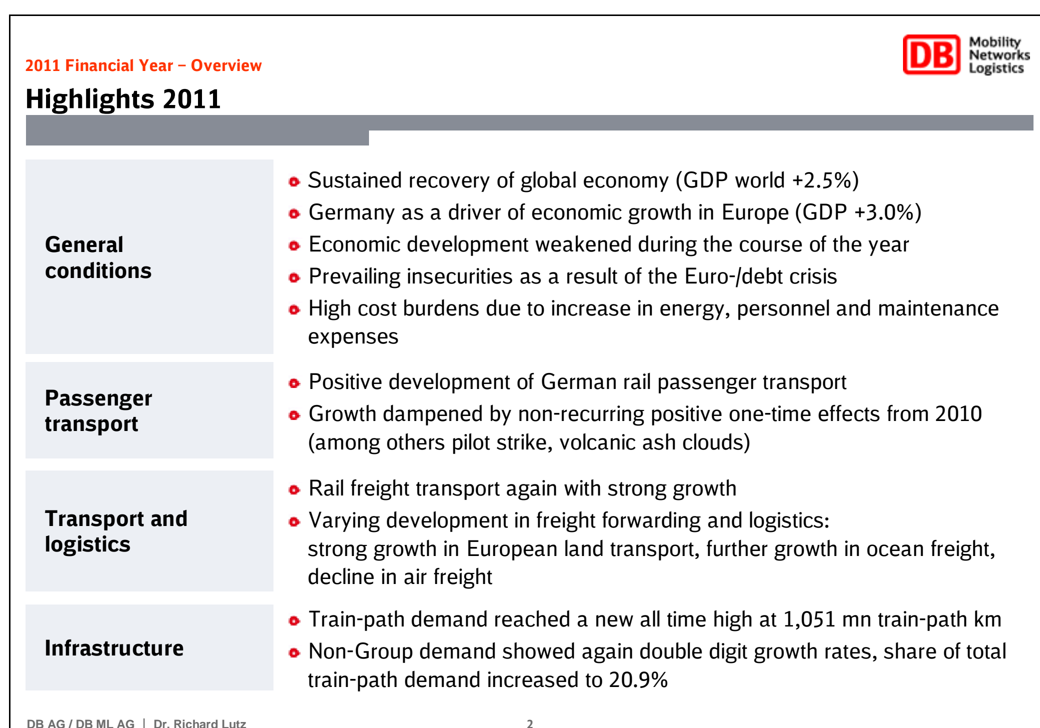
- DB Group continues to grow and its growth is profitable, with our revenues and profit having been increased comfortably once again.
- DB Group continues to stand for financial stability and reliability, with all three of the major rating agencies having once again confirmed our excellent ratings of AA, AA, and Aa1.

Before we move on to the figures, there is something I would like to mention. We have **further improved the transparency and readability** of our annual report.

For example, it now features the **full transition from our external presentation of income to our internal statement of income**. You will therefore find a wealth of additional information in our annual report which goes above and beyond the remit of my presentation today.

We have also increased our transparency in relation to the **level of profits generated in the area of infrastructure** – an issue which crops up in discussions again and again – and have added new key figures to our segment and business unit reports. This is a topic that I will touch on again in more detail a little later when we come to the results for the individual business units.

So now let's focus on the first part of my presentation.



We enjoyed a highly positive economic development in the 2011 financial year. This was partly thanks to the **generally positive development of the economy.** Germany in particular was once again the economic driving force in Europe, with GDP growth of 3.0 %. However, the positive economic effects diminished considerably in the second half of the year.

Our rail activities performed well in comparison to the previous year:

- **German rail passenger transport** improved by a marginal 0.8 %.
- Our **rail freight transport** in Europe increased comfortably once again, by 5.8 %.
- In the area of infrastructure, train path demand rose by 1.7 % to 1,051 million train-path kilometers, thereby hitting a new record high in Germany. The trend of increasing **demand from non-Group customers** continued with a double-digit increase. The share of total demand allocable to non-Group railways is now 20.9 %.
- At this point, let me quite clearly reiterate that anyone who suggests there is a lack of **functioning competition** in Germany due to our integrated Group structure is flying in the face of the facts. Nowhere else in Europe is there such good competition with so many external train operating companies in the network, and nowhere else is the development of competition as dynamic as in Germany. According to the liberalization index as updated in 2011, Germany is one of the leading countries in this area. We would be more than happy to see competition parameters in our markets outside of Germany that came anywhere close to the conditions that have been in place in the German market for more than 15 years now.

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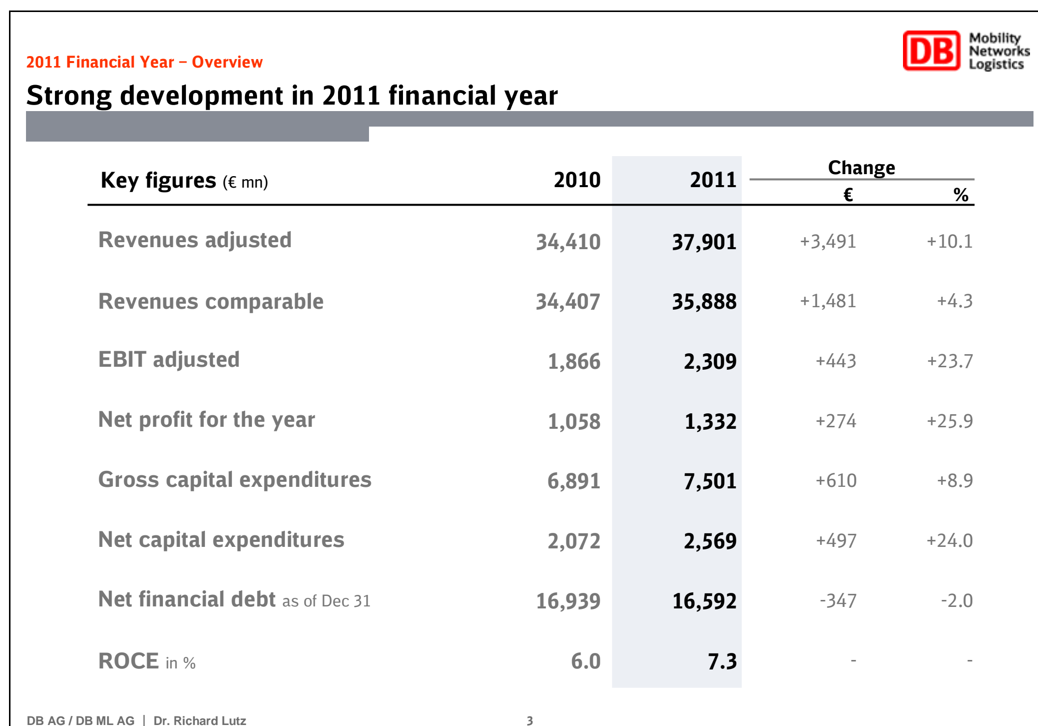
Taking the following **key figures** into consideration, we can see that the positive development in our performance is also reflected in our key performance indicators and that we can look back on another successful year:



2011 Financial Year – Overview

Strong development in 2011 financial year

Key figures (€ mn)	2010	2011	Change €	Change %
Revenues adjusted	34,410	37,901	+3,491	+10.1
Revenues comparable	34,407	35,888	+1,481	+4.3
EBIT adjusted	1,866	2,309	+443	+23.7
Net profit for the year	1,058	1,332	+274	+25.9
Gross capital expenditures	6,891	7,501	+610	+8.9
Net capital expenditures	2,072	2,569	+497	+24.0
Net financial debt as of Dec 31	16,939	16,592	-347	-2.0
ROCE in %	6.0	7.3	-	-

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- We achieved a substantial increase of approximately 10 % in our **revenues** in the 2011 financial year.
  Changes in the **scope of consolidation** accounted for a revenue increase of € 2 billion, primarily as a result of the first full-year consolidation of Arriva.
- **On a comparable basis,** in other words adjusted for special items, changes in the scope of consolidation, and exchange rate effects, there was, on balance, a 4.3 % increase in revenues. The development of revenues varied greatly during the business year. As you may remember, we reported comparable growth in revenues of 7.3 % at our midyear press conference. There was therefore a

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sharp slump in the growth dynamic in the second half of the year, above all in the closing quarter.

- It is consequently especially pleasing to note that this downturn in growth in the second half of the year did not impact on our result. In fact, in the second half of the year, we even fractionally improved on our first half-year result of a good € 1.1 billion. In terms of our **adjusted EBIT** we therefore recorded an increase for the full year of more than € 400 million or just under 24 %. This increase reflects the positive development of all of our key business units and is also indicative of the stability and robustness of our business model.
- Our **net profit for the year** rose by just under 26 % to around € 1.3 billion.
- The highly gratifying **trend in revenues and profit** seen in 2010 therefore **continued** in the 2011 financial year, albeit at a diminished rate as a result of economic developments. DB Group remains on a **profitable course of growth**.
- We also greatly expanded our **capital expenditure activities**. The focus here continued to be on Germany, which accounted for 94 % of our capital expenditures.
- Our **net financial debt** declined by € 347 million. Here it is worth noting that, in addition to much higher net capital expenditure in the 2011 financial year, we also paid dividends totaling € 500 million to our owner for the first time.

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- In year-on-year comparisons, our key value management figures performed positively across the board. For example, we improved our **return on capital employed (ROCE)** considerably, from 6.0 % to 7.3 %. We haven't yet achieved our target, but we are clearly on the right track. The same goes for the key financial figures such as redemption coverage and gearing, too, both of which improved substantially last year.

This brings us to the **second part of my presentation**.

Starting with revenues, let's take a look at the **developments in the various business units**:

2011 Financial Year – Revenues

Revenue increases across all business units

Total revenues (€ mn)	2010	2011	Changes Consol.[1]	Changes FX	2011 comp.	Changes €	Changes %
DB Bahn Long-Distance	3,729	3,794	-8	-1	3,785	+56	+1.5
DB Bahn Regional	8,603	8,718	-	-	8,718	+115	+1.3
DB Arriva	1,236	3,367	-2,001	15	1,381	+145	+11.7
DB Schenker Rail	4,584	4,924	-12	12	4,924	+340	+7.4
DB Schenker Logistics	14,310	14,867	-1	-14	14,852	+542	+3.8
DB Services	1,274	1,413	-	-	1,413	+139	+10.9
DB Netze Track	4,580	4,642	-	-	4,642	+62	+1.4
DB Netze Stations	1,044	1,077	-	-	1,077	+33	+3.2
DB Netze Energy	2,501	2,853	-	-	2,853	+352	+14.1
Other/Consolidation	-7,451	-7,754	-	-	-7,754	-303	+4.1
DB Group	34,410	37,901	-2,022	12	35,888	+1,481	+4.3

[1] Scope of consolidation

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The increase in revenues at the Group level was largely due to the development of the two business units within DB Schenker. On a comparable basis, their revenues increased by approximately € 880 million year on year.

The growth in revenues in passenger transport (excluding Arriva) amounted to € 171 million, due to increases in long-distance transport services and within DB Bahn Regional.

In the infrastructure business units, the development of the DB Netze Energy business unit had an especially noticeable effect, posting a substantial rise in revenues. A key driver in this respect was the transfer of higher energy prices to the transport companies.

In the **DB Netze Track** business unit, train path demand increased again, especially in the rail freight transport sector, thereby leading to slightly higher revenues due both to volume and price increases.

Let's now turn our attentions to **the details of the development of income**. The next slide features the familiar "bridge" between our external presentation as can be found in our published statement of income and the adjusted income figure that we use internally for our operational management.

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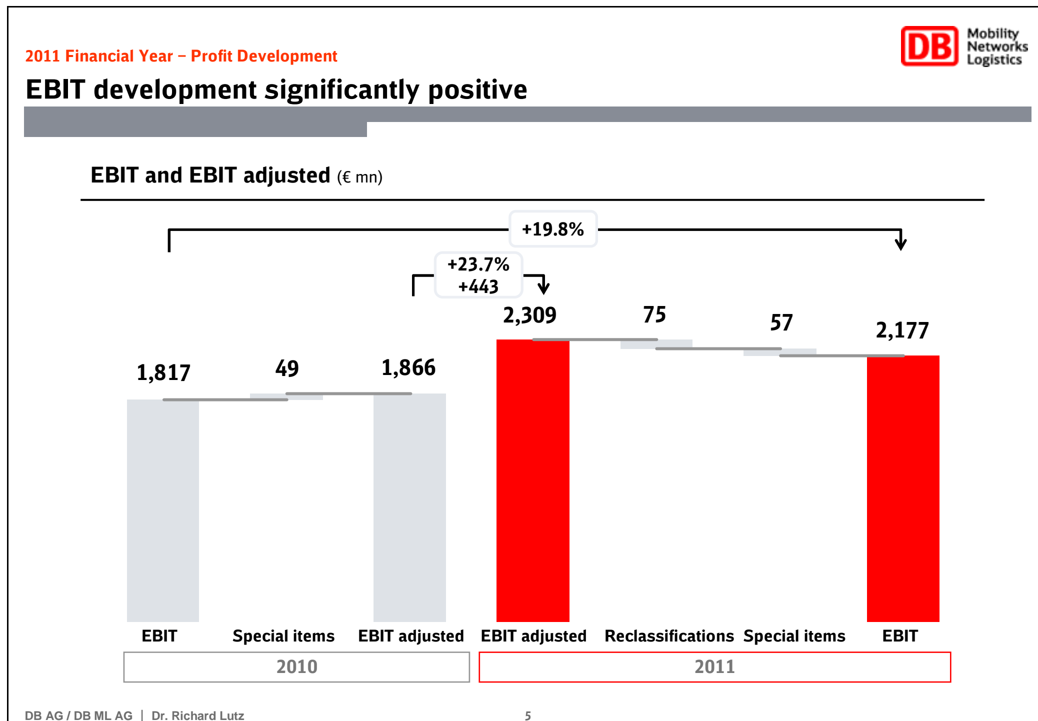

In the 2011 financial year, our **adjusted EBIT** increased by € 443 million to € 2,309 million.

As was the case in the previous year, there were next to no effects caused by **special items**.

Reclassifications in the 2011 financial year relate almost exclusively to effects caused by the acquisition of Arriva.

If we take a closer look at the **development of income by business unit**, we are presented with the following picture.

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2011 Financial Year – Profit Development

Overall positive EBIT development on business units level

EBIT adjusted (€ mn)	2010	2011	Change €	Change %	Capital employed	Net financial debt
DB Bahn Long-Distance	117	**157**	+40	+34.2		
DB Bahn Regional	794	**801**	+7	+0.9		
DB Arriva	52	**160**	+108	-		
DB Schenker Rail	12	**32**	+20	+167		
DB Schenker Logistics	304	**403**	+99	+32.6		
DB Services	129	**123**	-6	-4.7		
DB Netze Track	601	**715**	+114	+19.0	17,911	10,186
DB Netze Stations	217	**226**	+9	+4.1	2,853	1,320
DB Netze Energy	82	**80**	-2	-2.4	896	218
Other/Consolidation	-442	**-388**	+54	-12.2		
DB Group	1,866	**2,309**	+443	+23.7	31,732	16,592

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The development of income was generally positive at the business unit level, too. The most significant developments were as follows:

- **DB Bahn Long-Distance** achieved a year-on-year increase of € 40 million as a result of higher revenues.
- The first full-year consolidation of **DB Arriva** had a primarily positive effect on this business unit.
- In the **DB Schenker Rail** business unit, too, the € 20 million increase in EBIT was attributable to higher revenues. However, these were partially offset by increased costs.
- The **DB Schenker Logistics** business unit recorded a sizable increase in EBIT (€ +99 million). Its adjusted EBIT margin also improved from 2.1 % to 2.7 % thanks to a slight increase in its gross profit margin to 30.5 %.

- In the area of **infrastructure,** the **DB Netze Track** business unit increased its adjusted EBIT, primarily as a result of the increase in revenues caused by greater train path demand.

At this point, allow me to go off on a slight **tangent** and please forgive me if the following explanation is on the long side. What we are about to consider, however, is incredibly important. The **question** we will address is whether, taking the income figures presented here into account, **the infrastructure business** actually **generates too much money** and, if we take this argument to its logical extreme, whether a company in the infrastructure business **should actually generate a profit at all**. This is a discussion that will have to be overcome and which needs to be brought down from an ideological level to a factual level.

I hope to play a part in objectifying this discussion today. Because I believe there are a whole host of **information deficits** and **misunderstandings**, which can be countered with facts, figures, and data. And in infrastructure-related discussions in particular, we sometimes need to remind ourselves of some of the fundamental aspects of business. Or we should at least try to. Because if we talk about the factual arguments, we can see whether we are engaging in a content-based or an ideological discussion.

And another thing which I believe we need to be aware of is this: this discussion is spearheaded by individuals who would like to see a **different corporate structure** and a **different infrastructure**, namely an infrastructure which is back in the hands of the government and which is managed less entrepreneurially, because they clearly don't think much of profit and cash flows. But in such a scenario, there would be no **business-based solution for the financing of infrastructure investments**.

We can't afford to forget this. Because no business or investor on earth would willingly contribute their scarce and precious capital for an investment where they would not see a return on their capital. And in my opinion, this is the **actual fundamental issue** at the heart of the question of generating profits in infrastructure, namely how we propose to safeguard, upgrade, and finance an **efficient infrastructure** in times of increasing debt and almost empty public coffers. Considering the transport and environmental goals of the German government, this question applies in particular to Germany's track infrastructure.

And in answering this question, there is a simple truth that there is no getting away from: somebody has to bear the **costs of operating and investing in track infrastructure**. And in this respect, there are only two plausible options:

- either user-based financing through the railway sector and its customers or
- government financing through the federal government's budget.

There is no **third option**. People who think that a portion of the necessary costs can be offloaded onto the rail infrastructure companies in the long term, leaving them to run up losses and debt, is on the wrong track – both in business and economic terms. There is no sustainable business model on earth which allows you to spend more funds than you earn in the long term. This applies across the board: to private households, government budgets, and businesses – and therefore also to rail infrastructure companies which are operated as commercial enterprises in accordance with Germany's Basic Law. And that's the way it should be.

How has **Germany's transport policy** answered the question of financing track infrastructure operating and investment costs so far, in other words since the German Rail Reform Act? From our viewpoint, its response has been very farsighted, focusing on taking the financial burden off the federal government and at least in part implementing user-based financing collected via the transport sector. The **ongoing costs** of operation and maintenance are not subsidized by the federal government at all, and therefore have to be covered by the train-path prices collected from the train operating companies and therefore ultimately from their passenger transport and freight transport customers. And in terms of **investments,** the German Rail Reform Act and the government's transport policy have resulted in **incentives for private cofinancing**.

This is clearly supported by the figures: DB Group has invested just under € 133 billion since 1994, of which € 95 billion (in other words more than 70 %) was allocated to capital expenditures in the infrastructure. But only approximately € 78 billion of this investment sum (in other words a good 80 %) was financed by public-sector funds by means of interest-free loans and investment grants. To put it another way, DB Group contributed € 17 billion taken from its own funds to cofinance infrastructure capital expenditures, i.e. just under € 1 billion per year. This is in addition to the redemption and repayment of interest-free loans and investment grants that amounted to a further nominal € 12 billion over the same period. Nearly € 30 billion of the € 95 billion worth of infrastructure capital expenditures were therefore financed by DB Group.

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And now we will look at **three facts which are trivial, but nevertheless essential** to our key question of whether profits are acceptable in the infrastructure sector.

- Firstly: From an entrepreneurial standpoint, there is absolutely no difference between the **DB funds invested in infrastructure** and our capital expenditure in the transport business. In both instances, these are capital expenditures that we want to and have to recoup. This is, at least, our entrepreneurial aspiration, but we are well aware that capital expenditures are subject to risks too and that the returns sometimes initially fail to match the expectations. But that is more a question of having return expectations that adequately take the risks into account rather than the question of whether an investment should generate a return, i.e. be recouped, at all.
- Secondly: **Recouping our investment means earning profits**. Anyone who invests today wants to see a return tomorrow. None of you put money in a savings account today and waive the interest tomorrow. And none of you would buy a VW share today if you didn't have the expectation that tomorrow you would be adequately rewarded in the form of dividends or a higher stock price. For companies this return is expressed in the profit earned. In a market economy that should not come as a shock to anyone. Those who stigmatize profits should not be surprised if they cannot find anyone willing to make investments and to take entrepreneurial risks. You can't have one thing – namely investment and entrepreneurial risk taking – if you vilify the other – namely company profits. It's as simple as that.

- And thirdly: The **absolute level of profits** says nothing at all about how **adequate** they are. € 100 interest is a lot if you have € 1,000 on your savings account and not much if you have € 10,000. This year Siemens and VW are both paying their shareholders a dividend of € 3 per share. To get this dividend, however, you have to pay a lot more for a VW share than for Siemens. What is adequate is ultimately a function of earnings in relation to the capital employed, i.e. the return on capital. This applies to private investors just as it does to capital expenditure by companies.

After this digression on some basic business truths, I will return to the **initial question**, of whether infrastructure is allowed to earn money at all, and if so, what profit is indeed adequate. Or to put it another way: whether EBIT of a good € 700 million in the DB Netze Track business unit is a sign of unreasonable earnings or “monopoly profits” from the infrastructure. After what I’ve said so far, you can probably guess what my answers are.

- Firstly: Yes, the **infrastructure should and must earn money**, because a double-digit billion euro amount has already been invested and the costs of capital for this investment have to be earned. Anyone who has a different answer to this question simultaneously undermines the entrepreneurial incentives for private, and ultimately user-focused, co-financing of infrastructure investment, with the result that the state has to close this funding gap. At a time of debt ceilings and public-sector financial constraints I do not believe that is a sustainable path. Compared with transport policy since 1994 it would also be a complete about-face, for which there is no need and no pressing reason. The current funding model, strictly speaking the only really functioning example of a public-private partnership for in-

frastructure investment, has served the whole sector very well. This applies particularly to the integrated structure of DB Group and the entrepreneurial focus of the infrastructure as well. The renaissance of the railway since 1994 and the record utilization of track infrastructure, also by new competitors, carry an unequivocal – and positive – message.

- Secondly: The question of **adequate profit** depends on how much capital has been invested in the company. If the invested capital is substantial, then absolute earnings can be substantial too. The adequacy is solely a function of the relation between earnings and capital employed. Companies calculate their total **capital employed** by aggregating all the funds provided by shareholders and debt investors for operational use in the company. The return is calculated by reference to this total amount and is therefore known as **return on capital employed (ROCE)**. As long as the capital invested in a company generates a lower return than the costs of that capital, we are a long way away from unreasonable earnings or monopoly profits. That is an acknowledged benchmark in all regulated industries, and therefore also applies to rail infrastructure companies in Germany.

So what does the situation actually look like in our infrastructure business units? I opened by mentioning that for the first time this annual report also presents key figures on **capital employed** and its derivation. In addition we also show the **indebtedness** behind this capital employed as well as the operating profit after interest. We have done this partly in order to put the debate about reasonable infrastructure profits on a more objective footing. Because without a reference to capital employed and

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indebtedness this debate cannot be held sensibly and will always come up short.

Slide 6 shows the figures for capital employed and net financial debt for the three infrastructure business units and DB Group. Three consequences can be drawn from this presentation, which I would like to discuss using the **DB Netze Track business unit** as an example. This business unit mainly comprises DB Netz AG, which is where the debate about infrastructure profits usually locks on to.

- Firstly: The DB Netze Track business unit accounts for around 30 % of Group EBIT. At the same time this business unit is the area of our business with by far the highest committed capital and indebtedness. It accounts for € 17.9 billion in capital employed, or 56 % of the total for the Group. Its net financial debt of € 10.2 billion represents an even higher share of over 60 %. These figures show that you can not assess the profits in the infrastructure business units without taking capital employed and financial debt into account. And this is for sure: In consideration of the capital employed and the financial debt the results of the DB Netze Track business unit are below average.

- Secondly: The debate often gives the impression that the statement of income stops at EBIT. This is not the case, however. As you know, EBIT stands for earnings before interest and taxes. So if you want to know the real bottom line, you have to deduct among others interest from EBIT. Given indebtedness of more than € 10 billion, it is not surprising that the operating profit after interest falls to just some € 330 million or in other words to less than half of EBIT. And

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the tax charge has to be deducted as well. So in the end there is not so much left.

- Thirdly: When you look closer at how adequate the profits are in DB Netze Track business unit, the public debate turns out to be something of a tempest in a teacup. In relation to total capital employed, the return, i.e. ROCE, is no more than 4.0 %. This is a long way away from monopoly returns and also well below our costs of capital, which we put at around 8 %, as can be seen in the annual report. Even an expert from the Federal Network Agency considers adequate returns from infrastructure to be well above 6 %. It is also telling that in no proceedings since its foundation more than five years ago the Federal Network Agency has questioned the level of train-path prices and the returns from infrastructure. This is very different to all other regulated sectors in Germany, where monopoly profits do indeed needed to be capped.

So if this is the case, it is legitimate to ask why we have not made use of the leeway that the regulatory authority gives us in terms of adequate returns and raised train-path prices earlier. The answer to this is very simple, and is also a specific feature which distinguishes us from other regulated sectors. We have not made use of the available leeway in infrastructure pricing because we are convinced that the competitiveness of rail as a mode of transport is decided in the **downstream markets for passenger and freight transport**. And there we have competitive markets. If we were suddenly to pass on the infrastructure costs, this would impair the competitiveness of all train operating companies and therefore of rail as a mode of transport compared with road. Ultimately this would lead to less, not more rail traffic. That is not what we want, and

that is also the merit of the integrated Group structure and the overarching, long-term, sustainable perspective it makes possible. It is precisely for this reason that price developments at DB Netz AG have been extremely modest in recent years, both in comparison with general industrial pricing and with increases in train-path prices in other European countries.

There is another important point to be mentioned here, because it keeps cropping up in the public debate. It is the issue of the **profit and loss transfer agreements between DB AG and the infrastructure companies**, in particular DB Netz AG. The allegation is that with the profit transfer agreements we are sucking the profits out of DB Netz AG and exacerbating debt and equity levels in infrastructure. Sometimes it is claimed that we financed our international expansion in transport and logistics with the profits from infrastructure. To put it very clearly: this argument is 100 % inconsistent with the facts.

Let me start with the last point. Our internationalization in logistics was largely completed by late 2006 with the major acquisitions of Stinnes/Schenker in 2002 and BAX in 2006. At this point DB Netz AG had accumulated not profits, but losses – around € 2.5 billion in total. These losses were equalized by DB AG on the basis of the profit and loss transfer agreement. So this allegation with regard to the financing of our international expansion in the area of transport and logistics is nothing but a fairytale. DB Netz AG only made break-even in 2007. Even on a cumulative basis, however, up to and including 2011 we have still assumed nearly € 1 billion more in losses than have been transferred to DB AG in profits.

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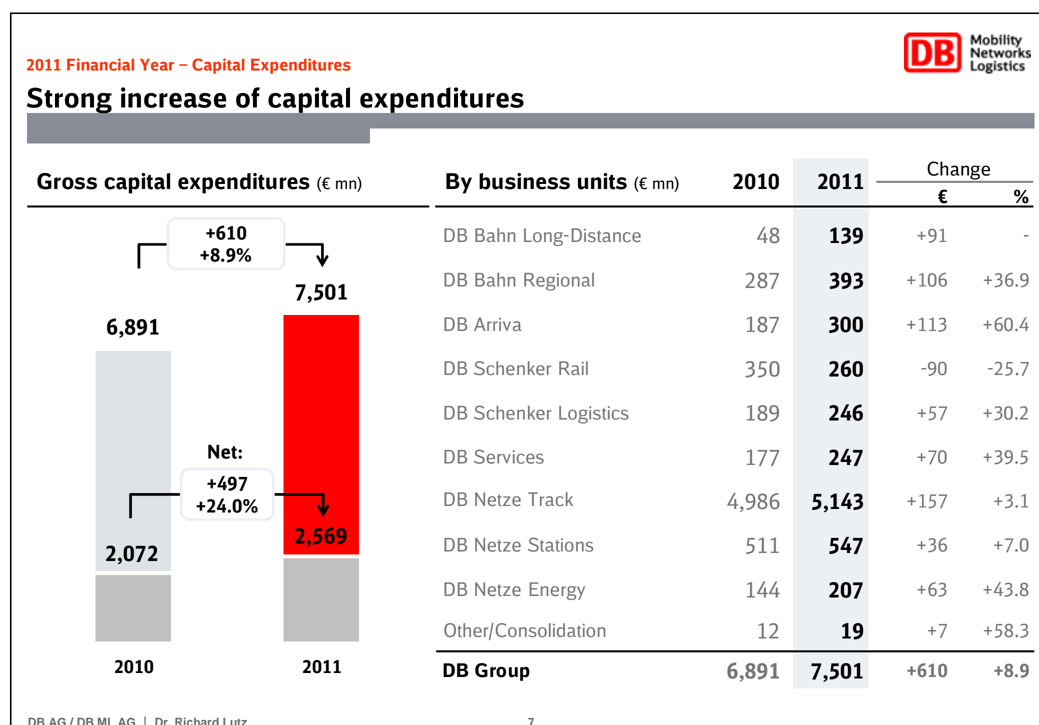
Furthermore, in 2005 and 2010 we also carried out capital increases in cash for a total of € 1.2 billion. Adding all this up brings you to a figure of € 2.2 billion that has flowed from DB AG to DB Netz AG since it was founded. Without the profit and loss transfer agreements and our capital increases, the equity and debt situation at DB Netz AG would certainly not have improved, but gotten a lot worse, by a billion-euro amount.

I will close this admittedly rather detailed digression with a clear **conclusion**: measured in terms of capital employed and indebtedness, infrastructure does not earn too much, but rather too little money. Even based on the return standards of regulated industries and the preliminary report of the Federal Network Agency this result is incontrovertible and unequivocal. Train-path prices and the results and cash flows reported for track has therefore to go up by a reasonable amount like in the past, because this is the only way to justify in commercial terms the significant infrastructure co-financing contributions, which come to around € 1 billion per year.

This is part of a viable, sustainable business model for infrastructure, which also makes a contribution to consolidating the Federal budget. Anyone who doesn't like that, anyone who would ban or regulate away profits in infrastructure, is therefore also setting themselves against private co-financing of urgently needed infrastructure expansion and consequently has to campaign for full funding from the public purse. That needs to be said openly in every discussion of this issue, because otherwise a vital piece of the argument is missing. In view of the debt ceiling and the fact that investment is slated to rise for new construction and expansion measures, I cannot believe that this is the right way to go.

From our point of view there is no good for cause for changing the proven model. We are ready, willing and able to make a contribution to infrastructure investments and the relief of the Federal budget. But therefore we do need a legal and regulatory framework that enables entrepreneurial structures. This includes the possibility of getting adequate returns on invested capital in the infrastructure business.

Another vital topic, which is inseparably linked to the last discussion, is that of our **investing activities.**



By business units (€ mn)	2010	2011	Change €	Change %
DB Bahn Long-Distance	48	139	+91	-
DB Bahn Regional	287	393	+106	+36.9
DB Arriva	187	300	+113	+60.4
DB Schenker Rail	350	260	-90	-25.7
DB Schenker Logistics	189	246	+57	+30.2
DB Services	177	247	+70	+39.5
DB Netze Track	4,986	5,143	+157	+3.1
DB Netze Stations	511	547	+36	+7.0
DB Netze Energy	144	207	+63	+43.8
Other/Consolidation	12	19	+7	+58.3
DB Group	6,891	7,501	+610	+8.9

You can see from the chart that both our gross and net capital expenditure has risen sharply compared with the previous year.

Gross capital expenditure of around € 7.5 billion was nearly 9 % up on the previous year. **Net capital expenditure** rose by 24 % or some € 500 million to nearly € 2.6 billion.

The **capital expenditure focus** was again on infrastructure, which represented nearly 80 % and on Germany, which accounted for 94 %.

Gross capital expenditure of € 5.9 billion in the **infrastructure** business units was higher than the previous year.

In the 2011 financial year we again invested some € 1 billion of DB funds in the track infrastructure in Germany, which constitutes a major contribution to infrastructure financing. This is on top of redemptions and repayments of interest-free loans and investment grants, which rose to € 1.1 billion in 2011 due to the early redemption of interest-free loans in the amount of € 0.6 billion in the framework of the financing circle infrastructure. In terms of contributing to fiscal consolidation, the dividend of € 0.5 billion should also be included in the calculation. So in total we are talking about a **contribution by DB Group** of € 2.6 billion to infrastructure financing and consolidation of the federal government budget. That is **44 %** of infrastructure capital expenditures in 2011.

Looking at the net capital expenditures in passenger transport it has to be mentioned that we expected to receive new high speed trains in long-distance transport and new vehicles in regional transport. This did not happen due to missing approvals from the Federal Railway Authority, delays in delivery and shortcomings that made acceptance of vehicles impossible. This was an operational as well as financial burden for us. That's why we are in difficult discussions the manufactures, to solve these problems as soon as possible.

Now I shall turn to **changes in net financial debt**.

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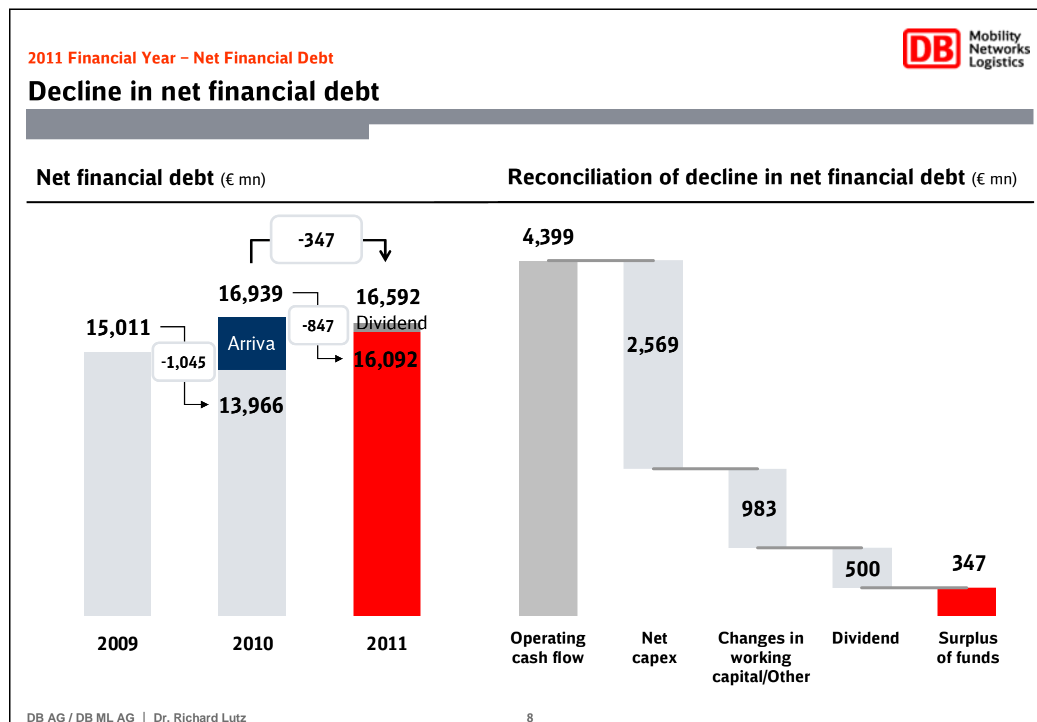


In the previous year, net debt was largely determined by the **Arriva acquisition and one-off charge of around € 3 billion**. But we were able to generate a surplus of funds of € 1 billion from our operating business, so net financial debt rose only by around € 1.9 billion.

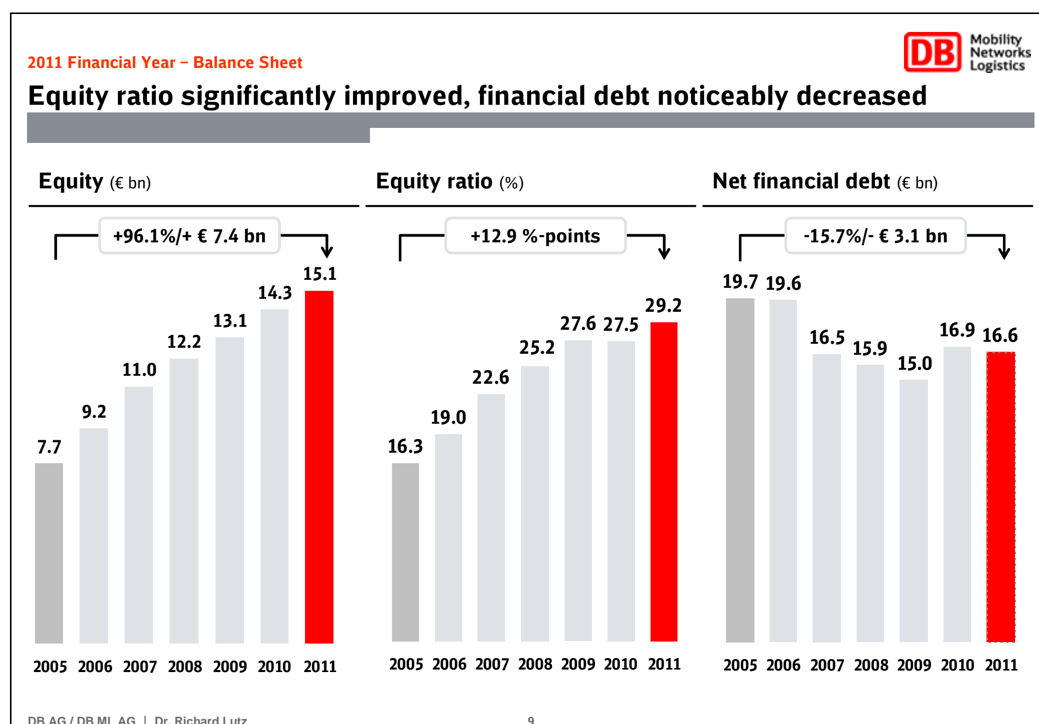
With regard to our operating business the situation in the 2011 financial year was quite the same. Adjusted for our first-time dividend payment we were able to generate a surplus of funds of more than € 0.8 billion from our operating business. Even after including the dividend payment we were able to reduce our net financial debt in the course of the year by
€ 347 million from € 16.9 billion to € 16.6 billion.

The main reason for the change was the development of our **operating cash flow**, which came to some € 4.4 billion. This represents a sharp rise of nearly 13 % over the previous year's figure of € 3.9 billion.

This cash flow enabled us to fully finance both **net capital expenditure**, which rose by € 500 million, and the first-time dividend payment of € 500 million to the federal government.

This means that **for many years we have been able to cover the financing** of our capital expenditure from current operations.

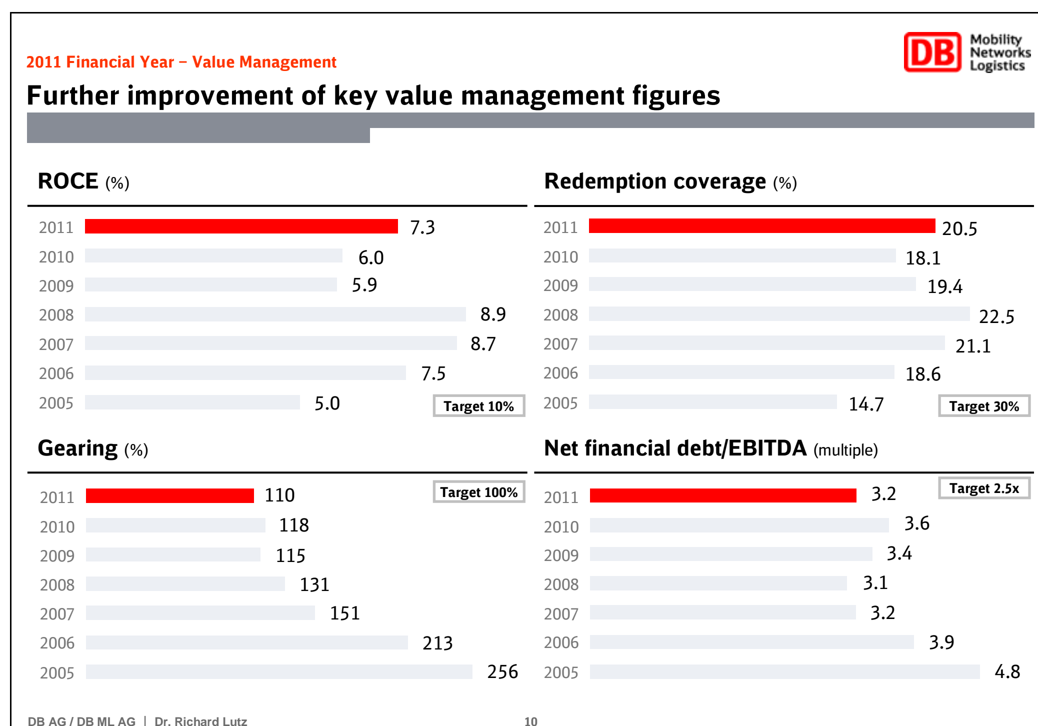
Our financial stability and strong performance in recent years is also reflected in **changes in shareholders' equity**:



Since 2005 we have bolstered our **equity** by over € 7 billion, largely from earnings, and thereby significantly improved our **equity ratio** to more than 29.2 %. The additional improvement in the 2011 financial year was achieved despite the first-time dividend payment.

At the same time, we were able to substantially reduce our **indebtedness**, despite the acquisition of Arriva. You can also see a clear trend here over recent years, which was only interrupted by the Arriva effect in 2010.

Our **clear aim is to pursue this trend** in the years ahead.



A look at our value management key figures shows a **positive performance throughout**. This puts us right back on track towards our mid-term targets, from which we temporarily deviated in the last two years; in 2009 due to the economic and financial crisis and in 2010 as a result of the Arriva acquisition.

- ROCE rose by 1.3 percentage points to 7.3 %.
- **Gearing** sank to 110 %.
- **Redemption coverage** rose to 20.5 %.
- The ratio of **net financial debt to EBITDA** improved to 3.2.

You can see that in comparison with our target figures some improvements are still required in the years ahead. Nevertheless, we can say that we are moving in the right direction.

That brings me to the end of my presentation, where I would briefly like to talk about our **expectations for the current 2012 financial year**.

2011 Financial Year – Outlook

DB Mobility Networks Logistics

Positive outlook for 2012 financial year

(€ mn)	2011	Outlook 2012 financial year (as of March 2012)	
Revenues adjusted	37,901	~40,000	Dampened, but still positive economic environment Further increases in performance
EBIT adjusted	2,309	>2,600	Positive revenue development Ongoing cost management
Gross capital expenditures	7,501	➚	Continuation of growth and modernization programs
ROCE (%)	7.3	>7.5	Development weakened by higher capital employed
Net financial debt as of Dec 31	16,592	➔	Increasing cash flow Adverse effects from higher net capital expenditures and dividend payment

DB AG / DB ML AG | Dr. Richard Lutz 11

Our **forecast for the 2012 financial year** is cautiously positive.

This assumes that the economy and markets perform less well than in 2011, but nevertheless remain positive overall. This in turn is subject to the condition that current events on financial markets (euro/debt crisis) do not have a sustained impact on the real economy and our markets.

Subject to this proviso and despite the wider economic downturn, we are cautiously optimistic regarding our markets and therefore our **revenues and profit development**.

- We are currently assuming that we will report revenues in the region of € 40 billion for the 2012 financial year.
- In terms of profits we are expecting adjusted EBIT to rise to over € 2.6 billion.
- Gross and net capital expenditure are both forecast to rise sharply.
- Despite the resulting increase in capital employed, the ROCE will continue to improve towards its target level.
- The increase in capital expenditures will probably mean that our net financial debt remains at the same level as last year.

Ladies and gentlemen, with this cautiously positive outlook for the financial year 2012 I would like to end my presentation.

Thank you all for your attention. Now that I have given you an insight into the current 2012 financial year, Dr. Grube will now share with you our vision for DB Group in the more distant future, namely in 2020.

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Mobility
Networks
Logistics

Speech given by Dr. Richard Lutz, CFO of Deutsche Bahn AG and DB Mobility Logistics AG, on the occasion of the Annual Results Press Conference held on March 29, 2012 in Berlin.

The spoken word takes precedence

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