



*“DB2020 – our compass,  
even in challenging times”*

## **Interim Results Press Conference 2013**

Deutsche Bahn AG  
DB Mobility Logistics AG


Speech of Dr. Rüdiger Grube  
CEO and Chairman of  
the Management Board

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Berlin, July 25, 2013

Ladies and gentlemen,


My colleagues and I would also like to extend a warm welcome to you to today's press conference where we will present DB's results for the first half of 2013.




## Flood-of-a-century causes severe burden – DB Family shows broad willingness to help

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### Examples of 2013 flood damages



High-speed line  
Berlin-Hanover



Bridge near Prien,  
Chiemsee




Upper Elbe valley  
(Station forecourt, Pirna)



Upper Elbe valley  
(securing ESTW, Pirna)

### Damages to date<sup>1</sup>

- Approx. 32,700 trains affected and approx. 414,000 minutes of delay
- Total damages for DB: more than € 200 million
- Substantial damages incurred, especially to infrastructure; subsequent damages can only be determined after flood waters recede



### DB Family assistance

- Employees showed great willingness to help
- Flexible working hours approved for personally affected employees and voluntary helpers
- Various assistance projects and donations totalling more than € 1.2 million

<sup>1</sup> As of July 17, 2013  
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Among the developments we have seen in the last six months there is one subject that clearly stands out from the rest – and it will also keep us busy for quite a while.

I'm referring to the **flood-of-a-century** which took place in May and the end of June following days of rain that caused rivers to overflow and flood entire regions from south east Europe up to Lower Saxony. The extent of the flooding was even worse than the damages caused by the floods in 2002. Water levels measured in Passau and Halle were the highest in 400 and 500 years, respectively. Reinsurers estimate that the floods will be the most expensive natural disaster ever seen in Germany.

The flooding was a catastrophe for the **people** – including many DB employees – whose homes and places of work were devastated by the surging waters, but it also damaged the **railroad infrastructure** in seven federal states. About 32,700 trains were unable to run as scheduled and 1,600 had to be completely cancelled. The floods caused more than 400,000 delay minutes up until the end of June.

Passengers as well as our freight customers had to put up with serious negative effects, and at times more than 300 freight trains were forced to stop and wait.

At this time I would like to extend my warm thanks to **our customers for their understanding and patience** during this difficult period.

The full extent of the damages to rail lines is still unknown: a final evaluation can only take place after the flood waters have fully receded and we can test the ground beneath the tracks to check e.g. if the soil was washed-out and has to be corrected. Unfortunately, this is the reason why travel on the high-speed line between Hanover-Berlin remains limited. Last week we were able to present an improved interim schedule that once again connects all long-distance train stops to our operational network. This schedule will be valid as of July 29th until further notice.

We currently estimate that total damages will amount to far more than € 200 million. However, our results will not be fully affected by this amount. We anticipate that the Federal Government may finance – as they did in response to the 2002 floods – our efforts to repair damages to the infrastructure. We are already engaged in talks with the Federal Government

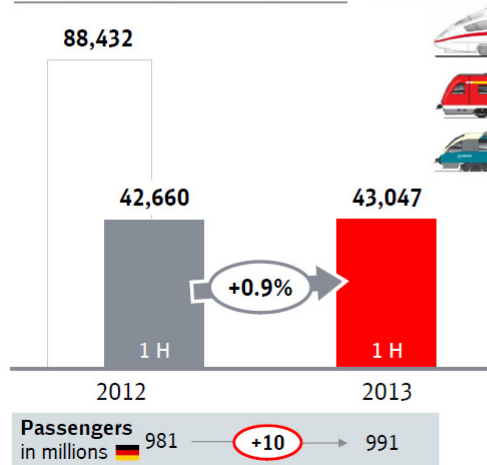
The floods also showed the enormous **willingness** of our employees **to do more** than expected during an extraordinary situation: train schedules, trains and personnel working hours had to be repeatedly changed over many days in order to keep as many trains rolling as possible; sandbags had to be filled and stacked to protect facilities. All of these activities not only required know-how, they also demanded the will and the strength of our employees to get the job done. In addition, the DB family showed very strong **solidarity** in response to the floods: A big fund-raising campaign collected more than € 1.2 million in donations to assist employees who lost their possessions in the floods.

On behalf of the Group Management Board I would like to extend our warm thanks to our employees and the many helpers – especially the numerous volunteers – for their great commitment and efforts! Damages would have been much worse without their support.

**Rail passenger transport posts slight improvement –  
Rail freight transport affected by weaker economy**

**Volumes sold rail DB Group**  
in millions of passenger kilometers (pkm)<sup>1</sup>

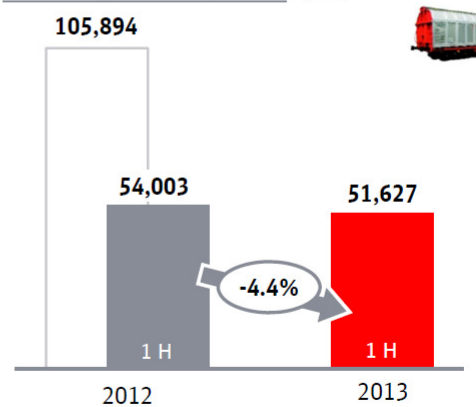
**Rail passenger transport** **BAHN**



<sup>1</sup> Incl. DB Arriva  
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**Volumes sold rail DB Group**  
in millions of ton kilometers (tkm)

**Rail freight transport** **SCHENKER**



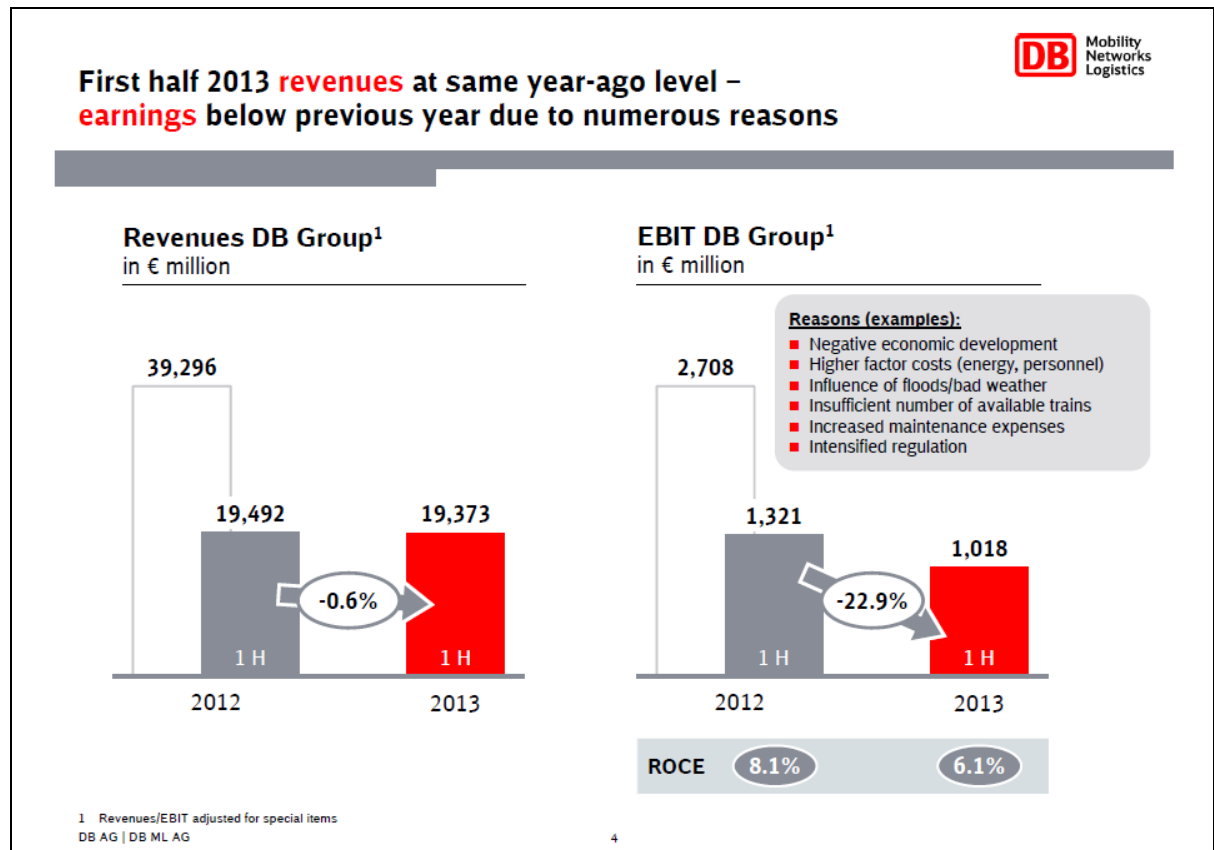
And now I would like to address the actual subjects of this interim results press conference:

It's natural that the floods also affected our **volumes sold**. However, the weak development of the economy, which was already becoming visible at the end of last year, also impacted negatively on our results, and especially on the economically sensitive business units like DB Schenker Rail and DB Schenker Logistics.

Important customers like those in the steel industry or the machinery industry cut back production even further during the first half of 2013. The economic crisis in Europe has deepened further. The recessionary economic situation in countries like Italy, Spain, the Netherlands or France is also impacting on both the rail freight transport and European land transport sectors. And even the export sector – which is usually quite stable – has increasingly slowed the economy. Although the economy has expanded in Germany, it's unfortunate that this growth is only very minor, as investments and commercial trade continue to be burdened by uncertainties surrounding the future of the euro zone.

Rail passenger transport did well in the face of weak economic conditions as volumes sold rose to 43 billion pkm from the same year-ago figure. In Germany we were able to welcome about 10 million additional passengers aboard our trains in comparison to the first half of 2012.

In contrast, volumes sold noted for DB's freight transport business fell by 4.4% to 51.6 billion tkm due to the weaker economy. These figures do mean, however, that we remain by far the biggest rail freight transport enterprise in Europe - and, despite all the challenges, the most successful one!



While we were able to hold our **revenues** of € 19.4 billion at almost at the same record-breaking level we posted in 2012, our **EBIT** (earnings before taxes and interest) figure declined notably. Our earnings of a good € 1 billion are 22.9% below the previous year's figure. Total return on capital (ROCE) declined to 6.1%.

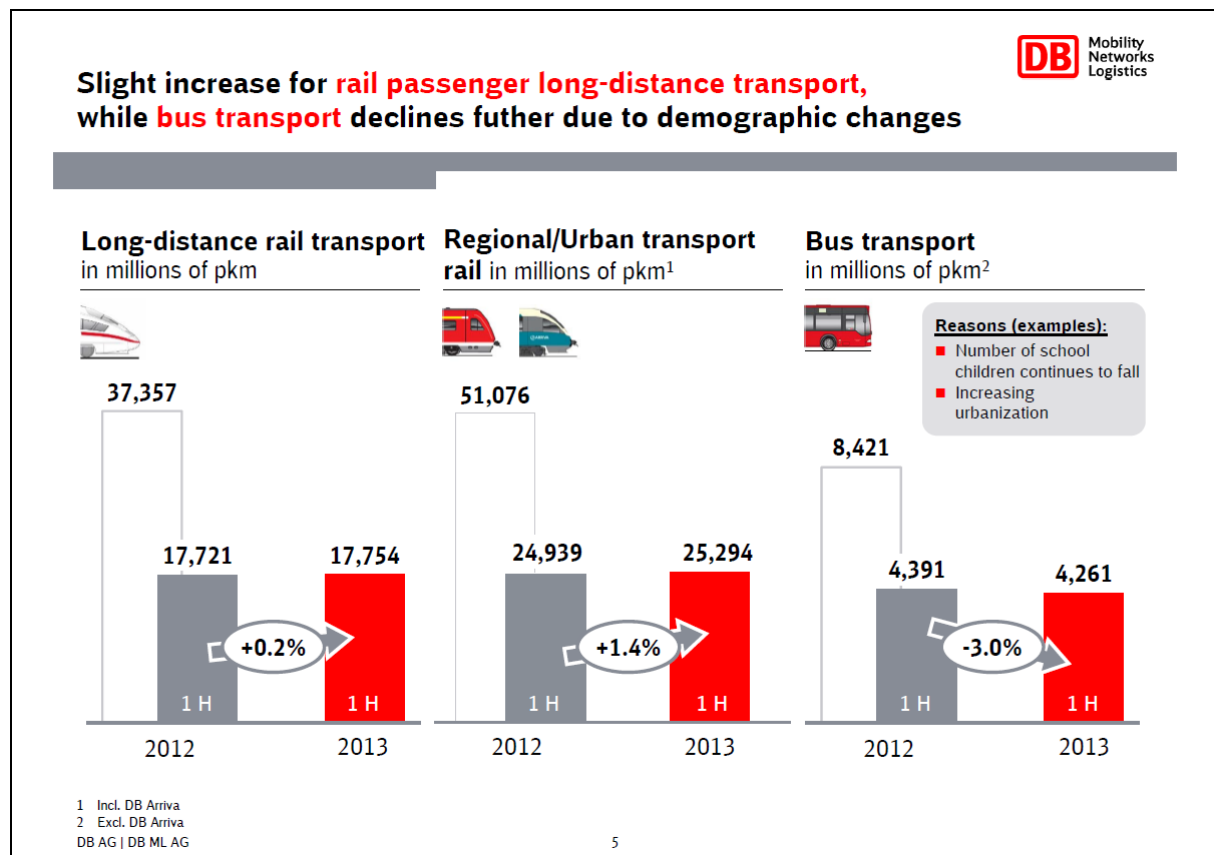
The reasons for the lower results are not solely limited to the weak economy and the floods.

Our results from operations were heavily burdened by additional developments that took place in the first half of the year:

1. First, there is the development of our **factor costs** especially rising costs for energy and personnel. The latest wage agreement has moved our personnel costs to the limit of what's economically acceptable.

The effects of this agreement are not only felt by the labor-intensive business units like DB Netze and the services unit, they are most heavily felt by those business units facing increasingly heavy competition, namely DB Regio and DB Schenker Rail.

2. Secondly, we continue to be held back because the **trains** we have ordered **are not being delivered**. This means that we are losing business every day.
3. The substantially higher costs for **winter service** over the previous year's figure placed a particularly heavy burden on our results along with the increased maintenance expenses incurred at the end of the winter, especially those for the infrastructure.
4. And finally, the growing level of regulation is having an ever greater effect on our results. This development is having a negative effect on both the infrastructure and carriers.



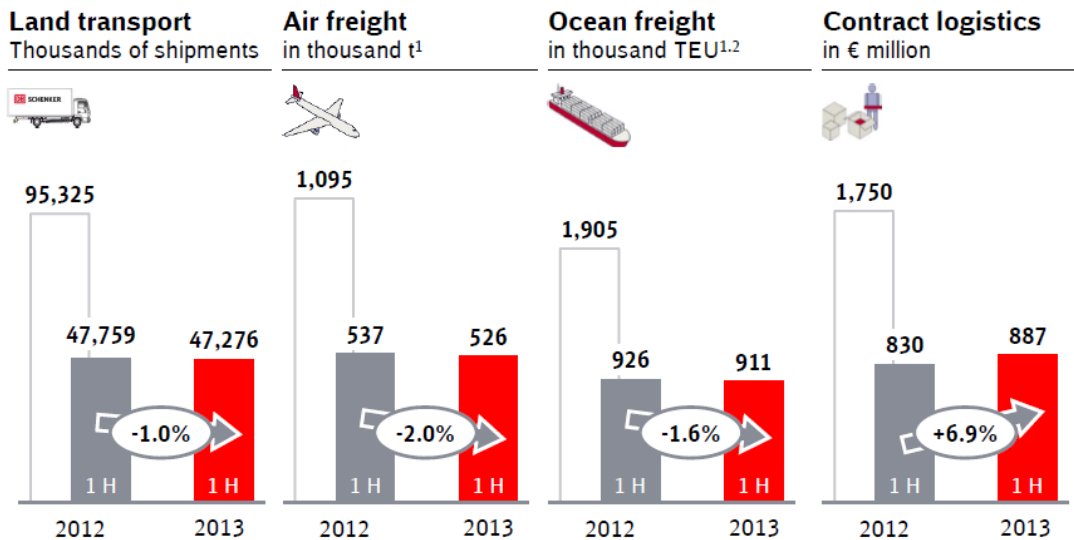
Results posted by **long-distance transport** exceeded the previous year's level by 0.2%. Following the strong performance seen in the first quarter, the volumes sold figure posted for the second quarter fell to a lower level due to bad weather conditions and floods.

Volumes sold noted for **regional rail transport** were 25.3 billion pkm, or 1.4% over the same year-ago figures.

**Bus transport** figures continued their decline this year due to shrinking numbers of school children and declining numbers of people living in rural areas. Our bus business recorded 4.3 million pkm, or 3.0% less than in the same year-ago period.



**Economically driven declines noted in land transport, air- and ocean freight businesses – contract logistics expands**



<sup>1</sup> Only exports taken into consideration to avoid counting figures twice  
<sup>2</sup> TEU = Twenty-foot Equivalent Unit  
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In our logistics business we posted a 1% decline in the number of land transports from the same year-ago figures.

Tonnage declined by 2% in the **air freight** segment.

Performance in the **ocean freight** business was affected by weak market development and fell by 1.6% in comparison to the previous year's figure.

Growth noted for our **contract logistics** business still remained at a very good level of 6.9%.

Ladies and gentlemen,

The global economy has again become much more volatile and it is very difficult to make exact forecasts for the second half of the year.

Naturally, we are working to recover again. However, our optimism is limited by the overall conditions we have seen thus far.

## Customer satisfaction and quality continue to rise



**Economics | Profitable market leader**  
Customer and quality

Examples

### Investments in vehicle fleet



- Master agreement signed with Bombardier for delivery of up to 450 E-locomotives (order value: € 1.5 billion)
- Master agreement extended with EvoBus and Iveco Bus until 2014 (order volume > 300 buses)

### Modernization of infrastructure



- Procurement of high-performance rail grinding machinery (€ 40 million)
- Modernized stations (e.g. Münster and Marburg) start operations

### Safety and service



- Video surveillance expanded for even more security (€ 40 million)
- Successful measures taken to combat graffiti and theft of non-ferrous metals



Fortunately, the first half of the year didn't only contain challenges.

We made solid progress towards realizing the goals of our DB2020 strategy. I would now like to present you some examples that stand for the successes we have had in implementing our DB2020 strategy.

We also made good progress, for example, in **customer satisfaction**. However, we still face some challenges in this area. And this is why we will continue to pursue this goal with the greatest possible commitment. Among other considerations, this includes continuing to make a high level of investments in new trains and in modernizing the infrastructure. Because by doing so we lay the foundation for further improvements in customer satisfaction in the future as our quality continues to get better.

We signed a master agreement with Bombardier for the delivery of **450 electrically powered locomotives**. The contract is worth up to € 1.5 billion. We placed immediate orders for 110 locomotives for DB Schenker Rail and 20 for DB Regio.

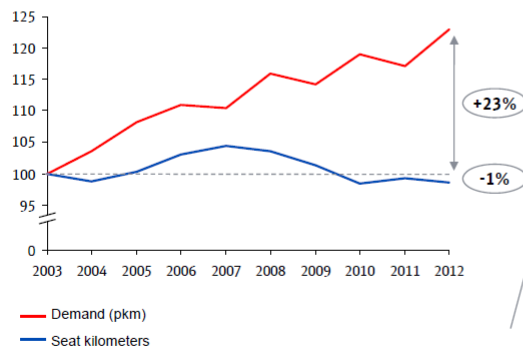
Another bit of good news for is the **decline in thefts of non-ferrous metals**. Our measures are showing results: during the first months of this year we recorded about 40% fewer cases of theft than in the previous year. For our passengers and freight customers this good news means fewer delays!



## Shrinking seating capacity due to shortage of vehicles makes it difficult to meet higher demand in long-distance transport

Demand and seating capacity since 2003 index, 2003=100

Since 2003 more than 20% growth in long-distance transport, while seating capacity has declined



### Examples of measures against vehicle shortages



- 16 new ICE 3 (BR 407)
- delivery delayed by more than 2 years
- Invest: **€ 500 million**



- 27 new double-deck trains
- delivery delayed by at least 9 months
- Invest: **€ 360 million**



- More than 770 IC wagons
- Currently 250 modernized IC wagons in use
- Invest: > **€ 100 million**


The more progress we make in the area of “Customer and quality” - and the more our customers honor these efforts - the more dramatic our **shortage of vehicles** becomes.

Demand in the long-distance transport business has risen by 23% since 2003. That’s good news for Germany! Because this growth means that - just in 2012 alone - more than 400,000 tons of CO<sub>2</sub> were not emitted because this increase in transport took place on the rails and not on the roads. And this year we will cut our CO<sub>2</sub> emissions by an even greater amount. However, while demand has risen, our seating capacities have fallen in the same period, and this isn’t because we ordered too late - it’s because the manufacturers and the certification authorities have to substantially improve their collaboration.

If you are interested, my colleague Volker Kefer will be pleased to tell you more about the agreement concerning this subject we recently signed with the BMVBS, the railway industry and the EBA.


As you know, this situation also affects trains ordered for our regional transport business and not only our long-distance transport trains. The S-Bahn (Metro) in Stuttgart is the most recent example of substantial quality defects that simply shouldn’t exist! Because the repercussions are dramatic: overfilled trains, a high proportion of passengers have to stand, dissatisfied customers, and major additional burdens for our front-line employees who have to listen to angry customers.

But it also means that we are losing revenues and profits simply because we don't have enough trains available.






## European Passenger Transport and Transport & Logistics strengthened i.a. by acquisitions and re-wins of tenders


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**Economics | Profitable market leader**  
Profitable growth

**Examples**

Expand Eur. passenger transport	Rail freight transport successes	Further development of logistics
 <ul style="list-style-type: none"> <li>■ DB Arriva acquires Veolia Transdev's Eastern European business</li> <li>■ IC buses expanded to complement long-distance transport network</li> <li>■ DB wins tender to operate Hamburg S-Bahn system (12.7 million trainkm)</li> <li>■ Approval received to travel through Eurotunnel</li> </ul>	 <ul style="list-style-type: none"> <li>■ Joint Venture with Etihad Rail in the United Arab Emirates</li> <li>■ New Germany-Turkey offer, "Bosporus Shuttle" (as of 09/2013)</li> <li>■ Order received to transport 500,000 tons of paper per year for ScandFibre Logistics</li> </ul>	 <ul style="list-style-type: none"> <li>■ Lead logistics provider for Vestas throughout all of Europe</li> <li>■ Expansion of network through alliances, acquisitions and new terminals (e.g. in Japan, Switzerland, Panama, Finland and China)</li> </ul>

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Things look better on the international front. We finally made progress in obtaining permission for our ICE trains to travel through the **Eurotunnel**: in June we received the required safety certificates from the responsible authorities. This is an important prerequisite to continue our growth in the international passenger transport sector.

DB Arriva's takeover of the eastern European business activities of **Veolia Transdev** is a further sign that we are also actively continuing our growth in the European passenger transport sector. As a result of this acquisition we will become the biggest international provider of passenger transport services in eastern Europe. The lessons we learn in foreign markets also help our business in Germany.


In the German regional transport sector we were very pleased that we received the contract to operate the **S-Bahn system in Hamburg**. The S-Bahn Hamburg contract represents 12.5 million train kilometers per year and demonstrates how we were able to combine the highest quality standards with profitability and ecological performance. This is because we will continue using 100% green energy to fulfill the contract.

For the first time ever we began rail freight transport activities outside of Europe. In recent weeks we signed a contract with **Etihad Rail** to start a joint venture company in the United Arab Emirates. The new company will operate rail freight transports on the Emirate's new rail network. We will begin running the first trains in October.

## DB making successful progress towards becoming **Top employer**



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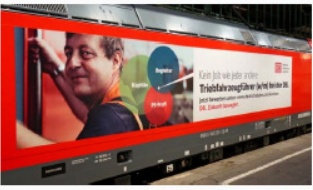


**Social | Top employer**

Cultural change/employee satisfaction

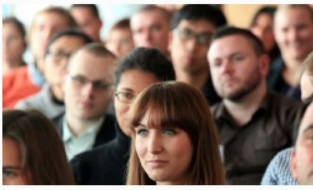
Examples

**Recruiting new personnel**




- Job applications rose by 40% following successful recruiting campaign
- Notable increase in employer image rankings (among economists and engineers)

**Corporate culture & education**



- Employee survey: over 10,000 follow-up activities, 7,800 of them in GER
- Start new DB Masters program (7 work/study courses)
- German Education Award
- 4,000 new apprentices and work/study students as of 1.9./1.10.2013


**Social commitment**



- About 90 projects of "DB apprentices against Hatred and Violence" submitted
- DB foundation established to bundle charitable activities (Patron: Christina Rau)
- Over € 1.2 million provided to DB employees affected by floods

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Employee satisfaction is just as important to us as customer satisfaction, quality and profitable growth. The basic premise behind good service is that you'll only have satisfied customers if your employees are satisfied. Our employees are the key to our success.

We want to become a **top employer** in Germany and our employees are the best source for telling us where we still have room for improvement. This is why all of our executive staff members followed up our global survey of employees - in which two-thirds of our 300,000 employees participated - by getting together with their teams to develop very concrete improvement measures. Just in Germany alone, we organized 7,800 workshops between January and June. The improvement measures are already in the implementation phase.

The fact that we already have a great deal to offer as an employer is reflected by the massive **increase in job applications** we received since we launched our recruiting campaign. At the same time our ranking in major **surveys** of graduating engineers and economists improved notably.


Since January the Group has already hired 5,600 new employees from across Germany. This year we will again hire about 10,000 new employees making us the leading hiring company in the Germany industrial segment.

And we're also recording very good results in our recruitment of apprentices: we estimate that 4,000 young people will start their **vocational training** or begin a work/study program with us in the fall of this year.



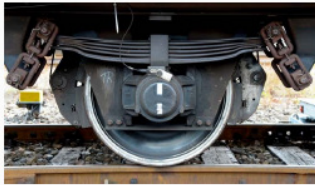


## Retrofitting freight cars with LL blocks started, expansion of renewable energies accelerated


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**Environmental | Eco-pioneer**  
Resource preservation/emissions and noise reduction

Examples

Environmentally-friendly vehicles	„Green“ mobility & logistics	Expanding renewable energies
 <ul style="list-style-type: none"> <li>■ Noise-differentiated track access charge system started</li> <li>■ Retrofit of about 60,000 freight cars with LL blocks by 2020 approved</li> <li>■ Long-distance via 100% green energy for reg./bus. customers (04/2013)</li> <li>■ Hybrid shunting locomotives and hybrid &amp; Bio-gas buses start operations</li> </ul>	 <ul style="list-style-type: none"> <li>■ Cooperation with PSA extended to build E-car infrastructure</li> <li>■ E-Mobility research project in rural regions</li> <li>■ Launch of online environmental training for Schenker employees around the world</li> </ul>	 <ul style="list-style-type: none"> <li>■ Hydro-power agreement signed with VERBUND (Austria), RWE and EON improve DB climate balance sheet by 1 million tons of CO<sub>2</sub></li> <li>■ Two additional wind parks with 36 million kWh join network (total 140 million kWh from 5 wind parks)</li> </ul>

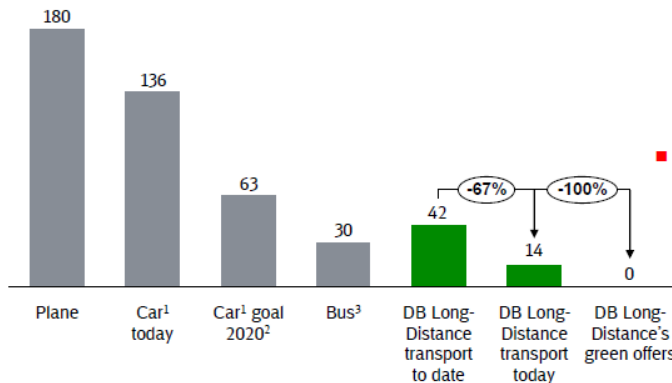
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The ambitious **environmental goals** we have set for ourselves also contribute to our attractiveness as an employer.

The conversion of our long-distance transports to green energy as of April 1st marked a milestone on our path to becoming an environmental leader. This offer, which makes our long-distance trains the most environmental-friendly mode of transport by far, met with very favorable response. Since then more than half-a-million new customers have signed up for the Green BahnCard. In addition, more than 70,000 optional Green Tickets, also known as UmweltPlus-Tickets, have been sold.

## Greening of long-distance transport business underlines DB's role as ecological leader vis-a-vis competition

CO<sub>2</sub> emissions per mode of transport in long-distance passenger transport sector [in grams per passenger kilometer]



Source: TU, ifeu, Öko-Institut  
<sup>1</sup> Based on 1.5 persons in a car  
<sup>2</sup> European Union requirement  
<sup>3</sup> Operating at about 60% capacity  
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### As of April 1, 2013 at long-distance transport:

- **100% green travel using** electricity generated by renewable energy for
  - Approx. **5 million BahnCard holders**
  - **Commuters** (holders of monthly and one-year tickets)
  - Registered **corporate customers**
  - **DB employees** (work and private travel)
- **Additional: tickets for individual green travel** available with surcharge

Thus, together with our customers, we have made it already possible to reduce our volume of CO<sub>2</sub> emissions by more than 200,000 tons since Green long-distance transport was launched. In order to meet our power requirements we signed an additional major contract for delivery of **hydro-electric power** and we linked two additional **wind parks** to our power network. We will provide additional details of our share of renewable energies when we present our Sustainability Report on September 10th 2013 in Berlin

But for today we can say for certain that: Germany's biggest consumer of electrical power has become the biggest consumer of green power.

This means that DB stands for the turnaround in energy policy like no other enterprise in Germany



## DB strategy of retrofitting and procuring new freight cars is focused on making block trains quieter as soon as possible

### DB Schenker Rail retrofitting program<sup>1</sup>



- DB Schenker Rail will retrofit all of its 60,000 freight cars by 2020
- At first focus on making block trains quieter
- On a daily basis, retrofitting in 2014/15 will mean
  - about 20 quiet trains in Rhine valley, incl. "Quiet Rhine" project
  - about 100 quiet trains nationwide
- Additional purchases of 7,000-8,000 new quiet freight cars
- To achieve noticeable reduction in noise other wagon keepers - approx. 120,000 freight cars - must take action and retrofit

<sup>1</sup> Incl. new freight cars.  
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The second big milestone in the area of ecology was the approval to retrofit freight cars with **LL brake blocks**. Our experts at DB Schenker Rail and DB Systemtechnik worked for years to obtain this approval. Now we can finally begin to retrofit our current fleet of 60,000 freight cars with quiet composite brakes.

This means that starting already in 2014/15 fifteen trains will be traveling every day through the heavily burdened Rhine Valley. These trains will solely consist of quiet freight cars. And there will be already 90 of these trains operating across Germany.

At the same time the **noise-differentiated track access charge system** took effect on June 1st. This system should also provide an incentive for other wagon keepers to retrofit their trains. After all, a total of 120,000 freight cars are underway in Germany.



**We're making good progress, despite the current challenges –  
DB2020 Strategy especially in difficult times important**



Ladies and gentlemen,

Permit me to summarize:

1. Above all else, the weakening global economy poses immediate challenges. We have introduced a series of measures to sustainably secure our revenues and profits – and we’re working hard to achieve this.
2. Our mid-term strategy, DB 2020, is recording additional successes, especially in the areas of ecological leadership and our aim to become a top employer where we made very strong progress: 75 percent of our long-distance trains are fully powered by green energy and we’ll hire 10,000 new employees this year.
3. We see a long-term trend favoring the railroad which is both robust and favorable and underlined by an additional growth by 10 million passengers traveling onboard our trains during the first half of 2013.

Thank you very much!

And now I’ll turn over the podium to my colleague Dr. Richard Lutz!

## Photo credits

<b>Front page</b>	Max Lautenschläger
<b>Slide 2</b>	DB Mitarbeiter
<b>Slide 7</b>	From the left: Bombardier, Uwe Mieth, Hauke Hass, Max Lautenschläger
<b>Slide 8</b>	From the top: Bartłomiej Banaszak, Jet-Foto Kranert, Rainer Garbe
<b>Slide 9</b>	From the left: Bartłomiej Banaszak, Bartłomiej Banaszak, atkon AG
<b>Slide 10</b>	From the left: Volker Emersleben, Pablo Castagnola, Jet-Foto Kranert
<b>Slide 11</b>	From the left: Jet-Foto-Kranert, Ralf Braum, Max Lautenschläger
<b>Slide 13</b>	Jürgen Hörstel
<b>Slide 14</b>	From the top: gettyimages #157559217, Christian Bedeschinski, gettyimages #71550583, Uwe Mieth, Ralf Kranert

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