„DB2020 – guiding us toward the future“

Interim Results Press Conference 2014

Deutsche Bahn AG
DB Mobility Logistics AG

Speech by Dr. Richard Lutz
CFO

Berlin, July 24, 2014

– The spoken word will prevail in the event of differences. –

Ladies and Gentlemen,

I, too, would like to welcome you most warmly to today's interim results press conference. As Rüdiger Grube has already mentioned, I will now guide you through the **economic development of DB Group during the first half of 2014.**

Just over four months ago, I spoke to you at our annual results press conference, and said that we would continue to face **significant challenges in the 2014 financial year**, but that this situation was not an unusual one for us and we would tackle and overcome any issues. I also said that we were expecting to see **stable overall development** in the 2014 financial year compared with the previous year.

So far this year, both of these statements have proven to be true. Overall, we are even doing a little better than expected. But, exactly as there was no cause for pessimism and depression in March, now there is no cause for euphoria. Especially since we are comparing ourselves here with the financial year 2013 which was an economically s very difficult year for DB Group. And besides, we should not forget that the second half of the year, which has number of **challenges** in it, still lies ahead of us. The increasing intensity of the competition in our markets, the financing of infrastructure in Germany and the pending collective bargaining negotiations remain key issues for us and our **sustainable business success**. We remain concentrated, focused and energetic in this matter. And we have our DB2020 strategy firmly in view. It will be the standard for our concrete actions. Therefore we have given our 2014 first half-yearly report the slogan "**DB2020 – guiding us toward the future**".

I will now, as is usual, first provide an overview of the key figures for the first half of 2014, followed by a few further in-depth explanations of some of those key figures, and finally take a look at the outlook for the 2014 financial year overall.

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First, the **key figures for the first half of 2014**.

Here, you can see at first glance that the initial signs for the rates of change of our key figures indicate that they are heading in the right direction again.

H1 2014– At a glance

Positive development in the first half of 2014

Key figures
€ mn

	H1 2014	H1 2013	Change €	Change %
Revenues adjusted	**19,734**	19,373	+361	+1.9
Revenues comparable	**19,842**	19,346	+496	+2.6
EBIT adjusted	**1,088**	1,018	+70	+6.9
Net profit	**642**	554	+88	+15.9
Gross capital expenditures	**3,414**	3,263	+151	+4.6
Net capital expenditures	**1,847**	1,598	+249	+15.6
Net financial debt as of Jun 30, 2014/Dec 31, 2013	**16,571**	16,362	+209	+1.3
ROCE (%)	**6.5**	6.1	–	–

- Our **revenues** saw a noticeable growth of just under 2% in the first half of 2014. When we balance out the effects of the strong euro, the final figure for revenue growth on a like-for-like basis is even greater, at 2.6%. Virtually all business units have contributed to this comparable revenue growth.

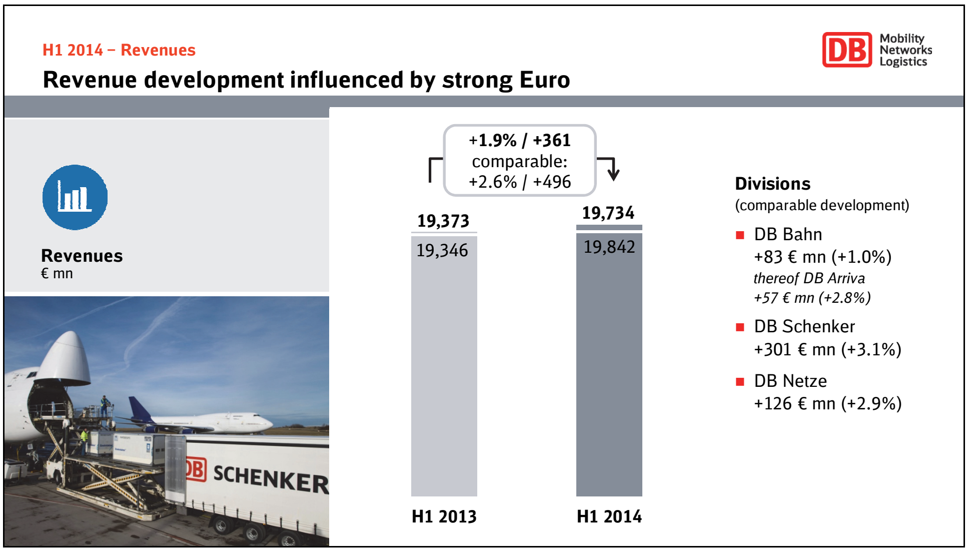
- The positive revenue development is also reflected in **operating profit**. Adjusted EBIT improved by EUR 70 million, or just under 7%. **Net profit** also rose by almost 16% to EUR 642 million.

- We have also further increased our **capital expenditure activities**. Gross and net capital expenditures in the first half of 2014 were above the values for the first half of 2013. The focal areas of capital expenditures continue to be rail infrastructure and our vehicle fleets.

- **Net financial debt** has increased somewhat against the balance sheet date of December 31, 2013. This is due to the “seasonal” effect that we have seen in previous years and that is due for the most part to the dividends paid in the first half of 2014 amounting to EUR 200 million.

- Our increased capital expenditure activities have also led to an increase in capital employed. As a result of the somewhat more significant increase in profits, the **return on capital employed** has risen slightly to 6.5%.

The following charts show us in more detail the trend of a number of individual KPIs. First, a look at **revenue development**:



The reported **increase in revenues** in the first half of 2014 is 1.9%, or EUR 361 million. On a like-for-like basis, this growth increased to EUR 496 million or 2.6%. For the comparable revenues, two effects were adjusted:

- positive **effects due to changes in the scope of consolidation**, which arose mainly from the first-time full inclusion of Veolia Eastern Europe (+0.5%) which we acquired last year, and
- negative **exchange rate effects** particularly for DB Schenker Logistics due to the strong euro (-1.2%).

The positive message is that like-for-like growth in revenues was achieved in almost all business units. Only the DB Bahn Long-Distance unit recorded a slight decline in performance and revenues as a result of competition.

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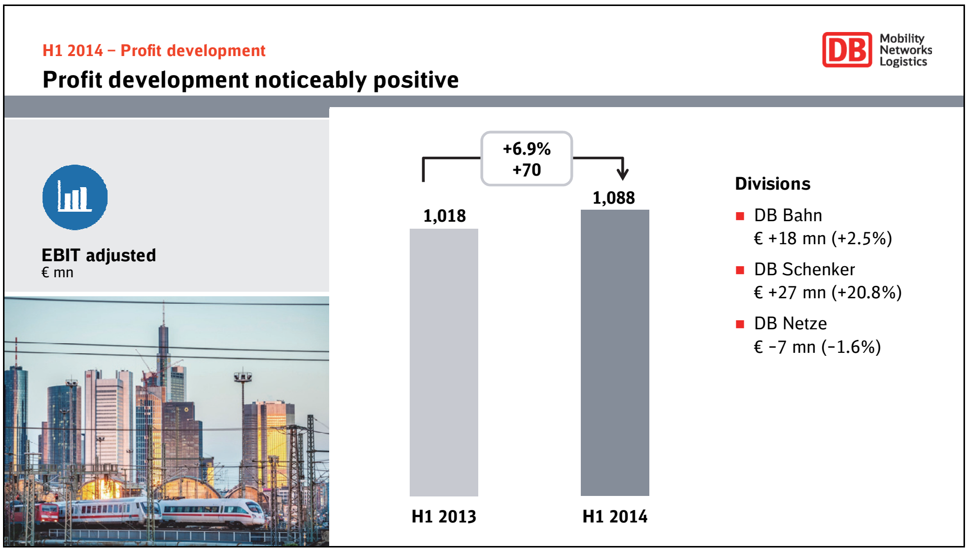
The positive performance and revenue development is also reflected in the **development of operating profit**.



Adjusted EBIT rose in the first half of 2014 by just under 7%, or EUR 70 million.

True, the charges of some EUR 80 million in the previous year that resulted from the severe winter and the June floods have disappeared. But almost exactly one year after last year's flood, **the Ela storm in North Rhine-Westfalia** hit us and had a negative effect on profits that we estimate to be around EUR 60 million. The vast majority of that burdens has already been reflected in the current half-year figures.

Increasing **competition in the long-distance transport sector** has made business difficult in the first half. We estimate revenue and profit losses of the order of approximately EUR 50 million due to competition from long-distance buses and the associated changes in our customers' perception of prices.

To ensure the **quality of the infrastructure** and to stabilize **running operations** at a high level, we have planned for higher infrastructure maintenance expenses and additional staff. Both effects taken together result in additional expenses of EUR 70 million.

Adding together the factors I have just mentioned has a resulting net impact on profits of EUR 100 million. The fact that we have, even so, still improved the year-on-year operating profit by EUR 70 million is due not only to the fact that we are seeing **positive impulses from the economic environment**, but also that all areas of the business, including Group management, have a clear focus on **countermeasures** and on **cost-efficient structures.**

The **revenue and profit effects by business unit** look like this.

H1 2014 – Revenue and profit development

Burdens impacted DB Bahn Long-Distance and DB Netze Track

Development of business units
€ mn

Change € mn vs. H1 2013

	Revenues (comparable)	EBIT adjusted
DB Bahn Long-Distance	-32	-44
DB Bahn Regional	+58	+52
DB Arriva	+57	+10
DB Schenker Rail	+34	+15
DB Schenker Logistics	+267	+12
DB Services	-16	+24
DB Netze Track	+81	-25
DB Netze Stations	+22	+19
DB Netze Energy	+23	-1

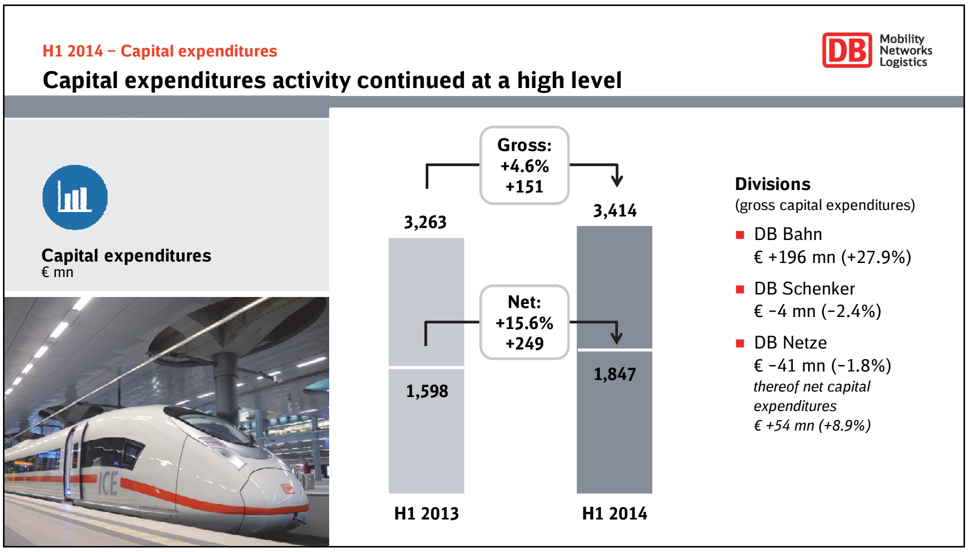
The development of revenue and profits was positive **across all business units.** I have already referred to the two exceptions.

- On the one hand there is the development of **DB Bahn Long-Distance**. Here, declining volume and revenue developments have caused particular strain. These have been caused by the increasingly intense competitive situation with long-distance buses, but also by customers' heightened sensitivity to prices, which has been further strengthened by low gasoline prices. By contrast, costs in long-distance rail transport have been impacted further by higher energy, infrastructure and personnel costs. Overall, this has led to a significant decline in profits.

- On the other, there is the development of **DB Netze Track**. Here, we have already factored in additional costs and expenses, in particular for maintenance and ongoing operations. However, the significant damage to the infrastructure caused by Ela led to further losses in revenues and additional damage repair costs. Adjusted EBIT of the business unit therefore declined in the first half of 2014.

Overall, what Rüdiger Grube has already stated in his speech applies: After a difficult year in 2013, we find ourselves with revenues and profits **on the rise** again. But in a challenging environment, annual growth in revenues, profits and return on capital employed are just not automatic. We need to work hard again. We will use the overall positive first half of 2014 as **momentum for the second half of the year**.

And to ensure that we are a long-term and sustainable success, **capital expenditures** stands at the top of our strategic agenda. The following figure shows that in the first half of 2014 we **invested in the future of our company** and thus also **invested** in the future of rail transport in Germany.

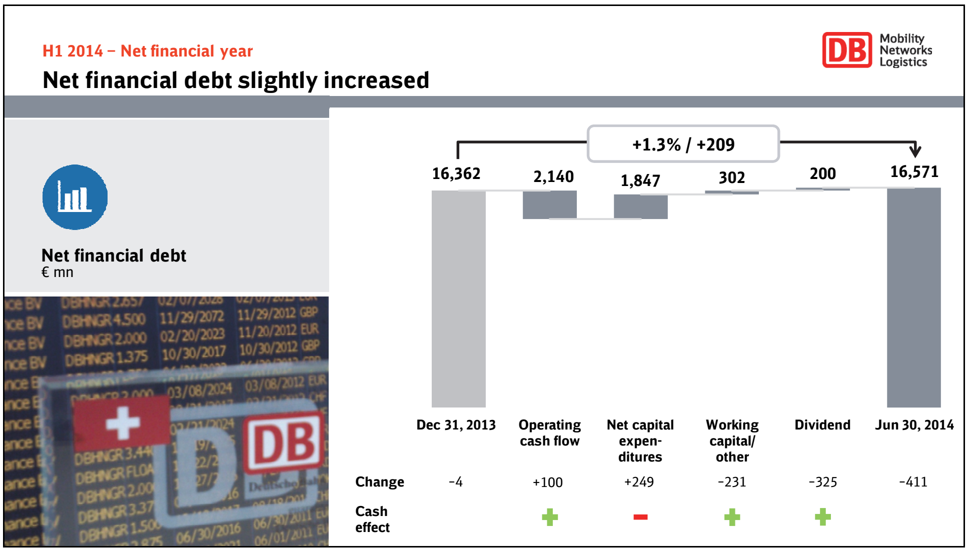


Our **capital expenditure strategy** can be seen in particular in the EUR 249 million – or 15.6% – increase in net capital expenditures. Overall, gross capital expenditures rose by EUR 151 million, or 4.6%, to EUR 3,414 million.

The **focus of capital expenditures** remained unchanged with a share in infrastructure of around 65%, and of around 95% in Germany.

At the business unit level, the major driver was the development in the **DB Bahn Regional** business unit. This provided a positive contribution of EUR 240 million. Here, vehicle capital expenditures for the Stuttgart and Rhine-Main S-Bahn (metro) systems had a decisive effect. Compared to the agreed schedule, the arrival of the vehicles is still delayed and is below our expectations.

Of course, our capital expenditures also need to be financed. The development of **net financial debt** looks like this.



The positive development of operating profit was also reflected in the development of **operating cash flow**, which increased by EUR 100 million to EUR 2.1 billion.

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Despite the positive development in the operating cash flow, net financial debt as of June 30, 2014 remained above the level at the end of the previous year. This was affected by increased **net capital expenditures** and the seasonal effects resulting from the **dividend payment**.

Net financial debt therefore rose compared with the end of 2013 by EUR 209 million, or 1.3%. Compared to June 30, 2013, it was nonetheless EUR 411 million – or 2% – lower.

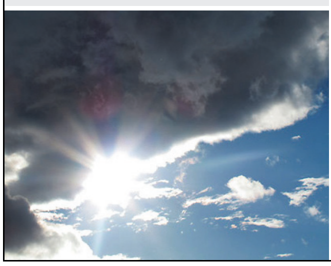
We will continue to keep a close eye on the development of our net financial debt because this is highly important for the influence it has on our **capacity for financing capital expenditures**. For this reason, we regularly adjust our capital expenditures plans to the current market situation. We will continue to maintain a **reasonable balance** between the perception of profitable growth opportunities on one hand and the maintenance of financial stability on the other. Deutsche Bahn **remains a stable, reliable and credible choice** for its investors.

Please allow me now to conclude my presentation by stating our **expectations for the ongoing 2014 financial year**:

2014 Financial Year – Outlook

Expectations largely unchanged for 2014 financial year

Outlook
€ mn



	2013	2014 (as of March 2014)	2014 (as of July 2014)
Revenues adjusted	39,119	~41,000	~40,500
EBIT adjusted	2,236	~2,200	>2,200
Net profit for the year	649	~1,100	>1,100
Gross capital expenditures	8,224	~9,500	~9,500
Net capital expenditures	3,412	~4,500	~4,500
Net financial debt as of Dec 31	16,362	17.0–17.5	17.0–17.5

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In principle, the results of the year to date confirm our expectations for **2014 as a whole.** We have, therefore, left our view at the end of March largely unchanged. The figures are displayed again here on the chart.

- Due to the strong development of the euro and the weaker development of DB Bahn Long-Distance, we have slightly reined back our **revenue forecast**. It is still stable above EUR 40 billion, so we are almost certain to conclude 2014 with a **record turnover.**
- In spite of the special charges resulting from the Ela storm and the unexpected fall in the level of revenues and profits from long-distance transport, we assume that the **operating profit** will be at least of the same order as last year.
- For the other indicators - **net profit for the year, capital expenditures and net financial debt** - the outlook remains unchanged, we tend to believe that the net financial debt will lead to a figure at the lower end of the forecast range from EUR 17.0 to 17.5 billion.

This trend in profits continues to be conditional upon the absence of **material risks** exerting a marked influence on DB Group. Apart from the **uncertainty in the global economy** and the further increase in **competitive dynamics**, here in Germany we see a high potential for risk in the forthcoming **wage negotiations** which will have a special significance because of the expiry of the basic collective agreements. During 2014 the pending arrangements for **infrastructure financing** will take effect and the amendment of the Renewable Energy Sources Act as agreed in middle of July will result in an additional burden on the railways and a weakening of the rail mode of transport without adequate compensation elsewhere. The issue of **vehicle availability** also remains in a critical state.

But, despite all the challenges: We are concentrating on our **strengths** and will work, with **energy, focus and willpower** to achieve our DB2020 strategy. In so doing, we take strength and assurance from the knowledge that the road we have embarked upon with our **DB2020 strategy** is indeed the right one. True to the slogan under which we have prepared the 2014 interim report: **"DB2020 – guiding us toward the future"**.

Thank you very much for your attention and I, along with Dr. Grube and my other colleagues on the board, will be pleased to take any questions you may have.

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Appendix

H1 2014 – Overview

Highlights first half of 2014

General conditions	▪ Economic growth continues in Germany, Euro zone still on a weak level ▪ Global economic growth has improved ▪ Uncertainties due to sovereign debt crisis are still existing ▪ Burdens from increasing factor costs in Germany
Passenger Transport	▪ Positive development in regional transport, long-distance rail transport impacted by tough competition with long-distance bus transport impaired ▪ DB Arriva: positive development, among other due to first time full inclusion of Veolia Eastern Europe
Transport and Logistics	▪ Return to positive volume development in rail freight ▪ Strong performance development in transport and logistics: volume improvements in European land transport, air freight and ocean freight
Infrastructure	▪ Cost burdens (among other due to damages in connection with a storm) ▪ Train-path demand slightly higher ▪ Again higher non-Group train-path demand, share increased to 24.6 %

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H1 2014 – Revenues

Positive revenue development in almost all business units

Total revenues (€ mn)	H1 2014 effective	Adjustments			H1 2014 comp.	H1 2013 comp.	Change	
		Consol.[1]	FX	Reconciliation			€	%
DB Bahn Long-Distance	**1,979**	–	–	–	**1,979**	2,011	–32	–1.6
DB Bahn Regional	**4,438**	–	–	–	**4,438**	4,380	+58	+1.3
DB Arriva	**2,210**	–110	– 36	–	**2,064**	2,007	+57	+2.8
DB Schenker Rail	**2,452**	–	– 8	–	**2,444**	2,410	+34	+1.4
DB Schenker Logistics	**7,407**	–8	+270	–	**7,669**	7,402	+267	+3.6
DB Services	**1,507**	–	–	–	**1,507**	1,523	–16	–1.1
DB Netze Track	**2,425**	–	–	–	**2,425**	2,344	+81	+3.5
DB Netze Stations	**589**	–	–	–	**589**	567	+22	+3.9
DB Netze Energy	**1,416**	–	–	–	**1,416**	1,393	+23	+1.7
Other/consolidation/transition	**–4,689**	–	–	–	**– 4,689**	–4,691	+2	–
DB Group	**19,734**	– 118	+226	–	**19,842**	19,346	+496	+2.6

[1] Changes in scope of consolidation.

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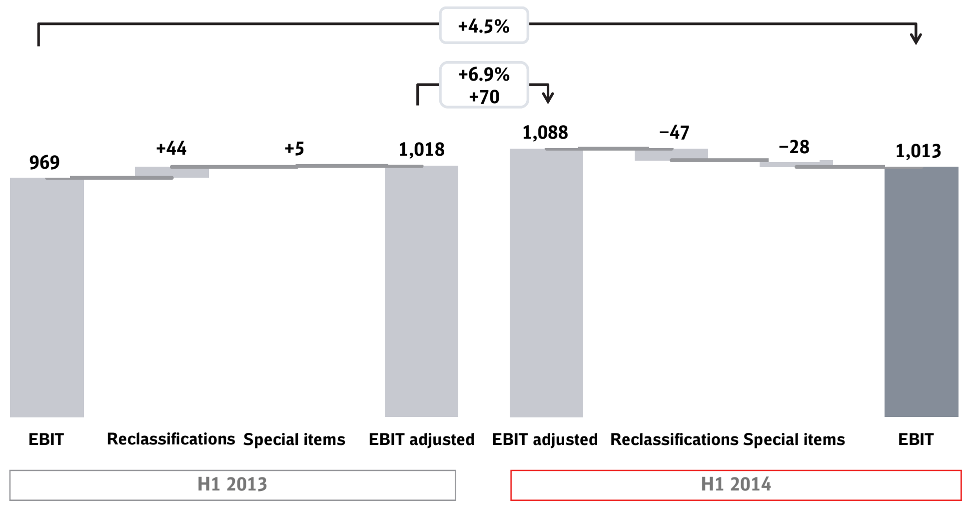
H1 2014 – Profit development

Positive EBIT development again

EBIT and EBIT adjusted (€ mn)



H1 2014 – Profit development

Largely improved EBIT development on business unit level

(€ mn)	EBIT adjusted H1 2014	EBIT adjusted H1 2013	Changes absolute	Operating income after taxes H1 2014	Operating income after taxes H1 2013	Changes absolute	Extra ordinary result H1 2014
DB Bahn Long-Distance	**123**	167	−44	**123**	168	−45	–
DB Bahn Regional	**485**	433	+52	**462**	414	+48	–
DB Arriva	**104**	94	+10	**86**	71	+15	−6
DB Schenker Rail	**9**	−6	+15	**−36**	−49	+13	+1
DB Schenker Logistics	**148**	136	+12	**127**	116	+11	−7
DB Services	**28**	4	+24	**22**	−1	+23	−16
DB Netze Track	**267**	292	−25	**64**	92	−28	–
DB Netze Stations	**136**	117	+19	**111**	93	+18	–
DB Netze Energy	**34**	35	−1	**26**	27	−1	–
Other/consolidation	**−246**	−254	−8	**−311**	−333	+22	–
DB Group	**1,088**	1,018	+70	**674**	598	+76	−28

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H1 2014 – Capital expenditures

Significant increase in capital expenditures

Capital expenditures (€ mn)

	Gross capital expenditures				Net capital expenditures			
	H1 2014	**H1 2013**	Change €	Change %	**H1 2014**	**H1 2013**	Change €	Change %
DB Bahn Long-Distance	**116**	75	+41	+54.7	**116**	75	+41	+54.7
DB Bahn Regional	**707**	469	+238	+50.7	**706**	467	+239	+51.2
DB Arriva	**75**	158	-83	-52.2	**74**	155	-81	-52.3
DB Schenker Rail	**78**	66	+12	+18.2	**78**	66	+12	+18.2
DB Schenker Logistics	**88**	104	-16	-15.4	**88**	104	-16	-15.4
DB Services	**106**	104	+2	+1.9	**106**	104	+2	+1.9
DB Netze Track	**1,987**	1,993	-6	-0.3	**578**	485	+93	+19.2
DB Netze Stations	**194**	241	-47	-19.4	**62**	103	-41	-39.8
DB Netze Energy	**44**	32	+12	+37.5	**20**	18	+2	+11.1
Other/consolidation	**19**	21	-2	-9.5	**19**	21	-2	-9.5
DB Group	**3,414**	**3,263**	**+151**	**+4.6**	**1,847**	**1,598**	**+249**	**+15.6**

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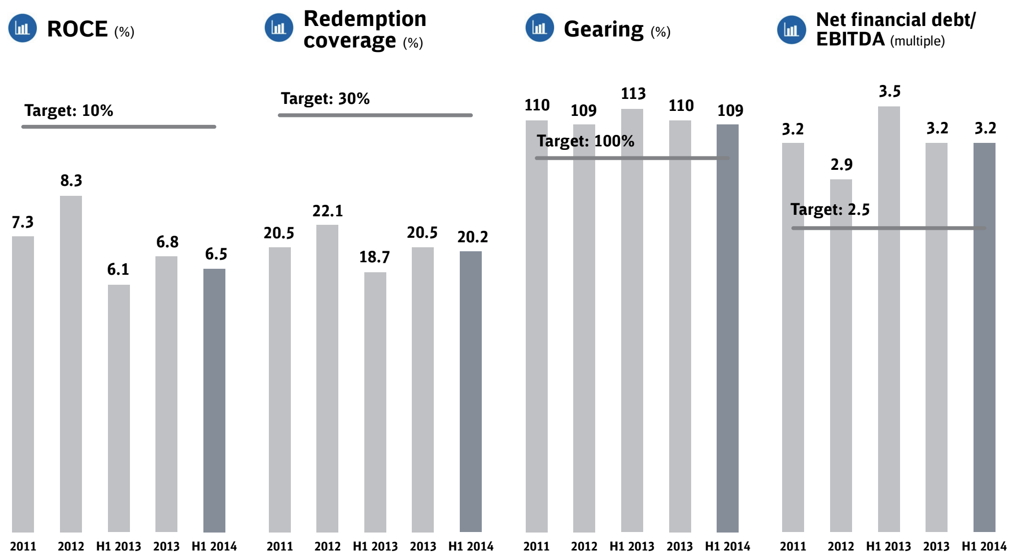
H1 2014 – Value management

Improvements of key value management figures in comparison to H1 2013



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H1 2014 – Key figures infrastructure

Infrastructure: high capital employed, underproportional profit contribution

Key figures H1 2014 (Mio. €)	DB Group	DB Netz AG	DB Station& Service AG	DB Energie GmbH	Total Infra-structure	Share (%) of DB Group
Revenues adjusted	19,734	2,341	581	1,416	4,338	–
EBITDA adjusted	2,554	729	198	66	993	38.9
Depreciation	-1,466	-454	-66	-32	-552	37.6
EBIT adjusted	1,088	275	132	34	441	40.5
Net operating interest income	-414	-203	-24	-8	-235	56.8
Operating profit after interest	674	72	108	26	206	30.6
Other income parts	-104	-1	2	-13	-12	11.5
Profits before taxes of income (EBT)	570	71	110	13	194	34.0
Taxes on income	72	-	-	-	-	–
Profits after taxes on income	642	71	110	13	194	30.2
Gross capital expenditures	3,414	1,975	194	44	2,213	64.8
Investment grants	-1,567	-1,409	-133	-24	-1,566	99.9
Net capital expenditures	1,847	566	61	20	647	35.0
Intangible assets and property, plant and equipment	42,191	20,700	3,232	1,029	24,961	59.2
Capital Employed	33,604	17,650	2,889	868	21,407	63.7
Equity	15,147	7,394	1,606	691	9,691	–
Net financial debt	16,571	10,233	1,275	126	11,634	70.2
Adjusted net financial debt	21,166	10,251	1,346	364	11,961	56.5
Return on capital employed (ROCE) (%)	6.5	3.1	9.2	7.8	4.1	–
Operating cash flow	2,140	526	174	59	758	35.4
Gearing (%)	109	138	79	18	120	–
Redemption coverage (%)	20.2	10.3	25.8	32.4	12.7	–
Net financial debt/EBITDA (multiple)	3.2	7.0	3.2	1.0	5.8	–

H1 2014

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