Following through on our commitment: climate-friendly mobility and logistics

Speeches by

Dr. Richard Lutz, Chairman of the Management Board and CEO

Dr. Levin Holle, Member of the Management Board for Finance and Logistics

2023 Interim Results Press Conference

Deutsche Bahn AG

July 27, 2023

Check against delivery.

Part Dr. Richard Lutz

Press representatives,

ladies and gentlemen,

we have good news for our customers. Chances are better than ever that there will finally be no further strikes resulting from the collective bargaining dispute with the German Railway and Transport Union (EVG).

Last night, Heide Pfarr and Thomas de Maizière, the mediators in this dispute, submitted a proposed compromise which was met with general approval from both sides.

The members of the EVG union will vote on whether to accept the proposal by August 28 in a strike ballot. Of course, we do have to wait to see the results of this independent vote by EVG members, but I am very confident that, in the end, they will decide to accept this proposal, which represents the highest wage increase in the history of DB.

In this proposed agreement, DB really went to the limit of what could be considered economically feasible for the company. However, we support this compromise because we want to acknowledge the excellent work by our employees.

Ladies and gentlemen,

welcome to our interim results press conference. Levin Holle and I would like to present the DB Group's financial performance for the first half of 2023.

2023 has been a transformative year for DB. We are resolute in our commitment to making the changes that are needed. At the center of our efforts is our program for a public service infrastructure, which we are undertaking together with the German government. DB is investing its own funds up front.

We are systematically reducing the backlog in investment in the rail network and are creating an infrastructure that will benefit the whole of society.

In other words, an infrastructure that is consistently aligned with the needs of the public, the environment and the economy and that will make it possible to achieve the German government's transport and climate policy objectives.

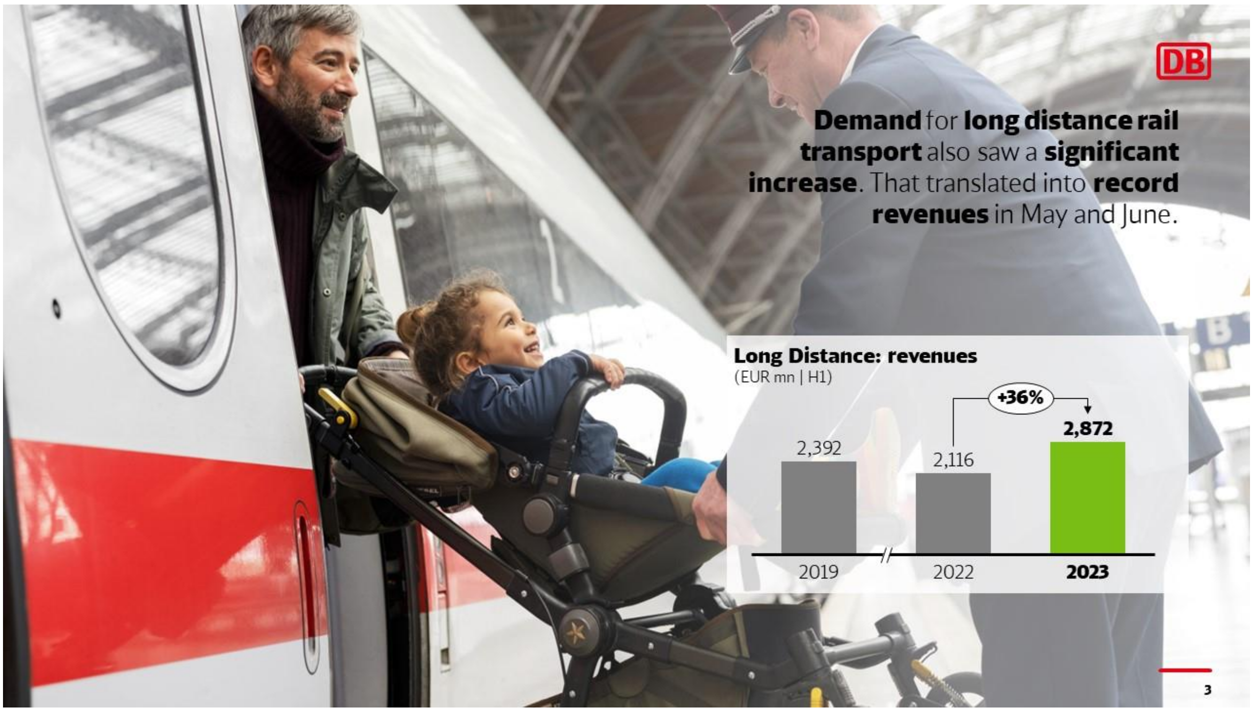
We adopted these objectives as our own four years ago in our Strong Rail strategy and have consistently and tirelessly pursued them ever since, despite a number of crises in our environment.

Demand has shown that we were right to do so: We have had a successful first half of the year, both in regional and long distance transport.

The Germany Ticket has been a hit and has bolstered regional and local public transport. Eleven million tickets were sold sector-wide in the first two months that the Germany Ticket was available. This is already impressive, but we aren't even close to tapping the full potential for demand. We expect one in five people in Germany to purchase a Germany Ticket subscription.

DB Regional, DB's regional rail service provider, saw a double-digit increase in volume sold, showing just how popular the new ticket has been.

Long Distance also had a very successful first six months: It even set a record in volume sold. Rail is increasingly becoming the first choice for travelers, especially over longer distances. That is good news for DB and for the climate.



Revenues from long distance rail transport were up 36% year on year to EUR 2.9 billion. We set new records for revenues in May and June.

Over 68 million people have already taken our long-distance trains this year.

DB Schenker also had a good first half of the year. Even though freight charges in air and ocean freight are normalizing, we are pleased to report that DB Schenker was able to make an important contribution to the Group's bottom line. On balance, DB Schenker generated an operating profit.

DB Cargo, our freight transport subsidiary, continued to experience losses. The fact that the competitive environment for rail transport has deteriorated, electricity prices have risen much higher than fuel prices, and the market is not very dynamic to begin with had a negative impact.

We were successful on the labor market in the first half of 2023. Despite increasingly tough competition and the shortage of workers, we were able to recruit over 13,500 new employees at DB.

And we have invested heavily in new trains: As part of the largest procurement project in our company's history, we purchased 73 new ICE trains for a total of EUR 2 billion, including 56 ICE L and 17 ICE 3neo trains. The additional trains will join our fleet beginning in 2026 and will make travel more comfortable and convenient.

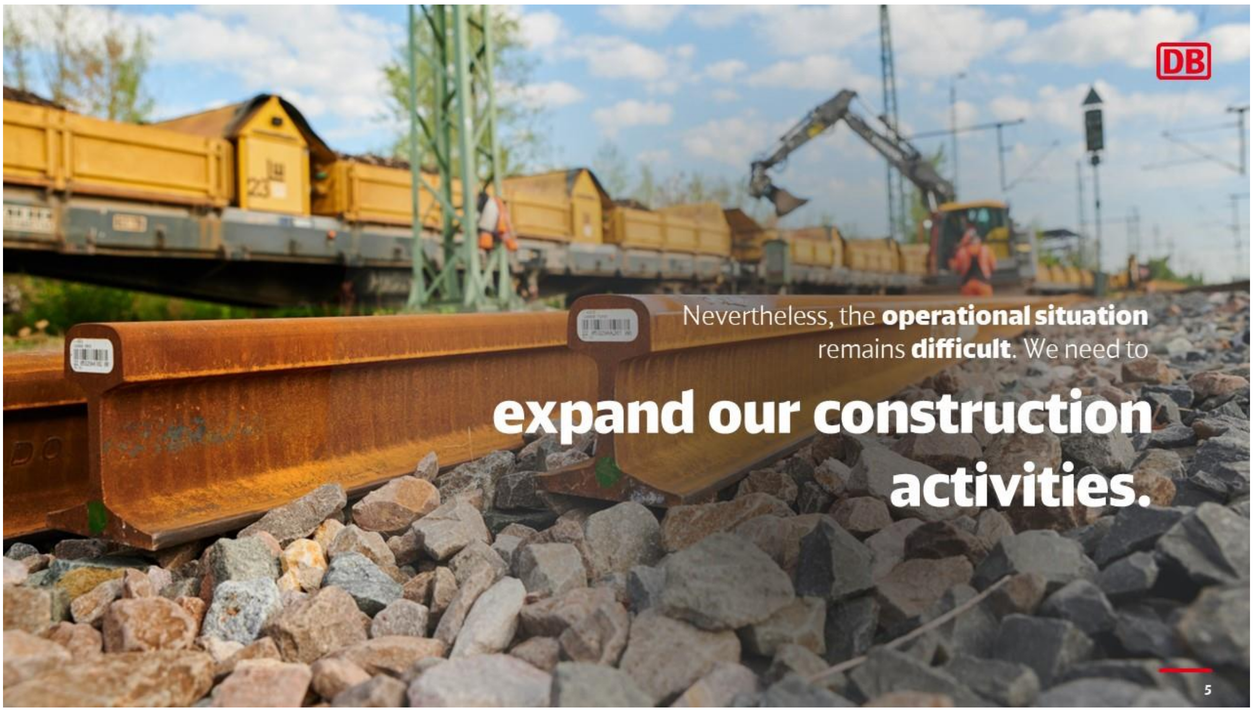
Our customers have already benefited from better service: 11 major cities are already connected to Germany's long-distance network twice an hour. By 2026, 20 major cities will have twice-hourly ICE connections to long distance service.

The DB Navigator Comfort Check-in feature is popular among our passengers. Germany's most successful mobility app will be gaining a number of new functions in November, and anyone who is interested can test them out now.

The positive examples I have given are not meant to hide the fact that we are not satisfied with operations in the first half of 2023. Our customers suffered from quality that was frequently inadequate and punctuality that fell far short of the standard we set for ourselves.

The infrastructure continues to be the source of around 80% of delays: It is too old, too failure-prone and not designed to accommodate rail traffic growth. Bottlenecks, congestion and delays are the result.

On top of that, the necessary increase in construction will further restrict capacity, which is already limited, and further exacerbate the strain on operations.



An extensive program to inspect and upgrade ties will account for part of the higher construction volume. This preventive program will involve the replacement of some 480,000 concrete ties this year – in a normal year, we replace around 80,000 ties.

This alone will mean 400 additional construction sites in the rail network.

Moreover, our customers were affected by two token strikes by the German Railway and Transport Union.

The primary reason for the inadequate operating quality remains, as I have said, the poor condition of the infrastructure.

That is why the foundation that we laid with the German government this spring is so important for our customers.

We are delighted that the government's support and strong commitment to rail has been backed by concrete action:

In its most recent resolution on the 2024 federal budget, the German government supported the decision of the coalition committee at the end of March to definitively reduce the backlog in investment in Germany's rail network and invest an additional amount up to EUR 45 billion in rail by 2027.

Of that amount, EUR 15 billion will be made available in the next two years. This sends an important signal and supports the much-needed increase in construction and planning capacity in the rail industry.

The fact that a large portion of the additional road tolls will be invested directly in rail marks a paradigm shift and is an important prerequisite for achieving the decarbonization of the transport sector.

The rail network of the future will be based on three main building blocks:

First: Refurbishment of the outdated and failure-prone existing network and stations to make lasting improvements, and along with that, significant improvement in quality for our passengers and the shipping industry. As we work toward that goal, we will undertake a gradual general overhaul of the high-traffic corridors beginning in July 2024.

Second: The ongoing digitalization of the rail network to significantly expand the capacity of the existing network.

And third: The building of new rail lines, upgrading of existing lines and the further electrification of the rail infrastructure to create additional capacity and implement the Germany-wide integrated regular-interval timetable.

Our approach to the infrastructure is that we will do what needs to be done! And it is very apparent that there is much that needs to be done.

At the same time as we are implementing measures for a strong infrastructure, we will also be working systematically on making our products and services more attractive, raising productivity and keeping rising costs in check.

Before I go into our plans for the second half of the year in more detail, I would like to hand the floor over to Levin Holle, who will give an overview of our financial figures.

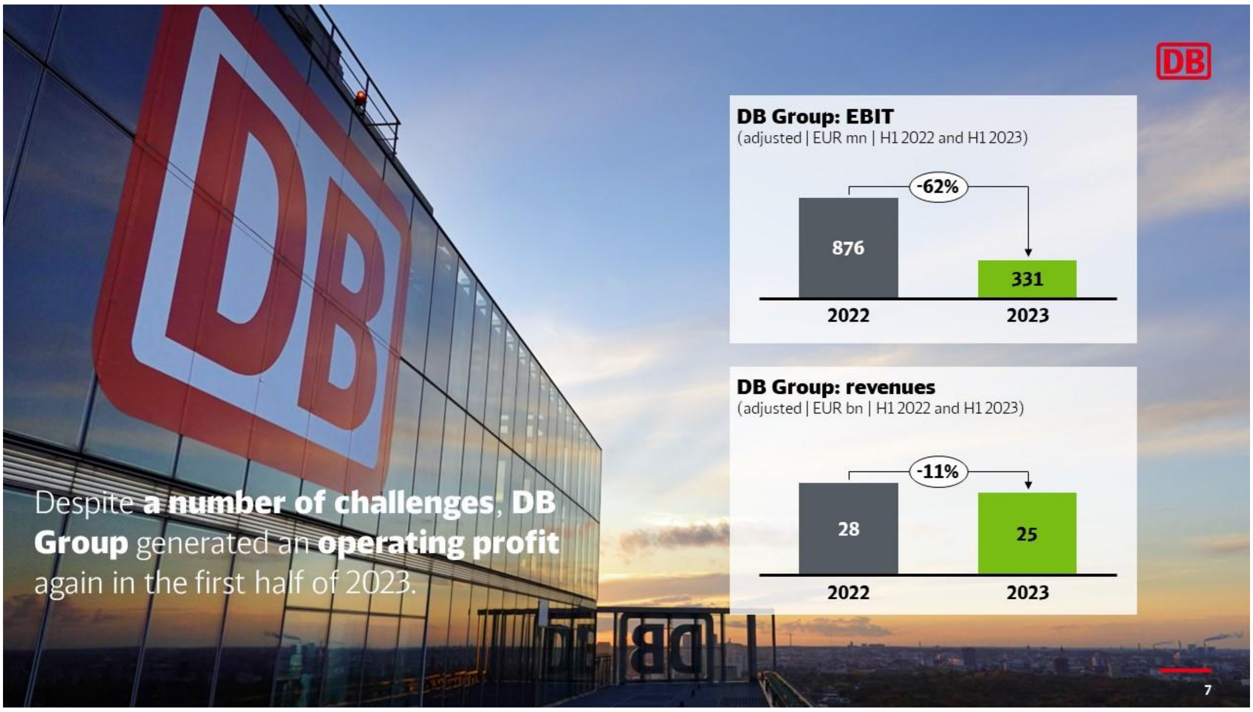
I can say right now that the difficult environment, with high inflation and skyrocketing construction costs, will affect our bottom line for 2023, as will the billions we will be investing up front in the infrastructure.

But first, I'll hand the floor over to you, Levin.

Part Dr. Levin Holle

Ladies and gentlemen,

Thank you, Richard. Yes, as you said, our business has certainly not gotten easier. Everything you talked about is reflected in our figures.

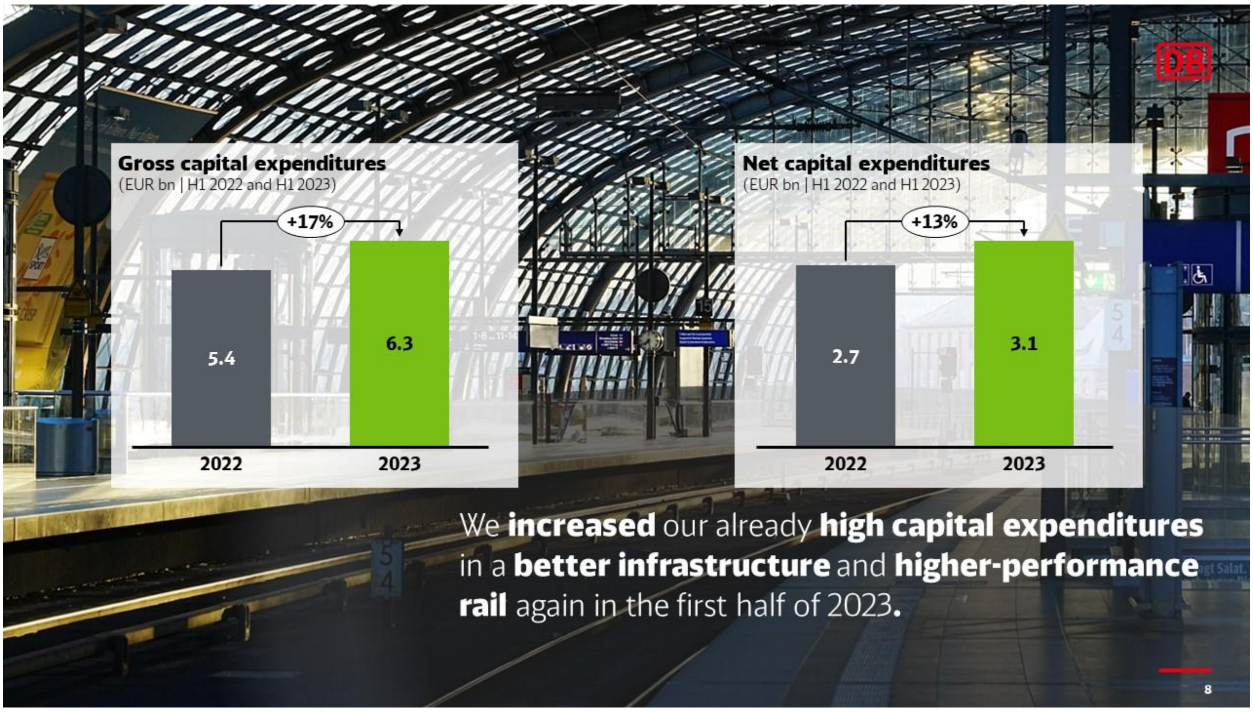


Despite a number of challenges, DB Group generated an operating profit again in the half of 2023, of EUR 331 million. However, the Group's operating profit fell considerably, by more than 62%, which is far below the mark we reached in the first half of 2022.

DB Group's revenues in the first half of 2023 totaled EUR 25 billion. In comparison, revenues were EUR 28 billion in the first half of 2022, or roughly 11% higher.

In addition to general cost increases and the higher expenses in making improvements to the rail infrastructure, the changes in the Group's profit are largely due to the fact that freight rates in air and ocean freight have normalized throughout the world. We noted this development back in March.

It has affected the entire logistics sector, including our logistics unit DB Schenker, which has remained very profitable. I'll touch on that later.



Despite the difficult financial situation, we increased our already high capital expenditures in a better infrastructure and higher-performance rail again in the first half of 2023.

Together with the German government, we increased gross capital expenditures by some 17% compared with the first half of 2022 to EUR 6.3 billion. Over 90% of all capital expenditures continue to be invested in rail operations in Germany – tracks, new trains and better quality for passengers. Net capital expenditures from DB's own funds grew some 13% to EUR 3.1 billion.

As announced, DB will be investing heavily in urgently needed improvements to the rail infrastructure. However, we know that this level of upfront spending is not sustainable. We are not in a position to pay for our capital expenditures using current income from our core business. We need to change that as quickly as possible.

What gives us reason to be confident is that demand for passenger rail service has increased considerably. Richard, you spoke about this. Revenues from DB's core business overall increased in H1, in some cases substantially, compared with the first half of 2022.

Revenues at DB Regional were up more than EUR 260 million, or around 6%. We are especially pleased with developments at DB Long-Distance. Our long-distance trains brought in some EUR 760 million, or roughly 36% higher revenues, in the first six months of the year. If this continues, DB Long-Distance will generate an operating profit again for the first time since the beginning of the Covid-19 pandemic.

DB Cargo was able to increase revenues, however it continues to make losses. We intend to consistently transform Europe’s largest freight rail company to make it economically viable and fit for the future.

DB Arriva, our European unit for regional and local transport, moved into the black after experiencing losses during the difficult years of the Covid-19 pandemic, generating an operating profit in the first half of 2023 despite the tense situation in the UK.

As always, you will find details about the development at all of DB's business units in our Integrated Interim Report.

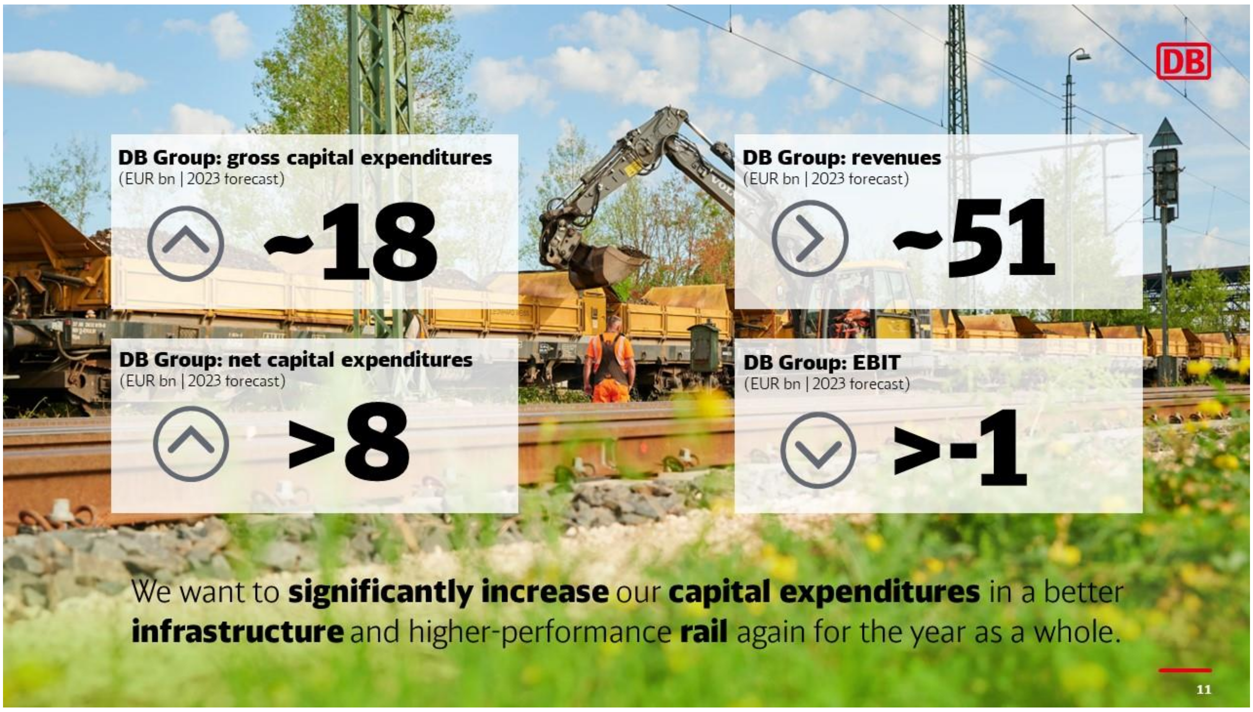
Our logistics unit, DB Schenker, generated the highest revenues and profit in its history in 2022. This was due in part to the global supply chain problems and global shortage of cargo capacity on airplanes during the pandemic, which at times caused unprecedented increases in freight rates. That is why the basis for comparing the first half of 2022 with the current DB Schenker figures is unusually high.

DB Schenker generated revenues totaling more than EUR 10 billion in the first six months of 2023 – roughly 29% less than in the same period of the record-setting last year. In a market with much different conditions, our logistics unit still generated a significant operating profit of EUR 626 million in the first half of 2023.

Operating profit was roughly 47% lower than in the first six months of 2022, but it is still nearly three times higher than in the first half of 2019.

That means that profits at DB Schenker are at a much higher level than it was before the Covid-19 pandemic. DB Schenker is in a great position in its business segments and the excellent prospects for the future. Despite volatility, the logistics sector remains a very interesting growth market with very good opportunities.

As you know, we are looking into our options regarding a sale of DB Schenker. This analysis is going as planned. It will take some more time, as is normal in these situations.



The framework for DB's core business has been exacerbated in a number of respects. We've touched on some of these aspects.

I'd like to address two things in more detail. First, we need to finance our high capital expenditures in our core business at higher interest rates on the capital market. This will now cost us more than in the past.

And second, our costs have risen considerably due to inflation in a number of areas. We now need to purchase a lot at much higher prices – from locomotives to building material. Upcoming collective bargaining agreements will also result in increased costs.

That is why we need to be more productive and more efficient. We need to offset these additional costs with more income and greater productivity.

We need this to secure our investments in the future.

We want to significantly expand our capital expenditures again for the full year. We expect to increase gross capital expenditures to roughly EUR 18 billion by the end of the year and our net capital expenditures from our own resources to over EUR 8 billion. This will be a one-time effort until the higher funding announced by the Federal Government takes effect next year.

We expect DB Group to generate revenues totaling roughly EUR 51 billion for the full year. We have raised our forecasted EBIT slightly as compared to March. We now expect a slightly lower operating loss of less than EUR 1 billion. After the first half of the year was positive on the whole, we will be hit in particular by higher expenses for infrastructure measures and personnel once collective bargaining negotiations are concluded.

All predictions depend on further developments and are subject to a high level of uncertainty.

I'll pass the floor back to you, Richard.

Part Dr. Richard Lutz

Thank you, Levin

We haven't experienced a single 12-month period without a crisis since 2019: the pandemic, Russia's war of aggression against Ukraine, the energy crisis and inflationary pressure, which has been felt in procurement and in the labor market. This long list of crises has had enormous consequences for all of us.

Over the last four years, we have made sure to be there, take responsibility, help, and secure mobility for goods and people. This was self-evident for us, and we will of course continue to do these things. The crises are not over.

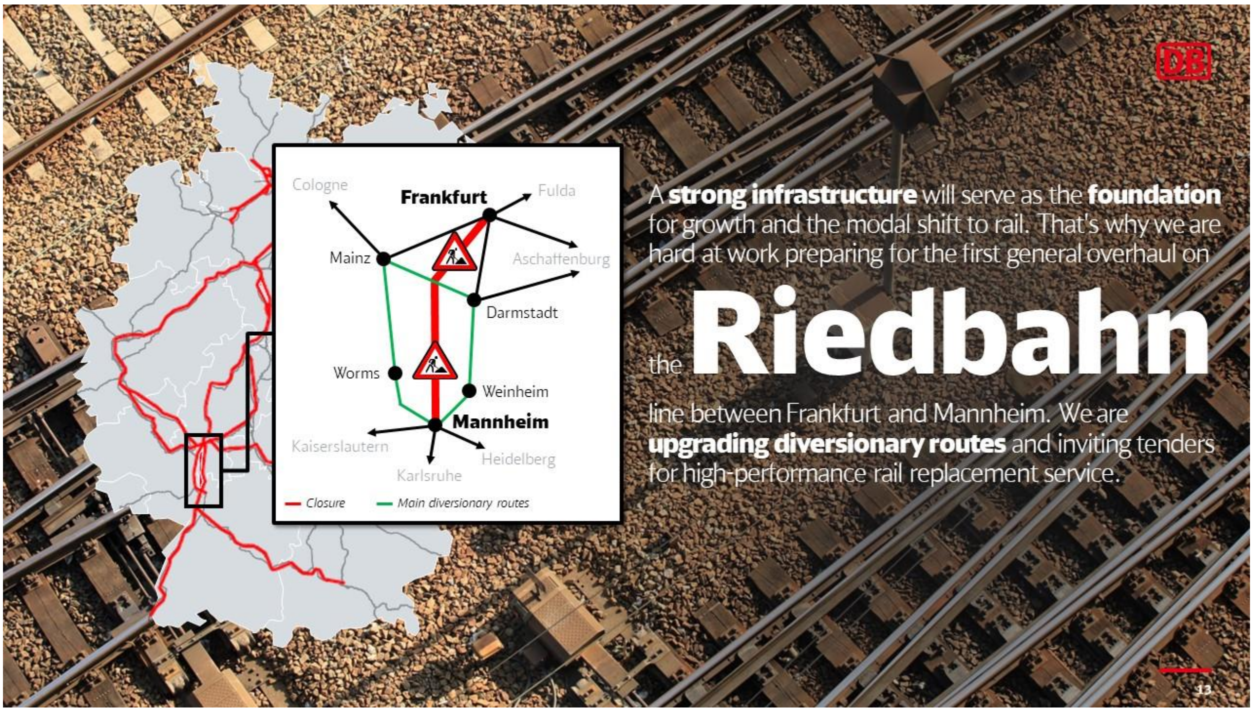
Add to that the acute threat of climate change.

For this reason, in keeping with our Strong Rail strategy, we will not make any concessions on our growth trajectory toward more climate-friendly mobility and logistics. We remain committed to these climate and transport policy objectives:

Doubling transport volume in long distance service, inspiring an additional billion passengers to take regional transport, implementing the Germany-wide integrated regular-interval timetable and increasing rail freight transport's market share to 25%.

A strong infrastructure will serve as the foundation for growth and the modal shift to rail. And we are putting all our efforts into strengthening our infrastructure together with the German government.

One of the keys to achieving this, as we have mentioned, is the step-by-step refurbishment of the existing network to create a high-performance network that delivers on its promises: a network that is robust, efficient and has enough capacity for even more trains.



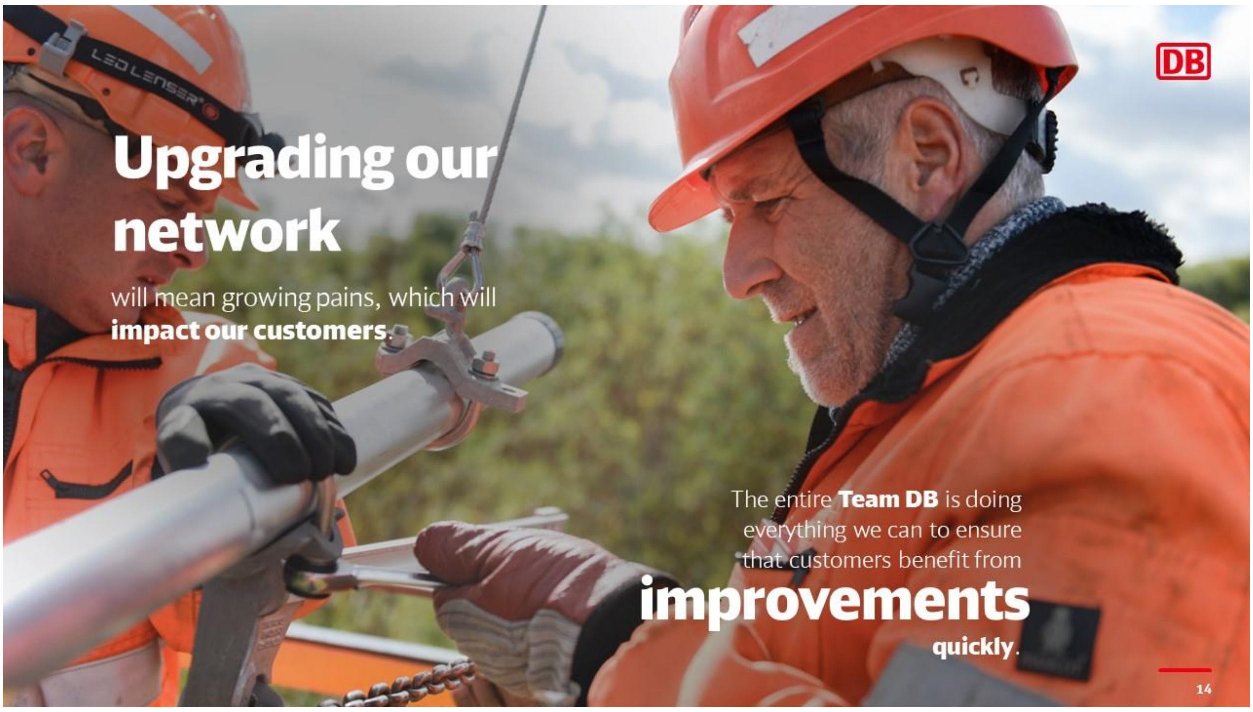
It will all start in July 2024 with the general overhaul of the Riedbahn line between Frankfurt am Main and Mannheim. We are laying the foundation now so that the first of the upcoming general overhauls will have good momentum as it gets under way.

We are making plans for replacement bus services, which we are working closely with our partners on site to organize. Over 400 bus drivers will be needed when the roughly 70-kilometer line is closed for five months.

We are also planning diversionary routes and upgrading the lines that will be used. These are just two examples of the extensive preparations that are needed for our project.

The scale is enormous. In all, 117 track kilometers, 20 stations and 152 switches will be renewed or will undergo other work.

In a record timeframe, we will be creating a line section that is comparable to a new-build line – and an important anchor for more quality in the overall network.



Ladies and gentlemen,

we know that we are asking a lot of our customers at the moment. What is crucial is that when the overhauled Riedbahn line opens again in the coming year, the improvements will make a major impact. And every additional corridor that undergoes a general overhaul will amplify this effect and have a positive impact on the whole network.

Not least, this will improve operations for our colleagues, who give their all every day – with the clear objective of making travel as pleasant as possible for our customers. I would like to take this moment to say to them: Thank you.

Now it is up to us to move forward with all we have! We have one goal. We have a clear roadmap. Bolstered by high demand for our products and a widespread commitment to rail on the part of policymakers and society, we will make rail stronger and make DB better: for the climate, for people, for the economy and for Europe!

Thank you.

Photo credits

DB

Slide 1	Deutsche Bahn AG | Wolfgang Klee
Slide 2	Deutsche Bahn AG | Max Lautenschläger
Slide 3	Deutsche Bahn AG | Max Lautenschläger
Slide 4	Deutsche Bahn AG | Oliver Lang
Slide 5	Deutsche Bahn AG | Stefan Wildhirt
Slide 6	Deutsche Bahn AG | Frank Kniestedt
Slide 7	Deutsche Bahn AG | Volker Emersleben
Slide 8	Deutsche Bahn AG | Volker Emersleben
Slide 9	Deutsche Bahn AG | Max Lautenschläger
Slide 10	Deutsche Bahn AG | Volker Emersleben
Slide 11	Deutsche Bahn AG | Stefan Wildhirt
Slide 12	Deutsche Bahn AG | Max Lautenschläger
Slide 13	Deutsche Bahn AG | Christian Bedeschinski
Slide 14	Deutsche Bahn AG | Uwe Miethe
Slide 15	Deutsche Bahn AG | top left to bottom right Oliver Lang | Oliver Lang | Oliver Lang | Max Lautenschläger

16