



„Setting the course for tomorrow”

2018 Interim Results Press Conference

Deutsche Bahn AG

Speech by Dr. Richard Lutz
CEO and Chairman of
the Management Board

Berlin, July 25, 2018

– Check against delivery. –



Ladies and gentlemen,

On behalf of the entire DB Management Board, I would like to welcome you to our 2018 interim results press conference.

Let me start by mentioning a few basic, but essential, things. First of all, people are more mobile than ever before. We at DB are an essential link in the mobility chain for all members of society.

And we believe that there are major opportunities for the rail transport system and for DB as an important player in the transport market.

Rail is the most eco-friendly mode of transport by far. It has a key role to play as society looks for effective ways to combat climate change and transition to sustainable transport - to climate-friendly solutions for moving people and goods.

I firmly believe that rail will be the mode of transport for the 21st century, offering service that is safe, reliable, comfortable, convenient, eco-friendly and digital. And we at DB are the key to a successful transition to sustainable transport and to a further reduction in carbon emissions in the transport sector.

What is also clear, however, is that if we want to make such a transition happen, we will need to make rail more attractive, and we will need to expand our capacity so that there is room for additional growth.

This is a challenge that we are tackling hand in hand with our shareholder, the German government. Together, we are investing in, modernizing and digitalizing rail transport in Germany.

We have already been successful in some areas. In others, our work will take time to come to fruition.

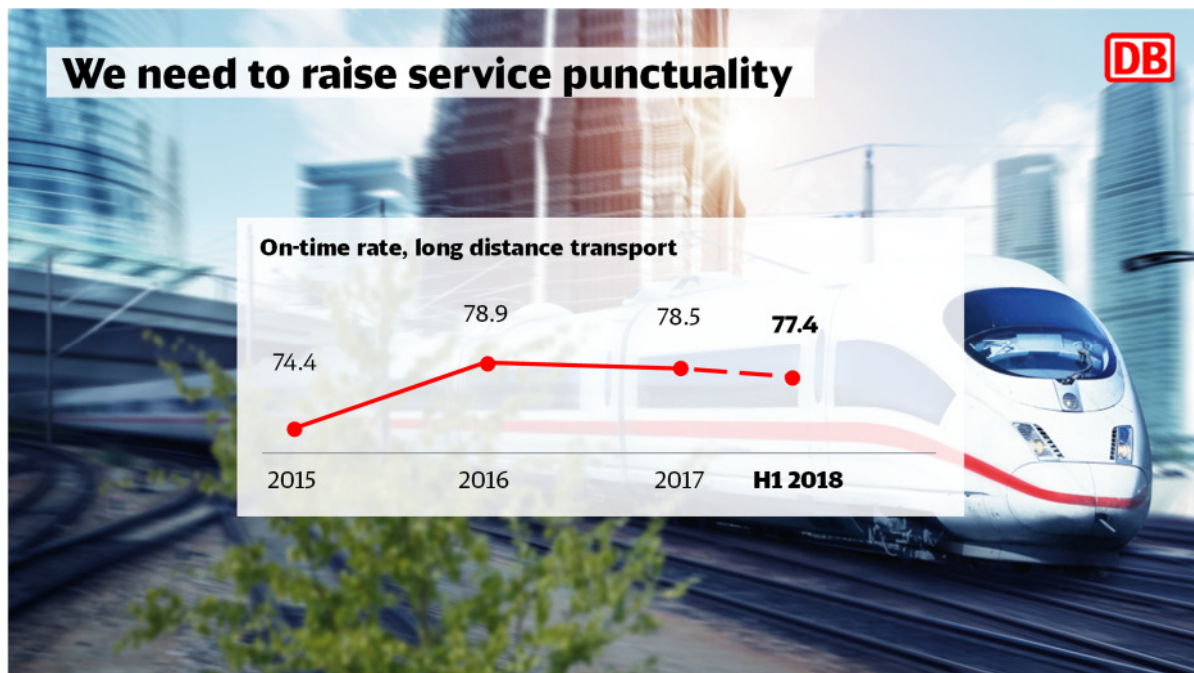
Of course we have not yet gotten to where we want to go, but we are on the right track. And that is why we will not let up in our resolve to make DB better for our customers – step by step, each and every day – with a view to our ultimate goal of shifting more traffic to rail.

Let me now take a look at our passenger numbers for long distance transport.



We are pleased to report that patronage has continued to grow. Over 70 million passengers used our long distance trains in the first half of 2018. That was 2.6 million, or 3.8%, more people than in the first half of 2017. What is more, long distance customer satisfaction also continued to rise.

This shows how much potential the rail system offers, even in a period when service punctuality was not up to our expectations, as the next slide shows.



In the first half of 2018, our average on-time rate for long distance service was 77.4%, 1.1 percentage points below the rate for 2017.

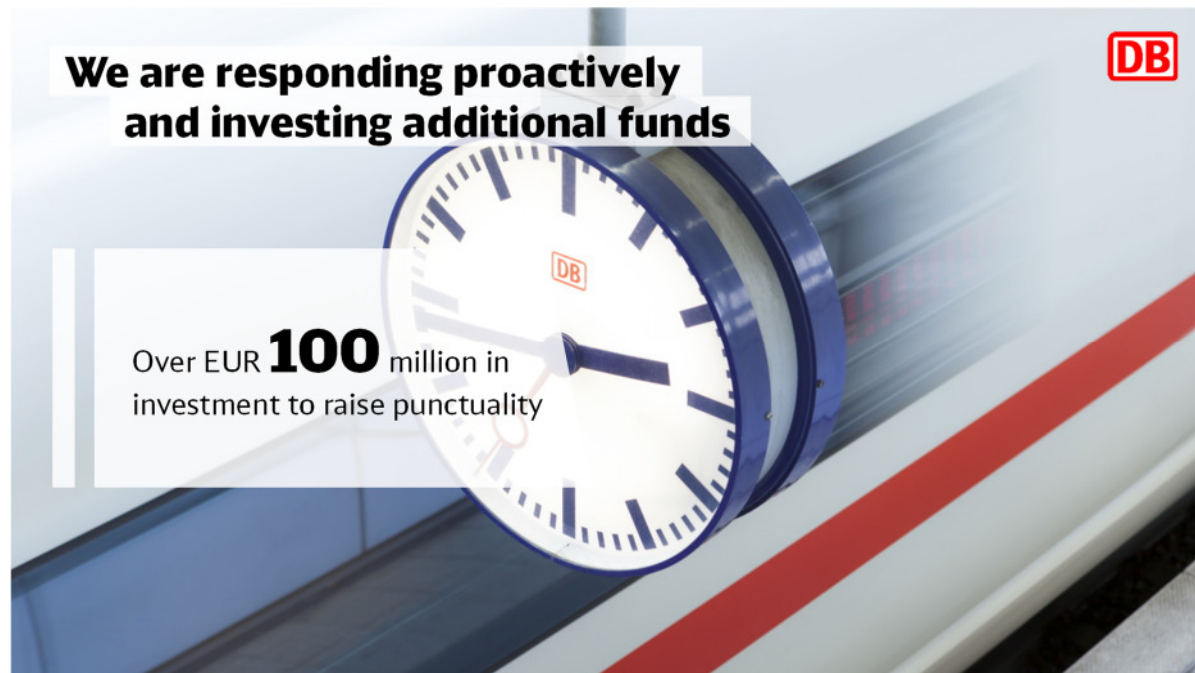
For regional transport, punctuality was stable at a high level, with an on-time rate of 94.4%.

By no means have we gotten to where we want to be in terms of on-time service. But we will keep fighting for every single minute. We have kept our high targets in place, even though we know that we will need to work harder and do more – in both the short term and the long term – to deliver on them.

As passenger numbers grow, so does rail traffic. Such growth is good for DB, but our on-time rate shows us that the existing infrastructure has its limits. And so the fundamental dilemma we face – of needing to run more trains on the one hand but do more construction on the other – will remain a challenge in the years to come as we address the issue of punctuality. Our construction work is at record levels, with up to 800 sites that need to be coordinated each day – and the numbers are expected to rise in the coming years.

Still, there are measures we can take and tools we can use to make improvements - not only long-term improvements, but rapid ones as well.

With this in mind, we have invested a great deal recently to make our service better and more reliable for our customers, and we expect to see a turnaround in the second half of the year.



All told, we will be making additional investments of over EUR 100 million to facilitate direct improvements to service quality and, in particular, punctuality. That is a lot of money, and it will help to fund initiatives such as our punctuality situation center. There, operators and transport authorities work hand in hand to raise on-time rates.

We expect to see additional improvements as a result of this collaborative approach, and that will be an important step forward, because we are currently close to our capacity limits in Frankfurt, Hamburg, Cologne, Munich and other congested hubs. With our customers in mind, we are also working hard to boost our strength and resilience in responding to large-scale disruptions.

As inclement weather becomes more prevalent, it also becomes increasingly important for us to step up our vegetation management.

Digitalization is opening up new possibilities here. For example, we use drones to do optical evaluations of our rail lines, running automated analyses on the images generated.

We also use digital tools in rail maintenance. Before our trains even enter a maintenance depot, sensors alert our staff to the work that needs to be done. And going forward, robots will be able to refill fresh water tanks on our trains and handle other such time-consuming tasks.

We are also offering innovative products for our customers as part of our ongoing service campaign.

Our new, integrated mobility services offer greater customer value

- City-Tickets** expanded for **126 cities**
- 21 local transport authorities** integrated into **DB Navigator**
- Self check-in** launched

For example, starting August 1, our City-Tickets will make travel easier in 126 German cities: when customers purchase a long distance ticket, it will include travel to and from the train station by subway, S-Bahn, tram and bus.

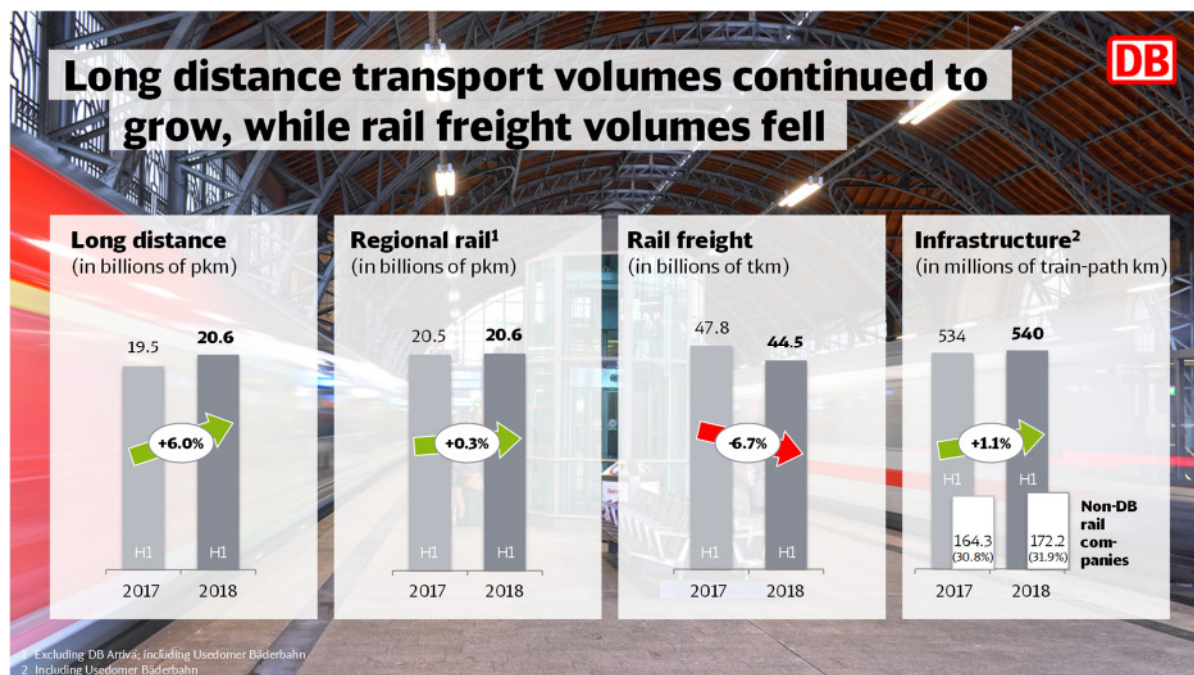
We are also working with the transport industry to make daily travel options more integrated and offer solutions that are straightforward, convenient and innovative. In fact, for the very first time in Germany, customers can now book DB long distance tickets using a local transport app.

Specifically, customers in the Frankfurt metropolitan area can use the app from RMV, their local transport authority, to book their entire trip – that is, the local, regional and long distance components – in just one click.

As we integrate tickets from more and more local transport authorities into our DB Navigator app, it is becoming a kind of master key for local, regional and long distance travel on a broad scale. Tickets from a total of 21 transport authorities have been integrated into DB Navigator to date.

Our digital self check-in function, which makes travel easier for our ICE passengers and lets them use more of their travel time the way they want to, is another step towards digital rail.

I would now like to discuss our figures for transport volume. Long distance in particular saw considerable volume growth of 6%.



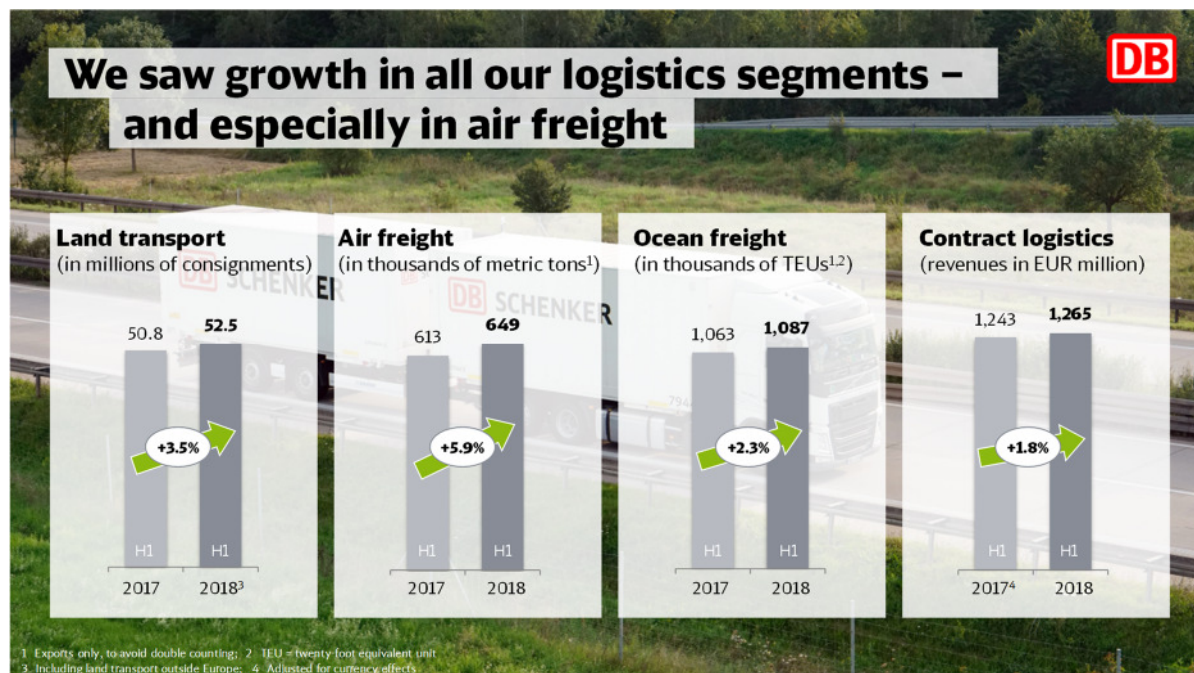
Our rail freight business, however, did not have an easy first half of 2018. Rail strikes in France made things particularly difficult. A serious storm in January was an additional challenge. We also faced problems of our own making, however, and we will be addressing those problems in a lasting way.

Infrastructure usage continued to grow, with an increase of 1% in demand for train-path kilometers. Thus we continue to see an upward trend as more and more traffic shifts to rail.

This also applies to the percentage of rail infrastructure usage attributable to non-DB operators, which rose to nearly 32%.

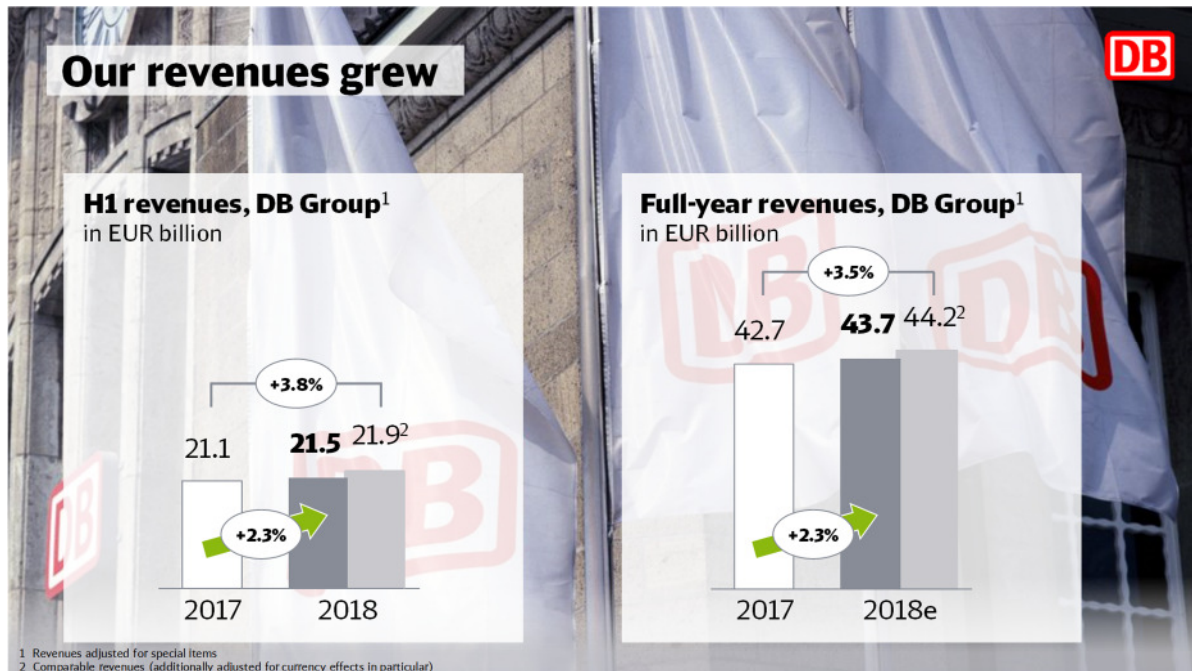
What about our international business? The signs continue to point to growth at our DB Arriva subsidiary. We have been re-awarded contracts in continental Europe, such as Northern Lines in the Netherlands and Pågatågen in Sweden, and such success has fostered further growth. We continue to focus on acquiring new contracts and expanding our existing business. New opportunities are also opening up for Arriva as a result of liberalization in European transport markets, particularly in southern, central and eastern Europe.

Our logistics business at DB Schenker is also doing well.



We are particularly pleased to report growth in air freight and land transport of 5.9% and 3.5% respectively. Contract logistics grew again as well, raising its currency-adjusted revenues by 1.8%.

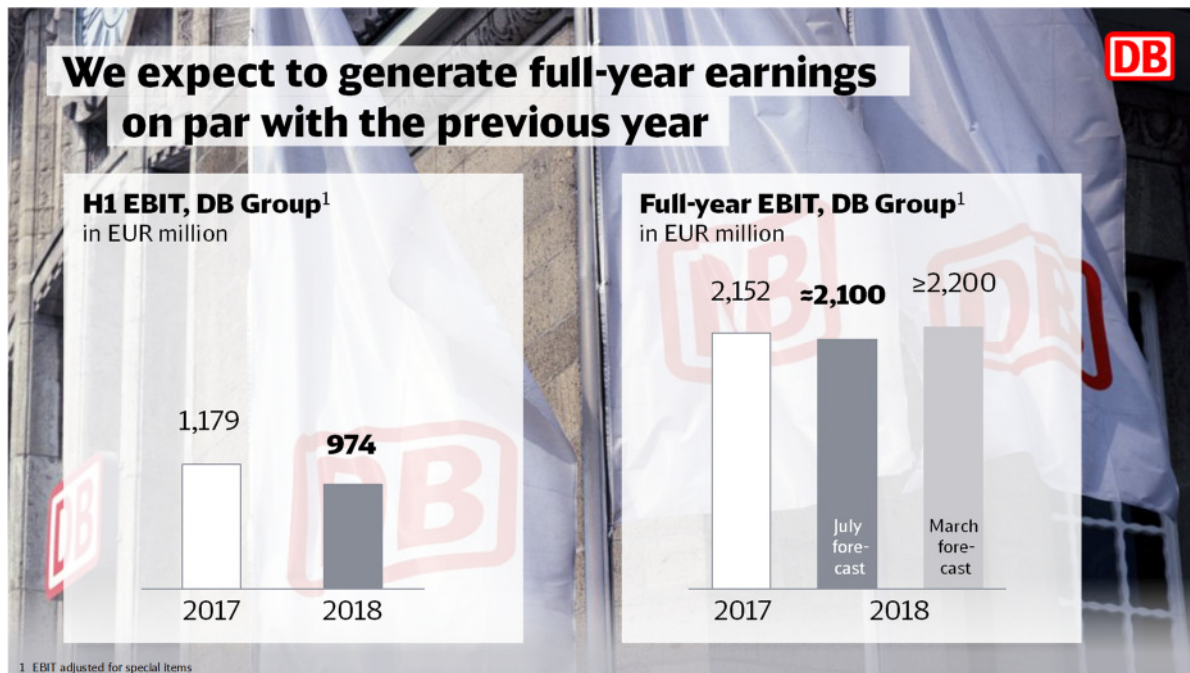
Ladies and gentlemen, we also saw an increase in revenues for the DB Group as a whole.



As you can see on the slide, we grew 2.3% compared with the first half of 2017, and we expect growth on the same scale for 2018 as a whole. These figures include the effects of changes in exchange rates.

Calculated in comparable terms - that is, excluding these effects, which relate in particular to the strength of the euro - we expect to see full-year revenues of EUR 44.2 billion, an increase of 3.5%.

Turning to the next slide, you can see that our H1 earnings fell year on year, but that we expect our full-year earnings to be roughly on par with last year.



For rail operations in Germany in particular, special charges resulting from inclement weather were one factor with a negative impact.

We also invested in digitalizing our business and made additional funds available to raise our on-time rate. All of this is money well invested. It means that we had to lower our March forecast by EUR 100 million, but it is an important component of our work to offer better service and higher quality for our customers.

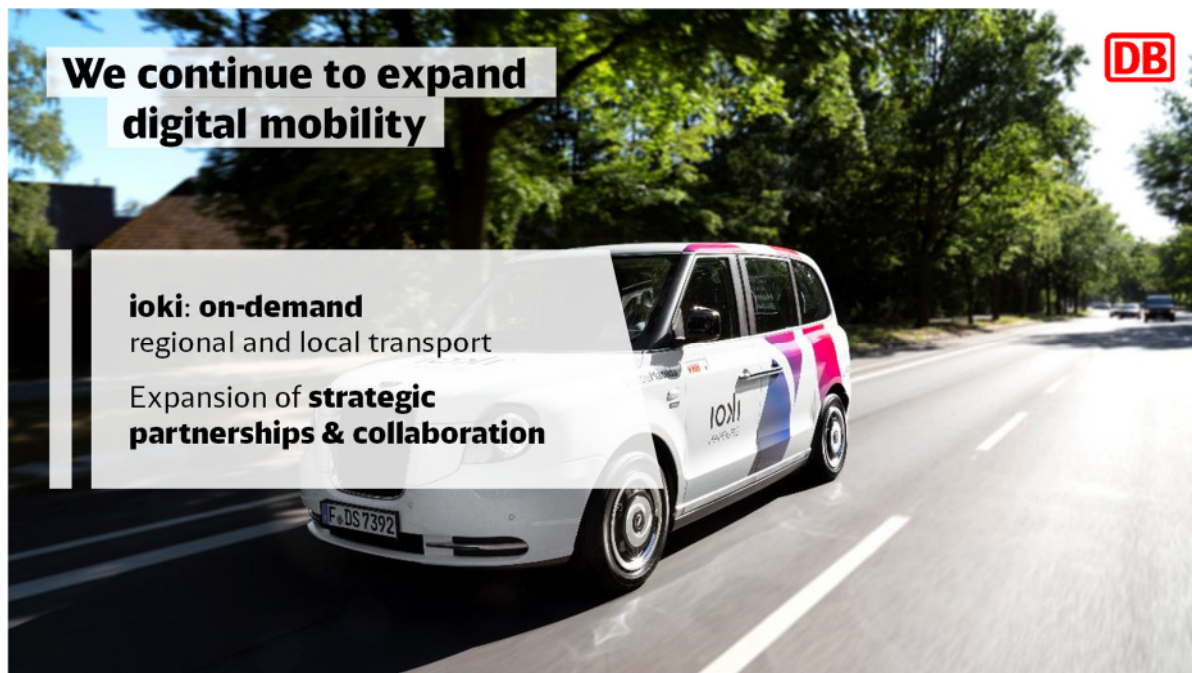
The fact that we expect full-year EBIT to be roughly on par with last year's figure despite a weaker first half of the year is due first and foremost to our expectations that we will catch up by the end of the year. After all, you may remember that the Rastatt tunnel closure, and Cyclones Xavier and Herwart, made the second half of 2017 particularly difficult.

I mentioned before that we were taking rapid action to address our current quality issues. But we will of course do more than just that. Ultimately, our strategic objective is to offer better service for our customers and higher capacity in our infrastructure and thus to secure and increase financial success in the medium to long term.

Here too, our approach will be three-fold: invest, modernize and digitalize.

The core of this approach is our Digital Rail for Germany program, which involves digitalizing the rail network. The program will bring major improvements in technology to the entire rail sector.

The first tangible result can be seen in Hamburg, which has been selected to be a model city and a pioneer in digitalizing rail transport in Germany. Specifically, a 23 kilometer section of the Hamburg S-Bahn network will be equipped for digital operation by October 2021. One especially positive effect will be higher service frequency on the line, which will translate to major improvements in transport service for passengers.



Better, more customized transport service is also at the heart of ioki, our business segment offering smart on-demand mobility.

In late May, ioki launched digital, demand-responsive shuttle service as a supplement to existing rural transport infrastructure in the western German town of Wittlich. It is the first time that on-demand service has been integrated into existing local public transport, and we will be introducing similar service elsewhere, in both rural and urban areas.

A week ago today, in fact, we launched demand-responsive shuttle service in Hamburg in partnership with VHH, the local transport authority there. Passengers can use an app to request pick-up, and the shuttles will offer flexible, around-the-clock service. Our objective is to make urban mobility smarter, more convenient, and more eco-friendly.

We are also using more partnerships. The most recent example is that DB Digital Ventures, which promotes new, digital business models, has purchased stakes in two US-based startups, Ridecell and GoKid. Our motivation here is to foster creative technologies that complement our core rail business and could play a key role in the mobility market of the future. Ridecell is one of the world's leading providers of platforms for carsharing, ridesharing, and management of self-driving fleets. GoKid runs a platform for carpools that take children to school, sports practice and other extracurricular activities.

Partnerships also have a bright future in the logistics sector. In collaboration with MAN and Fresenius University of Applied Sciences, DB Schenker recently became the world's first logistics provider to test platooning in practice. The partners have been running two-truck digital platoons on the autobahn between Munich and Nuremberg since late June.

This project shows that our focus here is on establishing new partnerships to drive innovation.

Before I close, let me say a few words about where DB stands today. I have now been CEO for almost a year and half, and you have asked me on multiple occasions what I wanted to do differently, and what path DB would take under my leadership.

At DB, what has guided us in the past, and will continue to guide us in the future, is our three-pronged approach: invest, modernize and digitalize – for high quality, reliable products and satisfied customers. That is our compass. And we will need that compass, because the world around us is changing rapidly. We ourselves will also need to change. We will need to do some things better, and some things differently.

In light of this, we are working hard to find new approaches and take our strategy to the next level. We currently plan to present our ideas and solutions to you at the end of this year. But what I can say already is that principles which form the foundation of our company today will still apply going forward.

First, we will continue to invest in our future: we will modernize and digitalize to make our services more attractive for our customers and offer more capacity to meet growing demand.

Second, our company is aligned to sustainability, and we will make full use of our advantage as the most eco-friendly transport company in helping to ensure that climate targets are met.

Third, as a major player on the transport market, we are in an ideal position to integrate different modes of transport and develop new, digital business models on a large scale.

This is our mission, and it is one that comes with great responsibility – not only for us on the Management Board, but also for each and every one of our roughly 320,000 employees around the globe.



Thank you.

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