



*Tackling the crisis together –
setting our course for the future*

2020 Interim Results Press Conference Deutsche Bahn AG

Speech by **Dr. Richard Lutz**,
CEO and Chairman of the
Management Board,
and **Dr. Levin Holle**, Member of
the Management Board for
Finance and Logistics

– Check against delivery. –

Part A: Dr. Richard Lutz



Ladies and gentlemen,

I would also like to welcome you this year's interim results press conference. It has been a unique year so far. Thank you for tuning in.

It will probably not surprise you to hear that it is extremely difficult to offer stable performance assessments or reliable financial forecasts in the midst of a serious economic crisis. Time and again, we have witnessed how fragile the situation is.

Covid-19 remains a troubling and unpredictable part of our daily lives, at work and at home. The virus also continues to have a major impact on what we do every day, and what we plan to do in the immediate future.

But if there is one thing we can say with confidence, it is that Covid has shown us how important rail is for Germany.

We have kept people and goods moving for Germany and Europe. Our trains have continued to run, and we have continued to uphold our responsibility to society.

We have kept basic necessities available – things which are often taken for granted, but which suddenly become uncertain in the face of a pandemic: getting to work on time, shopping at well-stocked supermarkets, having the necessary healthcare supplies at hospitals, and proceeding with regular construction work.



Strong Rail has kept people and goods moving throughout the pandemic



We kept our **service stable** despite a lockdown, running about three-quarters of our long distance connections and more than two-thirds of our regional connections.

We have made sure that medical staff, care workers, teachers, bus drivers, police officers, retail workers, trash collectors, and many other essential members of society can get to where they are urgently needed.

We have offered certainty in a time of uncertainty, have helped society continue to function, and have shown that rail is essential to society.

DB Schenker and DB Cargo have kept warehouses full and have transported masks and protective clothing to the people who need them in Germany, Europe and North America.



Despite Covid-19, we have stuck to the course we set for more capacity and higher quality

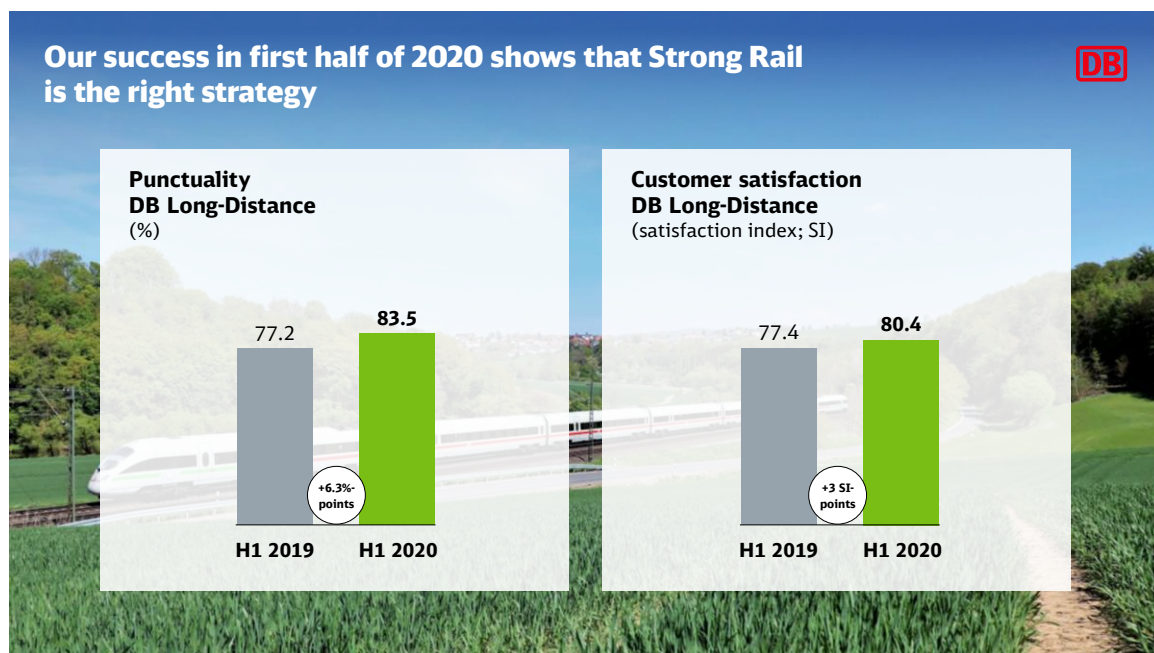


Less than 1% of **this year's** about **13,000 construction projects** had to be canceled or postponed.

We have kept up our rail construction work throughout Germany, because Covid has not changed the fact that network upgrades are urgently needed. The work has benefited rail companies and the construction industry alike and has made its own small contribution to keeping the economy moving in Germany.

We have taken far-reaching hygiene measures to protect our passengers and employees as much as possible.

All this has helped us within the DB Group as well. Never before have we seen such effective partnership between the different units at DB. And that is evident in the quality of our services.



Our punctuality improved compared to the first half of 2019. In the first half of 2020, 83.5% of our long-distance trains were on time – the highest rate we have seen in 12 years.

Better construction management, fewer problems with rolling stock and infrastructure, and faster train repair all helped us achieve this on-time rate. In other words, the increase was not just the result of fewer passengers; it was also the result of better coordination and higher capacity. When Covid-19 hit Germany in earnest in March, the number of trains using our network fell, freeing up a great deal of capacity.

This shows us that our Strong Rail strategy, and the investment and modernization work we are doing with the support of the German government, are precisely the right things to do.

Upgrading our infrastructure will be key – not only to fostering growth and shifting traffic to rail, but also to facilitating better operating quality and higher punctuality.

Our customers appreciate such improvements, as our customer satisfaction levels in long-distance show. In June, more customers said they were satisfied with service on their current journey than we had seen in ten years.

All this shows that people can count on us. Our teamwork works.



I would like to thank our employees for their extraordinary dedication in recent months, and for the solidarity they have shown, on both a large and small scale. I would also like to thank our customers for choosing to travel with us.

Ladies and gentlemen,

The kind of reliability we have demonstrated – our commitment to being there for Germany even in difficult times – is at the very heart of our Strong Rail strategy. Covid-19 has been a stress test for all of us. We have met our business responsibility, and we have been recognized and praised for the work we have done.

But we are also very aware of the severe financial impact the pandemic has had.

Before Covid hit, we had been setting record after record in passenger numbers – and that continued through January and February. But when public life shut down in March, patronage fell sharply.



Hardly anybody buys rail tickets during a lockdown – not for short-distance or long-distance trips, not for last-minute travel or for long-term plans.

Covid-19 has pushed DB, like many other large companies in Germany and around the world, into the worst financial crisis in its history. Such crises are not the kind of thing you can fix with a single project; they take time and hard work on the part of everyone involved. The road ahead will not be easy.

We will need to find smart solutions that take both economic and social factors into account, and everyone involved will need to be part of these solutions. That will be critical to our success.

Levin Holle will now go through our financials in more detail. Levin, the floor is yours.

Part B: Dr. Levin Holle

Thank you, Richard.

As you said, the pandemic has hit DB hard. We have been in the red since March, to the tune of hundreds of millions a month.

Although we do anticipate some recovery, we will not return to the black this year. This means that the current financial year will see the largest operating loss in the history of DB.

The Covid-19 pandemic had a major impact on our financials in the first half of 2020



Key figures H1 2020 (€ million)

	H1 2020	H1 2019	+/- €	+/- %
Revenues	19,423	22,013	-2,590	-11.8
Operating result	-1,780	757	-2,537	-
Net loss/profit (after taxes)	-3,749	205	-3,954	-
Net financial debt as of Jun 30 / Dec 31	27,513	24,175	+3,338	+13.8

Covid pushed us into the red – from operating profit of EUR 757 million in the first half of 2019 to operating losses of EUR 1.8 billion in the first half of 2020.

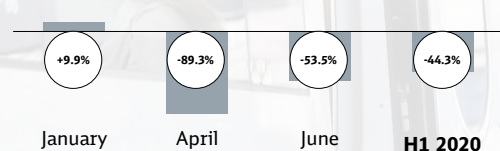
There were also some exceptional items we needed to account for: in particular, we took an impairment of EUR 1.4 billion at DB Arriva, our European local transport operator. The upshot of this is an after-tax loss of EUR 3.7 billion for the first half of 2020. I'll say more about DB Arriva in a moment.

Our rail business is fixed-cost heavy, so when people stop traveling and revenues fall, that has an almost direct impact on our bottom line. Our Group revenues fell roughly 12% to EUR 19.4 billion in the first half of 2020.

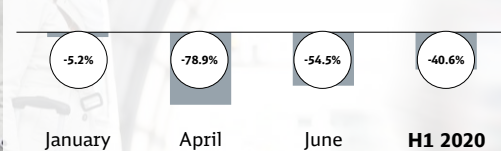
Covid-19 pandemic: our performance figures began to recover in May



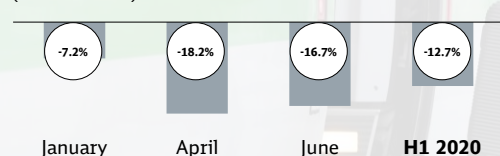
DB Long-Distance (Rail volume sold*)



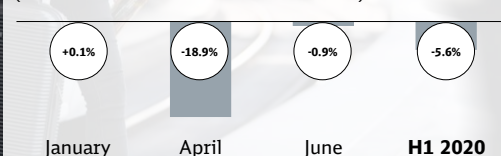
DB Regional (Rail volume sold*)



DB Cargo (Volume sold*)



DB Netze Track (Train kilometers on track infrastructure*)



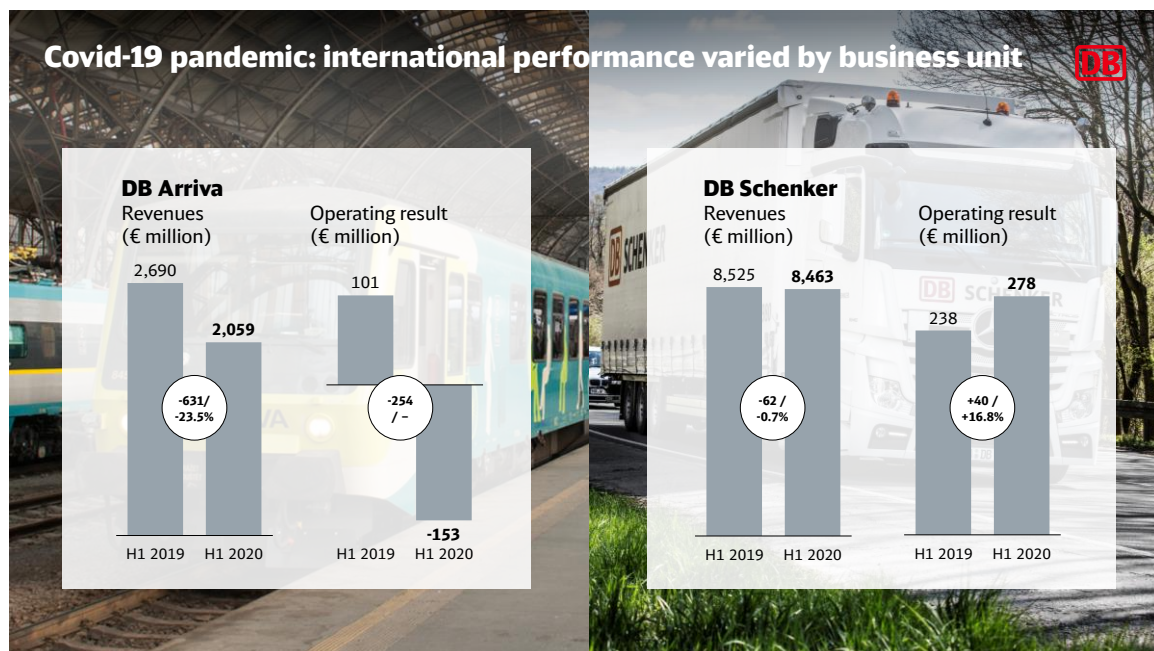
* Compared with respective month from 2019

As you are no doubt aware, public life and key industries shut down in Germany early this year. As a result, transport volumes fell sharply in in the first half of 2020 in nearly all segments of DB Group.

At DB Regional, rail volume sold fell by almost 41% compared to the first half of 2019. At DB Cargo, the drop-in volume sold was roughly 13%. DB Long-Distance saw a particularly marked contraction, with volume sold in April down by almost 90% compared to April 2019. Overall, the figure for the first six months was around 44% down on the previous year.

But we also have good news to report: our May and June figures, and our initial figures for July, show some recovery. Half our passengers have now returned in both long-distance and regional transport.

Outside Germany, the picture is mixed:



DB Arriva is a particular challenge. When Covid-19 hit, DB Arriva was already grappling with Brexit and difficult developments on the British rail market. And the pandemic has put even more serious pressure on DB Arriva.


The reason for this is that DB Arriva does business in many countries – such as the UK, Italy and Spain – that were hit much harder by the pandemic than Germany was. The images we saw on TV from those countries are not easy to forget. These extreme developments have had far-reaching consequences, making it necessary for us to make an impairment of EUR 1.4 billion. That hurts, and we will need to make some changes at DB Arriva to account for the new situation. The first step will be personnel changes.

DB Schenker, in contrast, performed well in the first half of 2020. Our international logistics subsidiary demonstrated during the pandemic how important it was for global supply chains.

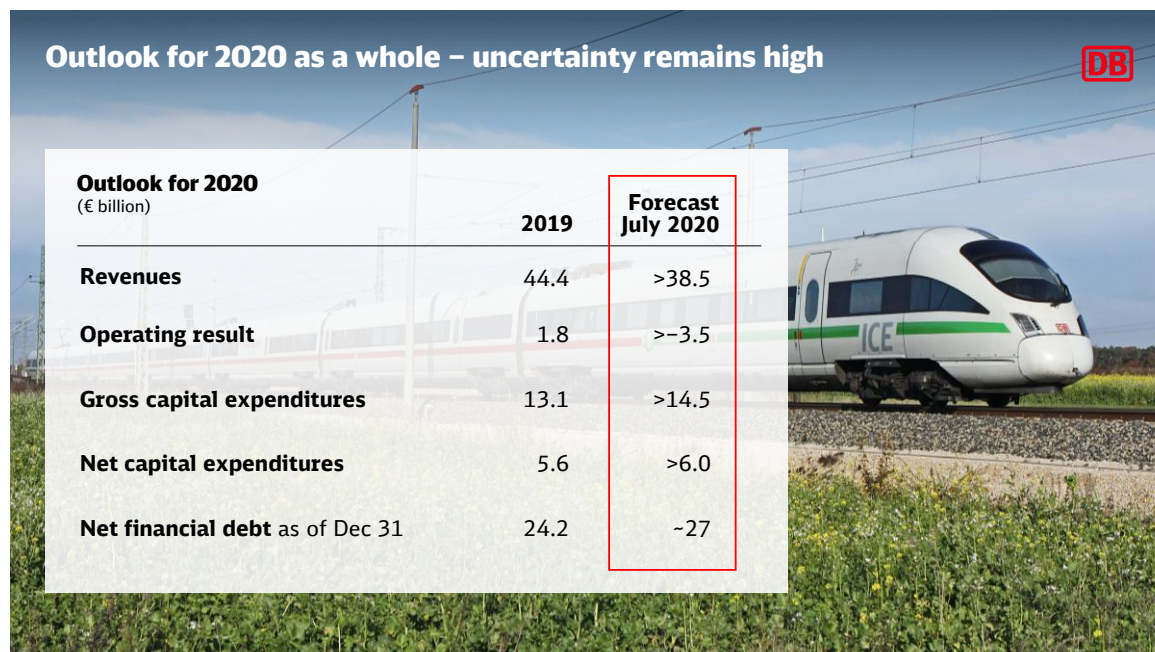
Revenues did slightly fall, but DB Schenker still closed out the first half of 2020 in the black, with operating profit of EUR 278 million. In other words, operating profit at DB Schenker rose nearly 17% - even in the face of a pandemic. Depending on how the wider economy performs, we currently expect DB Schenker to remain in the black for 2020 as a whole.

So you can see that there is definitely some positive news to report. DB Schenker, and the slight uptrend at DB Long-Distance and DB Regional, make us cautiously optimistic.

But we also have to be realistic: we will be facing this crisis for a while. We expect the serious impact of Covid-19 to continue into the coming year and beyond.

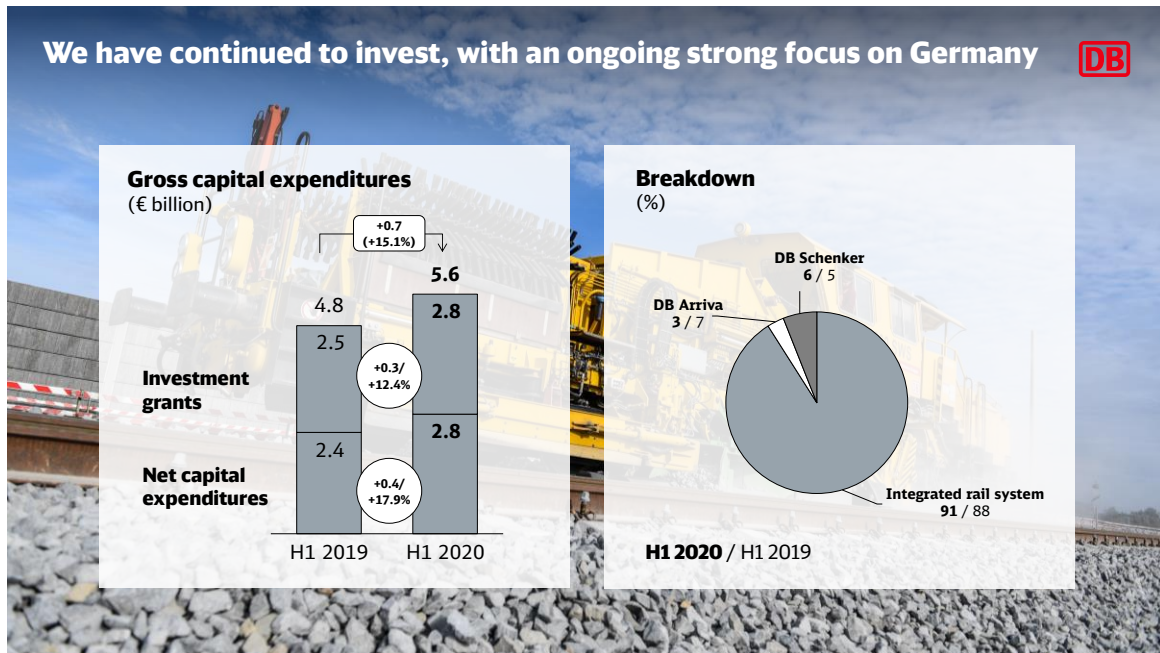
Outlook for 2020 as a whole - uncertainty remains high 

Outlook for 2020 (€ billion)	2019	Forecast July 2020
Revenues	44.4	>38.5
Operating result	1.8	>-3.5
Gross capital expenditures	13.1	>14.5
Net capital expenditures	5.6	>6.0
Net financial debt as of Dec 31	24.2	-27



We currently expect total operating losses of possibly up to EUR 3.5 billion for 2020 as a whole. Extraordinary losses - EUR 1.5 billion as of mid-year, mainly due to Arriva - will also play a role. Revenues could sink as low as EUR 38.5 billion.

It goes without saying that there is an especially high level of uncertainty associated with such predictions this year. As for net financial debt, we expect to close out 2020 at round about EUR 27 billion, thanks in part to a capital injection from the German government announced for this year. This will be particularly important in ensuring that we can continue to invest at high levels despite the pandemic.



Together with the German government, we raised gross capital expenditures in the first half of 2020 for infrastructure and rolling stock in particular, boosting capital expenditures by more than EUR 700 million to a new record of EUR 5.6 billion.

For infrastructure alone, we plan to spend about EUR 12 billion for capital expenditures and maintenance in 2020.

This testifies to a commitment we share with the German government: we want to shape the future, not cut costs at its expense.

With that, I'd like to hand the floor back over to you, Richard.

Part C: Dr. Richard Lutz

Thank you, Levin. As you said, we are seeing some initial rays of hope, but we still have a long way to go.

The billions we have lost will not earn themselves back, and we certainly do not expect them all to come from the German government. The government made two things clear very early on: that it would accept an increase in DB's debt, and that it would provide an equity injection to supply the funds still needed after DB had done its part to close the gap.

That was a strong show of support and solidarity from the government.

But even beyond that, we are all accountable here.

We agreed - and this is the government's expectation as well - that we would cover half the EUR 8 to 10 billion needed for rail in Germany ourselves. This means that we at DB will be generating savings of at least EUR 4 billion between now and 2024.

The decision to spread these savings out over several years was a deliberate one: it will give us time to minimize the impact on our Strong Rail strategy.



An important building block to this end is the Alliance for our Rail, an agreement recently signed by German Federal Ministry of Transport and Digital Infrastructure, the German Railway and Transport Union (EVG), the Employers' Association of Mobility and Transport Providers (AGV MOVE), the DB Group Works Council and Deutsche Bahn. As part of this alliance, employee and employer representatives have explicitly agreed to work together to overcome the crisis.

The goal is to foster security and stability for employees and at the same time to ensure that everyone does their fair share to tackle the challenges we face.

With this goal in mind, we are currently in constructive talks with the EVG, and we hope to bring those talks to a successful conclusion in the next few weeks.

Trusting in precisely this Alliance for our Railway, we are also pressing ahead with our recruiting offensive. We will do so at record levels - and this at a time when employees at other companies are being furloughed or laid off. We accepted about 19,000 applicants in the first half of 2020 alone.

But it is not only important to us to be a good employer; we also want to be a modern and welcoming service provider. This will soon become more visible. From 1 August, the new corporate fashion from sustainable production will be used by around 43,000 employees in contact with customers.

We want our customers to feel that they are in good hands with us. We can offer them something that is essential to our future as a society: eco-friendly, interconnected, state-of-the-art mobility.



The 30 new high-speed trains we have purchased are another investment in a strong future for rail, and they will join our fleet just the year after next. We are confident that this investment will pay off for our long-distance business.

It will expand our long-distance fleet by 20% over the coming years and will raise our passenger capacity by about 13,000 seats. Raising capacity and adding new ICE trains are key to making us more robust in rail service.

Ladies and gentlemen,

We have set our course for the future, and nothing about that has changed. We remain committed to our Strong Rail strategy and to our investments in infrastructure, rolling stock and staff. Digitalization is an important catalyst for us in this regard.

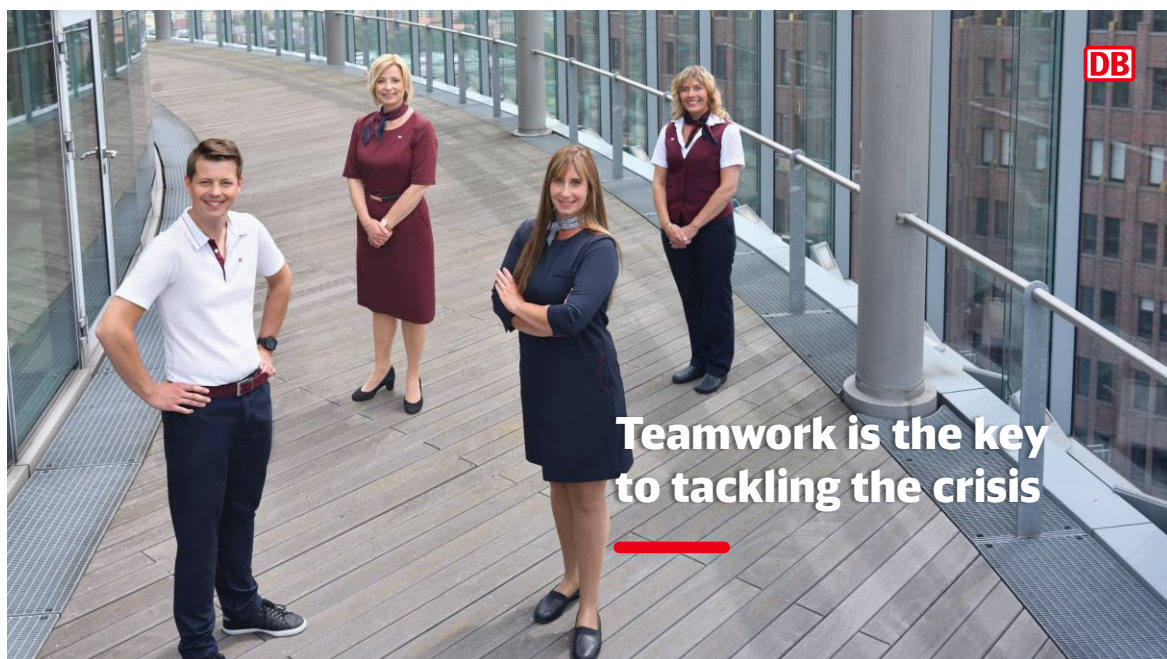
The German government is giving us tremendous support to this end. Recent public policy decisions in Germany reflect an impressive commitment to rail, which we are extremely grateful for.

In the third and most recent Performance and Financing Agreement governing maintenance of rail infrastructure, in the economic stimulus package adopted by the German government to fight Covid, in the support we have received for our capital expenditure strategy, and in the Rail pact that was signed a month ago today, the focus has consistently been on making the rail system stronger.

The plans to introduce an integrated regular-interval timetable for all of Germany are a groundbreaking example. We are the top climate-friendly alternative to car and air travel – and we are set to offer faster and more frequent service going forward.

Society may be somewhat less focused on climate change at the moment – but the issue has lost none of its urgency.

The European Commission made that clear when it moved to designate 2021 the European Year of Rail, and when it presented the European Green Deal, a roadmap for a sustainable EU economy. These are pioneering decisions.



Ladies and gentlemen,

Germany and Europe need a strong rail system and active rail service more than ever before. And Deutsche Bahn will do its part to make that reality.

Levin Holle and I would be happy to answer your questions now. Thank you.

Photo credits



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