

CHAIRMAN'S LETTER

Dear ladies and gentlemen,

The challenges Deutsche Bahn faced in 2015 were quite special. Apart from the longest train drivers' strike in the history of our company, a number of developments necessitated a fundamental reorganization of the company.

Competitive pressure continued to increase in 2015, making it all the more essential that we vastly improve our product quality so that we can attract even more customers to DB Group and our products, and ensure our economic success in the future. Deutsche Bahn is therefore undertaking the most extensive Group restructuring since the German Rail Reform in 1994.

It is by no means just the long-distance buses that are exerting competitive pressure. Our trains still carry as many passengers in just four days as all long-distances buses in one year. The growing competition between rail and road is increasingly being driven by regulatory causes. Paradoxically, although rail transport is actually the most environmentally friendly mode of transport – especially compared to road transport, which causes far more climate damage – it is facing ever-increasing energy and regulation costs. In addition, rail freight transport must bear the cost of refitting its freight cars to reduce noise, whereas truck tolls and fuel costs were recently reduced.

Our Group restructuring is moving all entrepreneurial levers to:

- 1. reverse the critical trend in operating profits generated by the railway in Germany,
- 2. generate further growth in our international business, and
- 3. at the same time, take advantage of the significant opportunities offered by digitalization by implementing new corporate structures that encourage innovation.





Our primary goal is to substantially improve DB Group's ability to compete.

To this end, we are investing around 55 billion euros until 2020, of which 20 billion euros will be financed from our own funds. The capital expenditure priorities remain on our home market in Germany and the railway business, which together will account for 90 percent of the planned capital expenditures. Our Railway of the Future program outlines this clearly. Railway of the Future is something like a timetable for us, mapping the future of rail transport in Germany.

We will also reduce costs. We want to make our entire organization leaner, more efficient and more competitive so that we can become faster and more agile as a company. The Group Management Board now has fewer members, and the Group headquarters has been streamlined. The next step will be to merge DB Mobility Logistics AG – which was originally set up as a second holding company in preparation for the initial public offering – with Deutsche Bahn AG. At the same time, we will also reorganize the intra-Group service functions.

Further plans include equity participation of third parties of our international business units – DB Arriva and DB Schenker. In both entities we will keep the majority stakes. This equity participation of third parties is important, not just to give us more scope to exploit the high growth potential abroad, but also to raise the funds needed for the aforementioned capital expenditures in Germany, while at the same time limiting our debts and securing the financial stability of DB Group.

With regard to the 2015 financial year, we were hit hardest by the strike. The collective bargaining disputes cost 314 million euros in operating profit. EBIT totaled around 1.8 billion euros. Group revenues increased slightly, to 40.5 billion euros.

The increase in the number of long-distance rail passengers was also encouraging. 132 million passengers represent an increase of 2.2 percent over the previous year. Long-distance transport defended its market position in 2015. The international connections to France, Belgium and the Netherlands even setting a new passenger record (around five million passengers). Growth totaled 3.5 percent.

This positive trend in demand gives us a tailwind for our Railway of the Future program. Our goals are ambitious, especially with regard to punctuality, as more and more construction projects are being implemented, during ongoing operations as part of the campaign we have started, to modernize the infrastructure. We have demonstrated, however, that we can significantly improve punctuality, even in metropolitan areas with heavy traffic volumes by cutting the number of delays in 2015 nearly in half in some cases on numerous lines operated by the S-Bahn (metro) Stuttgart or the S-Bahn (metro) network in North Rhine-Westphalia. The S-Bahn (metro) in Munich even set a new record of 97.4 percent for punctuality in December 2015 – the highest figure ever recorded since measurement began more than 20 years ago.



We know that our customers expect this. Railway of the Future shows, however, the extent to which the growing needs of our customers are being reflected in our own aspirations. In 2016, rail passengers in Germany will notice that we have already made significant progress – not just in terms of punctuality, but also with regard to passenger information, on-board comfort and service, and quality of stay in the stations.

Digitalization plays a key role in this. The contours of our new innovation culture and the development of DB 4.0 are taking shape on several fronts, through several labs our growing start-up network, DB's own "hackathons," our open data platform and numerous research cooperation projects. More than 260 projects are being worked on in six 4.0 Initiatives based on ideas submitted by employees or founders, but also by our customers, whom we now bring on board right from the start when developing our mobility products.

The Group restructuring marks the start of a far-reaching process of change at DB Group. In 2015, we set the course on which we will embark in 2016. Railway of the Future will guide us further in the years beyond 2016 as well. Change will become a continuous task.

With the start of the Group restructuring, we continue to implement our DB2020 Strategy and ensure harmony among our three dimensions of sustainability – economic, social and environmental. Deutsche Bahn declared its commitment to the principles of the United Nations Global Compact and to the German Sustainability Code as evidenced, not least, by this Integrated Report. It provides a comprehensive review of the past financial year while also looking to the future.

We are convinced that the future of Deutsche Bahn as a sustainably successful company is a question of the interplay between customer and quality, together with better performance on one side combined with leaner structures and faster processes on the other. We are taking on the challenge on both sides with all of our strength and passion.

Sincerely yours

Dr. Rüdiger Grube

CEO and Chairman of the Management Board

of Deutsche Bahn AG