

Liberalization of the European rail market – a success story from the view of the operator?

4th European Rail Transport Regulation Forum

Deutsche Bahn AG

Dr. Ralph Körfgen

Corporate Development (GS)

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Deutsche Bahn operates as an integrated mobility and logistics provider consisting of nine business units

BAHN



Passenger transport:

Domestic and European-wide mobility services

DB Bahn Long Distance

Long-distance rail passenger transport¹

DB Bahn Regional

Regional/urban passenger transport (Germany)

DB Arriva

Regional/urban passenger transport (Europe)²

NETZE



Infrastructure:

Efficient and future-oriented rail infrastructure in Germany

DB Netze Track

Rail network

DB Netze Stations

Rail stations

DB Netze Energy

Traction current

SCHENKER



Transport and logistics:

Intelligent logistics services via land, air and sea

DB Schenker Rail

European rail freight transport

DB Schenker Logistics

Global logistics services

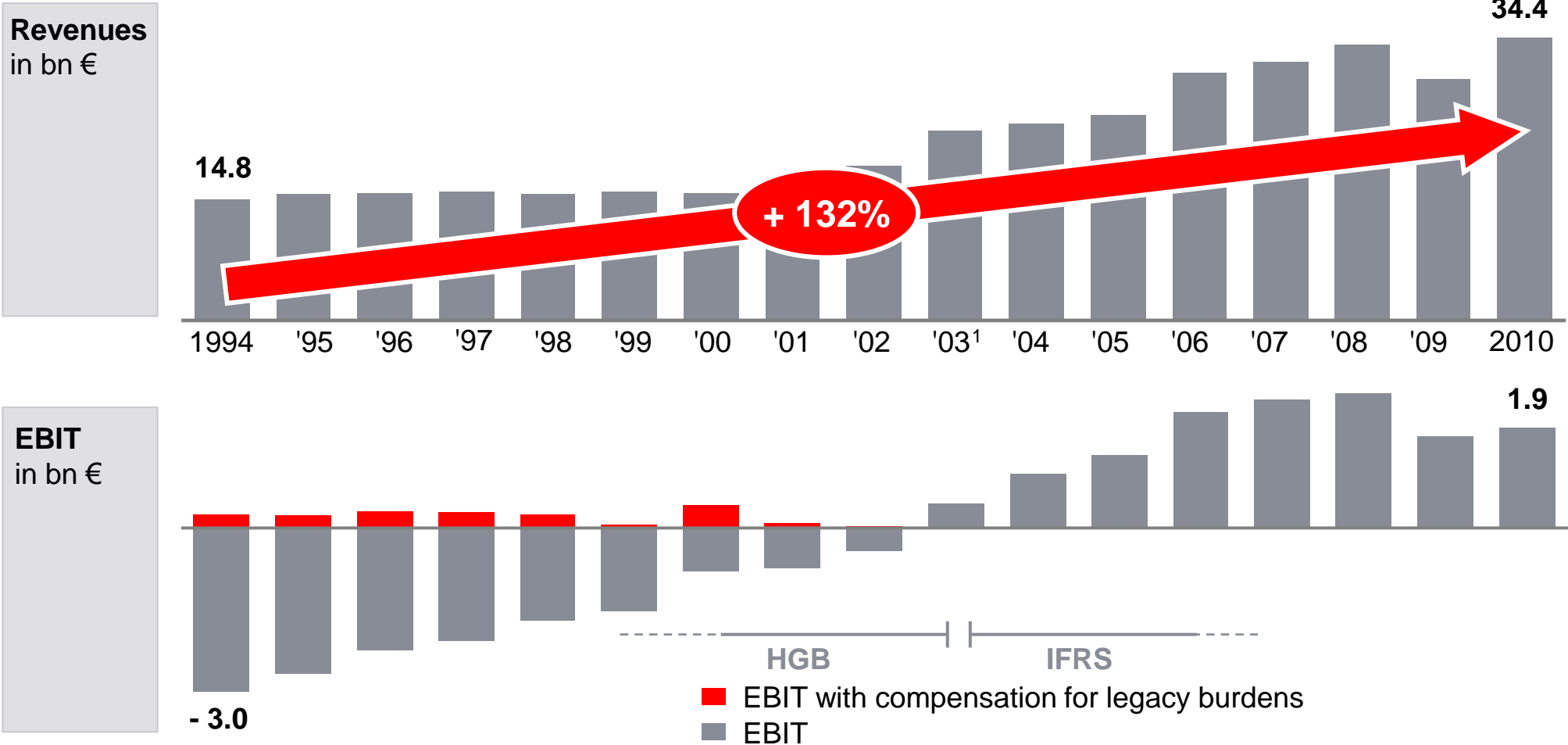
DB Services³⁾

Integrated range of services

1) Within Germany as well as cross border traffic; 2) In UK 'CrossCountry' as well; 3) Business unit is assigned to the Rail Technology and Services division

Since the reform of the railway system in 1994, DB has shown a positive track-record in its revenue as well as EBIT performance

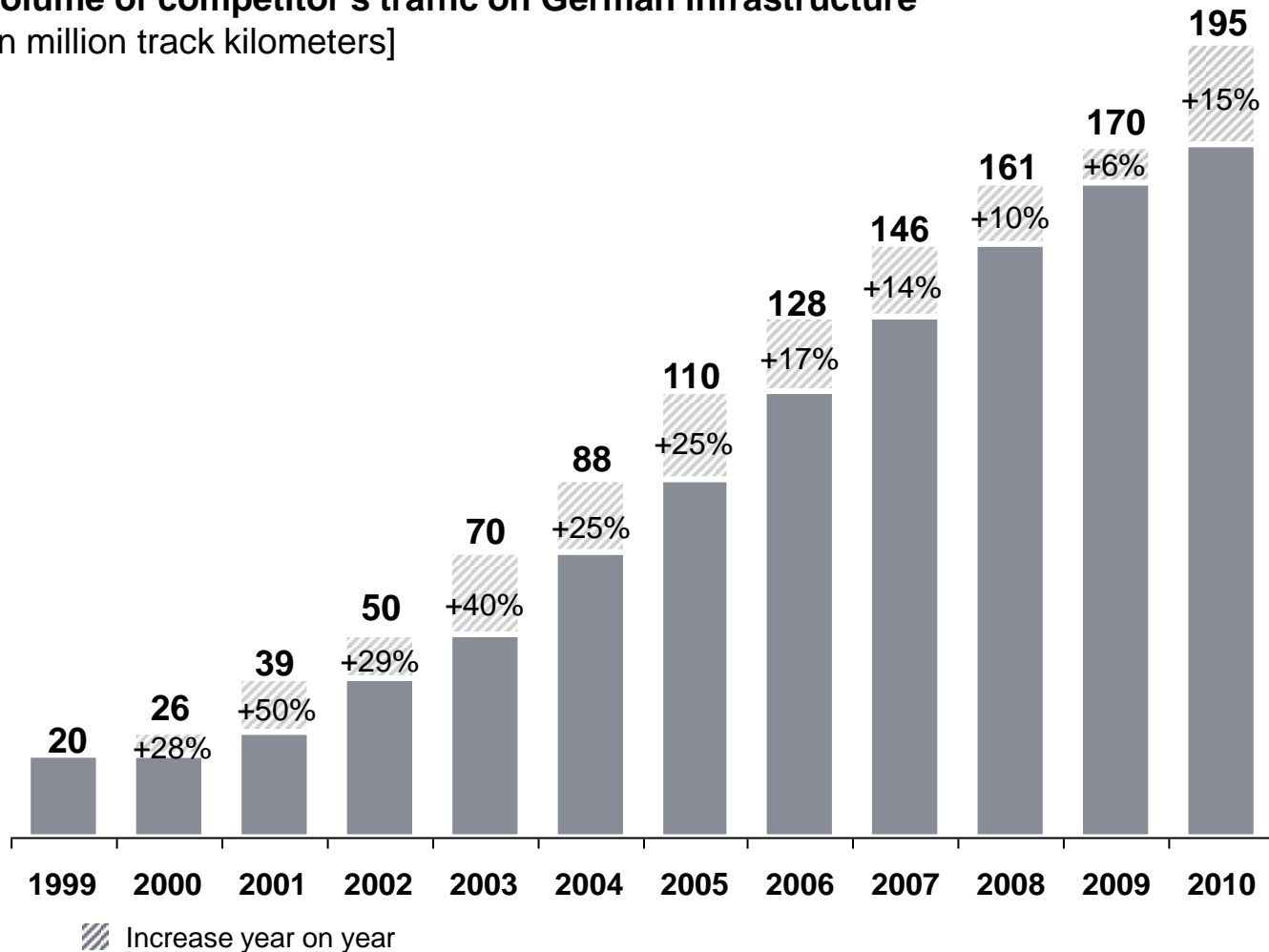
Development of DB Group



As of December 31, 2011; 1) Revenue 2003 has been adjusted for effects from Stinnes acquisition

DB's financial performance is especially noticeable with respect to an increasing competition in its home market

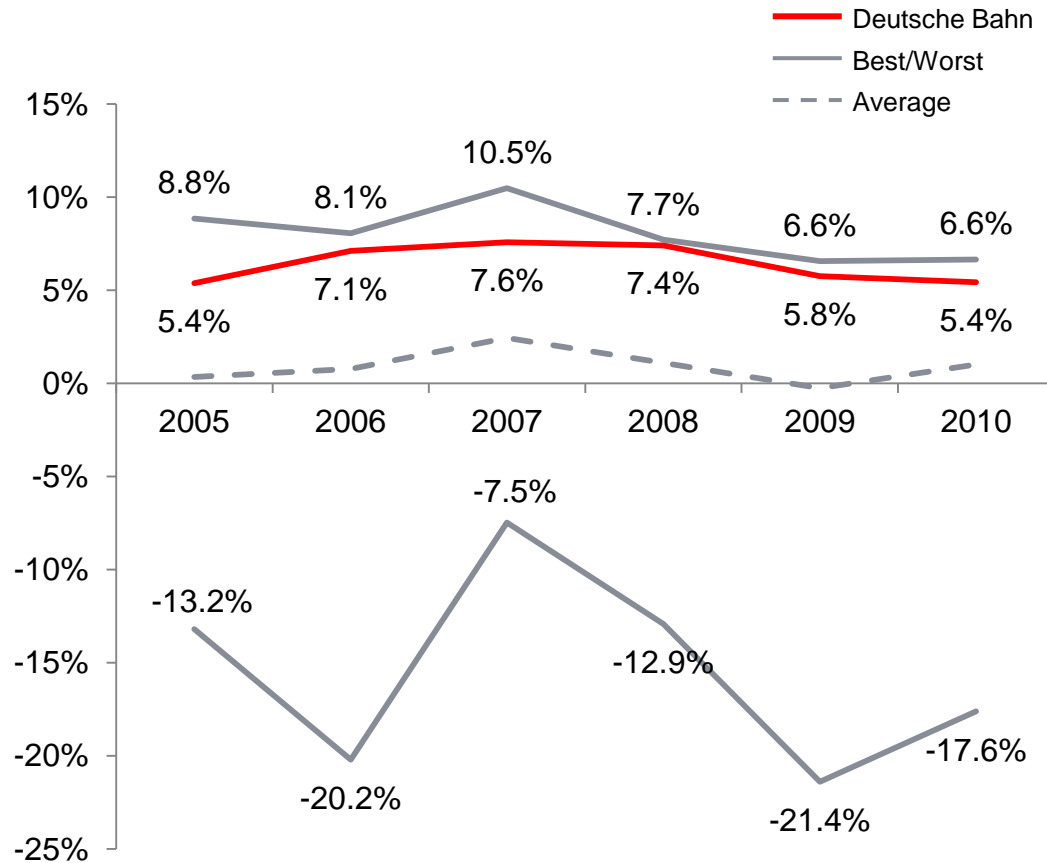
Volume of competitor's traffic on German infrastructure
[in million track kilometers]



- Total competitor's traffic volume on German infrastructure increased to 19.1% in 2010
- Competition especially on profitable trunk lines in freight transport and tendered regional services

DB has made a significant effort increasing its profitability – however, we are not yet prepared to go public

EBIT-margin of European competitors¹



- Deutsche Bahn has a stable EBIT-Margin well above European average
- Other European player with structural challenges, i.e. high pension obligations and supernumerous staff
- Some state entities without clear aim to earn money distort fair competition in the market

Source: Annual Reports, Press

1) 12 European public and private competitors

Competition in the German railway transport markets is characterized by railway undertakings in public ownership

Competitors in German railway transport markets¹

- 9th largest provider in regional passenger transport (**Abellio**), market share: 0.8% (2010)

- 2nd largest provider in freight transport (incl. **Captrain, ITL**), market share: 5.7% (2009)
- 6th largest provider in regional passenger transport (**Keolis**), market share: 1.8% (2010)

- 4th largest provider in freight transport (**OHE, TX Logistik**), market share: 2.7% (2009)
- 3rd largest provider in regional passenger transport (**Netinera**), market share: 3.3% (2010)



- Owner: City of Karlsruhe
- 5th largest provider in regional passenger transport, market share: 1.8% (2010)

- Owner: Federal Land Hesse
- 7th largest provider in regional passenger transport, market share: 1.4% (2010)

- Owner: City of Hamburg (51%)
- 4th largest provider in regional passenger transport, market share: 1.3% (2010)

- Owner: City of Cologne (93.8%)
- 5th largest provider in freight transport, market share: 2.1% (2009)

- 3rd largest provider in freight transport, market share: 2.8% (2009)
- 14th largest provider in regional passenger transport, market share: 0.3% (2010)

1) Market shares in freight transport in terms of transport volume, in passenger transport in terms of train kilometers

Source: VDV

The railway sector needs some questions answered on how its future is desired by politics

Future requirements

Primary goal: Increase competitiveness and market attractiveness on the basis of fair competition and achieve system efficiency benefiting customers and public budgets to attract private capital to the sector

From our point of view, the following needs to be done:

- Full **liberalization** and nondiscriminatory market access
- **Common standards of regulation** in Europe uniformly applied by strong and independent rail regulators
- European framework to allow for **efficient structural rail models** and incentives for economic behavior of railway undertaking and infrastructure manager
- Removal of **technical barriers** (e.g. certification of rolling stock) and re-orienting **relation with rail manufacturers** (standardization, quality, cost)
- Long term stability in **infrastructure finance** and framework for **fair intermodal competition**