

Financial report 2007

Deutsche Bahn Finance B.V.

Amsterdam

Contents

Annual report of the directors	3
Annual report of the directors	4
Annual accounts	5
Balance sheet as at 31 December 2007	6
Profit and loss account 2007	8
Notes to the balance sheet and profit and loss account	9
Other information	17
Profit appropriation according to the Articles of Association	18
Auditors' report	19

Annual report of the directors

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Annual report of the directors

We have pleasure in presenting the Annual Report of Deutsche Bahn Finance B.V. (hereafter the Company) for the year ended 31 December 2007. We have considered the annual accounts and recommend that the shareholder approve these accounts at the Annual General Meeting.

Activities and group structure

The Company was incorporated in Amsterdam on 16 September 1994. The Company is a wholly owned subsidiary of Deutsche Bahn AG, Germany. The Company is incorporated in the Netherlands with its statutory seat in Amsterdam and acts as a finance company for the Deutsche Bahn Group. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 31 December 2007, the total book value of the bonds outstanding was TEUR 10,197,668 (2006: TEUR 11,196,890). The annual accounts are prepared in TEUR.

Result for the period

The profit for the year after taxation amounts to TEUR 6,905 (2006: TEUR 6,481).

Risk management

Risk management of the company is based on the policy that almost all interest and currency risks are naturally hedged. It is managed by means of back to back funding of the initiated loans in the respective currencies and interest profiles. Therefore, the Company has no currency exposure on the nominal loan amounts in foreign currencies and the interest margin is fixed. The credit risks are covered by a guarantee issued by Deutsche Bahn AG. We refer to the notes of the financial statements.

Events after balance sheet date

There were no post balance sheet events to be mentioned in this Report.


Future developments

The Company will continue its operations as a group finance company for the foreseeable future.

Amsterdam, 18 June 2008

The Directors,


W. Reuter


Deutsche International Trust Company N.V.

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Annual accounts

Balance sheet as at 31 December 2007

(before proposed appropriation of result)

	Notes	31 December 2007		31 December 2006	
		TEUR	TEUR	TEUR	TEUR
Assets					
Fixed assets					
Financial fixed assets:					
- loans receivable from group companies	2.1.	9,082,939		9,746,987	
- inter-company Deutsche Bahn AG		31,890		34,020	
			9,114,829		9,781,007
Current assets					
Interest receivable on inter-company loans		274,730		246,974	
Inter-company loans receivable	2.1.	1,114,424		1,467,336	
Cash and bank balances		54		9	
			1,389,208		1,714,349
			<u>10,504,037</u>		<u>11,495,356</u>

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

	Notes	31 December 2007		31 December 2006	
		TEUR	TEUR	TEUR	TEUR
Liabilities					
Shareholders' equity					
Share capital	2.2.	100		100	
Retained earnings	2.3.	28,978		22,497	
Profit for the year		6,905		6,481	
			35,983		29,078
Long-term debt					
Long-term bonds	2.4.	9,083,132		9,747,236	
			9,083,132		9,747,236
Current liabilities					
Interest payable on bonds		264,234		261,895	
Short-term bonds	2.5.	1,114,536		1,449,654	
Inter-company payable Deutsche Bahn AG		5,421		5,147	
Expired Bonds and coupons not yet collected		545		2,068	
Corporate taxes payable		131		229	
Accrued expenses		55		49	
			1,384,922		1,719,042
			10,504,037		11,495,356

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Profit and loss account 2007

		2007		2006
		TEUR	TEUR	TEUR
Financial income				
Interest on inter-company loans		533,999		528,321
Release of discount on loans receivable		13,374		13,305
Other interest		1,222		1,339
			548,595	542,965
Financial expense				
Interest expense		513,960		507,787
Amortisation/discount on bonds issued		13,367		13,035
Other interest		-		907
Exchange difference		163		403
			527,490	522,132
Net financial income			21,105	20,833
Other expenses				
Guarantee fee	3.2	10,835		10,840
Bond-issue costs		715		522
General and administrative expenses		291		266
			11,841	11,628
Net result before taxation			9,264	9,205
Taxation on result from ordinary operations	3.3		2,359	2,724
Net result after taxation			6,905	6,481

Notes to the balance sheet and profit and loss account

1 Accounting principles

1.1 Activities and group structure

The Company was incorporated in Amsterdam on 16 September 1994. The Company is a wholly owned subsidiary of Deutsche Bahn AG, Germany. The Company is incorporated in the Netherlands with its statutory seat in Amsterdam and acts as a finance company for the Deutsche Bahn Group. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 31 December 2007, the total book value of the bonds outstanding was TEUR 10,197,668 (2006: TEUR 11,196,890).

The Company is party to a EUR 2,000,000,000 multi-currency commercial paper programme, arranged by Deutsche Bahn AG in October 1994, re-denominated into EUR (previously DEM) in January 1999 and increased from EUR 1,000,000,000 to EUR 2,000,000,000 in December 2003, under which the Company can issue notes, together with Deutsche Bahn AG.

The Company is party to a EUR 10,000,000,000 debt issuance programme, arranged by Deutsche Bahn AG in May 2001. The programme was increased from EUR 5,000,000,000 to EUR 10,000,000,000 in August 2003. This instrument enables the Company to issue all kinds of bonds in different currencies and with different maturity dates.

The proceeds were used to finance Deutsche Bahn AG in Berlin or other companies of Deutsche Bahn Group.

1.2 General

The annual accounts are prepared in accordance with Titel 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The annual accounts are prepared in TEUR. Assets and liabilities are valued at face value, unless otherwise indicated. The principles of valuation and determination of result remained unchanged compared to the prior year.

1.3 Foreign exchange

Balance sheet items relating to assets and liabilities denominated in currencies other than EUR are translated at the rate of exchange prevailing on balance sheet date. The resulting exchange rate differences are credited or charged to the profit and loss account.

The Company manages its exchange exposure by means of back to back funding of the initiated loans in the respective currencies. Therefore, the Company has no currency exposure on the nominal loan amounts in foreign currencies. Exchange results arise from settlement and translation and are charged or credited to the profit and loss account.

The company's functional currency is EURO.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

1.4 Related parties

All companies belonging to the Deutsche Bahn AG group are considered to be related parties. The parent company and intermediate parents of the Company are also considered to be related parties.

1.5 Financial fixed assets

Financial fixed assets relate to the inter-company loans receivables and the inter-company account with Deutsche Bahn AG. The inter-company loans receivables are stated at nominal value minus the value of the discount at year-end net of any provision considered necessary.

1.6 Impairment

At each balance sheet date, the company tests whether there are any indications of receivables being subject to impairment. If any such indications are present, the recoverable amount of the receivable is determined. An receivable is subject to impairment if its carrying amount exceeds its recoverable amount. An impairment loss is directly recognised as an expense in the income statement. As at December 31, 2007 no impairment loss is recognised.

1.7 Cash at banks

Cash represents cash in hand and bank balances.

1.8 Financial income

Financial income represents the interest income on inter-company loans recognised, the release of discounts on these loans as well as other interest income.

1.9 Financial expense

Financial expense represents the interest expenses on outstanding bonds, the amortisation of discounts/premiums on these bonds as well as other interest expenses.

1.10 Discount/premium on bond and loan issues

Discounts/premiums arising on the issue of inter-company loans and the issue of bonds are respectively released, amortised on a straight-line basis over the term of the loans/bonds.

1.11 Guarantee fee

Guarantee fee represents the costs relating to the guarantee issued by Deutsche Bahn AG in relation to the redemption of the bonds and the payment of interest thereon. The guarantee fee amounts to 0.1% of the issued bonds per annum. The outstanding balance at year-end relating to the guarantee fee is part of the inter-company payable with Deutsche Bahn AG.

1.12 Bond issue costs

Bond issue costs relate to the marketing costs of new bonds issued. These costs include road shows, conferences, hotel and travelling expenses. These costs are recognised on the historical cost convention and are expensed in the reporting year the bond was issued.

1.13 General and administrative expenses

General and administrative expenses relate to professional fees and other office expenses.

1.14 Taxation

The provision for income tax is based on taxable income, which is defined under a specific Advanced Pricing Agreement for the Company applicable up to and including the financial year 2007.

1.15 Cash flow statement

The Company does not draw up a cash flow statement, because its capital is entirely contributed directly or indirectly by Deutsche Bahn Group which prepares an equivalent cash flow statement included in its annual accounts. The annual accounts of Deutsche Bahn Group are available at the address of the Company, being Herengracht 450, 1017 CA Amsterdam, The Netherlands.

1.16 Risk management

General

The company has limited exposure to currency risk, interest rate risk and credit risks. These risks are actively managed via natural hedged. Risks are closely managed as following:

- Currency risk

The Company manages its exchange exposure by means of back to back funding of the initiated loans in the respective currencies. Therefore, the Company has no currency exposure on the nominal loan amounts in foreign currencies.

- Interest rate risk

The company obtains a set margin on the back to back funding. Its margin is therefore fixed and interest rate risk is minimised.

- Credit risk

The company has limited credit risks in connection with providing to loans of companies belonging to the Deutsche Bahn AG - Group. A guarantee has been issued by Deutsche Bahn AG which limits the credit risk for the company.

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

2 Notes to the balance sheet

2.1 Financial fixed assets

	Loans receivable from group companies	Inter- company Deutsche Bahn AG	Total
	TEUR	TEUR	TEUR
1 January 2007			
Inter-company account opening			
Balance	-	34,020	34,020
Loans granted	9,808,130	-	9,808,130
Loan discounts	-61,143	-	-61,143
Book value	9,746,987	34,020	9,781,007
Movements 2007			
New loans granted	758,277	-	758,277
Discount/Premium on new loans	-5,760	-	-5,760
Amortisation of discounts/premiums	12,425	-	12,425
Early Repayment of Loans	-158,277	-	-158,277
Foreign exchange revaluation	-156,289	-	-156,289
Reclassification Loans	-1,114,424	-	-1,114,424
Increase inter-company loan	-	-2,130	-2,130
31 December 2007	9,082,939	31,890	9,114,829
31 December 2007			
Loans granted	9,135,659		
Loan discounts	-52,720		
Book value	9,082,939		

Loans to group companies included in financial assets are stated at face value net of any provisions considered necessary.

Deferred premiums and discounts on loans to group companies are amortized over the term of the loans.

The interest rate charged on loans to group companies vary between 1.305% and 7.1%, depending on the respective currency, maturity and market conditions.

Inter-company loans receivable

31 December 2007

Loans granted	1,115,232
Loan discounts	-808

Book value	1,114,424
-------------------	-----------

2.2 *Shareholder's equity*

Share capital

The authorised share capital of Deutsche Bahn Finance B.V. is composed of 1,000 shares, with a nominal value of EUR 500 per share. The authorised share capital amounts to EUR 500,000.

Called-up and paid-in share capital

	31 Dec 2007	31 Dec 2006
	TEUR	TEUR
200 ¹ shares of EUR 500 each	100	100

2.3 *Retained earnings*

	31 Dec 2007	31 Dec 2006
	TEUR	TEUR
Balance at January 1	22,497	16,700
Result for the previous period	6,481	5,797
	28,978	22,497

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

2.4 Long-term debt

The total amount of Bonds outstanding can be specified as follows:

	2007 TEUR	2006 TEUR
Bonds Issued	9,135,960	9,808,429
Remaining discount on Bonds	-52,828	-61,193
Book value	<u>9,083,132</u>	<u>9,747,236</u>

Re-payment schedule for long-term debt

		31 December 2007		31 December 2006		
Term 1 – 5 years	Term > 5 years	Average coupon	Total	Average coupon	Total	
EUR	EUR		EUR		EUR	
Bonds						
Bonds issued in EUR	2,867,000	4,650,000	4.90%	7,517,000	4.91%	7,683,938
Bonds issued in CHF	226,627	-	2.31%	226,627	2.59%	388,948
Bonds issued in DKK	-	-	-	-	5.25%	53,648
Bonds issued in HKD	21,777	21,777	5.49%	43,554	5.49%	48,824
Bonds issued in JPY	30,316	333,475	1.61%	363,791	1.61%	382,336
Bonds issued in NOK	-	-	-	-	7.00%	48,555
Bonds issued in SEK	-	-	-	-	5.50%	44,246
Bonds issued in USD	984,988	-	5.10%	984,988	5.12%	1,157,934
Discount on bonds	-17,089	-35,739	-	-52,828	-	-61,193
	<u>4,113,619</u>	<u>4,969,513</u>		<u>9,083,132</u>		<u>9,747,236</u>

2.5 Short-term debt

The short-term bonds consist of the following

	<u>31 Dec 2007</u>	<u>31 Dec 2006</u>
	TEUR	TEUR
Bonds	1,115,232	1,450,610
Discount	<u>696</u>	<u>956</u>
	1,114,536	1,449,654

Summary of short-term bonds, which will become due in year 2008

Face value in TEUR	Currency	Amount in thousands	Interest per annum	Issue date	Maturity date	Ratio	Stock Exchange Listing
766,938	DEM	1,500,000	5.00%	10.06.1998	10.06.2008	99.186%	Frankfurt/Berlin
50,264	NOK	400,000	7.00%	08.10.2001	08.10.2008	99.735%	Luxembourg
42,366	SEK	400,000	5.50%	08.10.2001	08.10.2008	99.658%	Luxembourg
53,632	DKK	400,000	5.25%	08.10.2001	08.10.2008	99.79%	Luxembourg
151,084	CHF	250,000	3.00%	16.08.2002	16.12.2008	98.83%	Switzerland
50,948	USD	75,000	5.343%	20.09.2002	15.01.2008	100.000%	Luxembourg
Total		<u>1,115,232</u>					

3 Notes to the profit and loss account

3.1 Employee information

The company has two directors and no employees. The directors received no emoluments in the current and previous year.

3.2 Guarantee fee

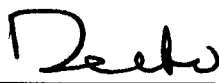
	<u>2007</u> TEUR	<u>2006</u> TEUR
Guarantee fee	<u>10,835</u>	<u>10,840</u>
Total	10,835	10,840

3.3 Taxation on result

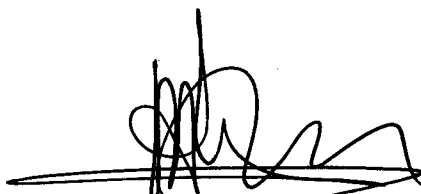
	<u>2007</u> TEUR	<u>2006</u> TEUR
Taxable amount	9,264	9,205
Tax expense based on nominal tax rate (25.5%)	2,359	
Tax expense based on nominal tax rate (29.6%)		2,724

Amsterdam, 18 June 2008

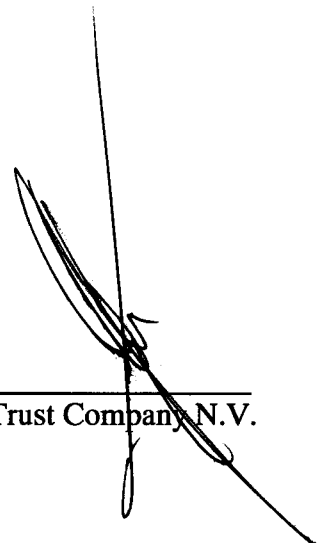
The Directors,



W. Reuter



Deutsche International Trust Company N.V.



Other information

Profit appropriation according to the Articles of Association

In accordance with Article 20 of the Articles of Association, the result after taxation is at the disposal of the Shareholder at the Annual General Meeting.

Proposed profit appropriation

For the year 2007, management proposed to add the result after taxation to the other reserves. The appropriation of profit is not reflected in these annual accounts.

Post Balance Sheet Events

No significant events occurred after the balance sheet date.

Auditor's report

The Auditor's report is presented on the next page.

To the Board of Directors of Deutsche Bahn Finance B.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2007 of Deutsche Bahn Finance B.V., Amsterdam as set out on pages 5 to 16 which comprise the balance sheet as at 31 December 2007, the profit and loss account for the year then ended and the notes.

The directors' responsibility

The managing directors of the company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Reference: RvA/e0063100

PricewaterhouseCoopers is the trade name of among others the following companies: PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287) and PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289). The services rendered by these companies are governed by General Terms & Conditions, which include provisions regarding our liability. These General Terms & Conditions are filed with the Amsterdam Chamber of Commerce and can also be viewed at www.pwc.com/nl

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Deutsche Bahn Finance B.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the directors report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 18 June 2008
PricewaterhouseCoopers Accountants N.V.

Originally signed by R.E.H.M. van Adrichem RA