

**unaudited Financial report
for the six-month period ending
30 June 2010
Deutsche Bahn Finance B.V.
Amsterdam**

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Interim report of the directors

Interim report of the directors

We have pleasure in presenting the interim Report of Deutsche Bahn Finance B.V. (hereafter the Company) for the six-month period ended 30 June 2010.

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 30 June 2010, the total book value of the bonds outstanding was in thousands of EUR 9,842,161 (31 December 2009: in thousands of EUR 10,015,146).

The interim accounts are prepared in thousands of EUR.

Result for the period

The profit for the period until 30 June 2010 after taxation amounts to thousands of EUR 3,083 (same period 2009: thousands of EUR 2,956).

Risk management

Risk management of the company is based on the policy that almost all interest and currency risks are hedged via back to back on lending within the group. 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

As per 9 July 2010 the company issued 3.75% EUR 500 million Notes, due 9 July 2025. The proceeds of this issue have been on lent to Deutsche Bahn AG, Berlin at a consideration of 3.91% and with the same maturity.

There were no other 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.

Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the period ending 30 June 2010 give a true and fair view of the assets, liabilities, financial position and profit and loss of the company; the management report specifies the most important events of the reporting period and their effects on the financial statements; necessary estimates have been made with due care.”

Amsterdam, 20 July 2010

The Directors,



W. Reuter



Deutsche International Trust Company N.V.

**Interim Financial report for the six-month period ending 30 June
2010**

Balance sheet as at 30 June 2010

(before proposed appropriation of result)

	Notes	30 June 2010		31 December 2009		30 June 2009	
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Assets							
Non-current assets							
Financial assets:							
- loans receivable from group companies	2.1.	8,661,067		9,015,134		7,868,196	
- inter-company Deutsche Bahn AG		46,960		44,334		41,118	
			8,708,027		9,059,468		7,909,314
Current assets							
Interest receivable on inter-company loans		241,736		267,483		270,944	
Inter-company loans receivable	2.1.	1,180,384		999,458		2,365,512	
Prepaid Corporate taxes		1,281		328		1,379	
Cash and bank balances		413		57		21	
			1,423,814		1,267,326		2,637,856
			10,131,841		10,326,794		10,547,170

		30 June 2010		31 December 2009		30 June 2009	
	Notes	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Liabilities							
Shareholders' equity							
Share capital	2.2.	100		100		100	
Retained earnings	2.3.	48,677		42,780		42,780	
Profit for the period		3,083		5,897		2,956	
			51,860		48,777		45,836
Non-current liabilities							
Long-term bonds	2.4.	8,661,909		9,015,680		7,868,379	
			8,661,909		9,015,680		7,868,379
Current liabilities							
Interest payable on bonds		232,025		257,012		260,973	
Short-term bonds	2.5.	1,180,252		999,466		2,365,818	
Inter-company payable							
Deutsche Bahn AG		5,264		5,333		5,652	
Expired bonds and coupons							
Not yet collected		471		473		482	
Accrued expenses		60		53		30	
			1,418,072		1,262,337		2,632,955
			10,131,841		10,326,794		10,547,170

Profit and loss account for the period

		ending 30 June 2010		ending 30 June 2009
	EUR'000	EUR'000	EUR'000	EUR'000
Financial income				
Interest on inter-company loans	240,526		242,402	
Release of discount on loans receivable	4,943		5,913	
Other interest	60		248	
		245,529		248,563
Financial expense				
Interest expense	231,151		233,363	
Amortisation/discount on bonds issued	4,982		5,984	
Exchange difference	56		1	
		236,189		239,348
Net financial income		9,340		9,215
Other expenses				
Guarantee fee	3.2	5,053	4,958	
Bond-issue costs		57	131	
General and administrative expenses		106	173	
		5,216		5,262
Net result before taxation		4,124		3,953
Taxation on result from ordinary operations	3.3	1,041		997
Net result after taxation		3,083		2,956

Cash flow statement

	<u>Six-month period</u> <u>until 30 June 2010</u> EUR'000	<u>2009</u> EUR'000
Cash flows from operating activities		
Cash generated from operations:		
Interest received	285,207	454,653
Interest paid	(274,836)	(437,281)
Expenses paid	(5,394)	(9,731)
Income tax paid	(1,993)	(2,282)
Net cash from operating activities	2,984	5,359
Cash flows from financing activities		
Inter-company Deutsche Bahn AG	(2,626)	(5,300)
Net cash from financing activities	(2,626)	(5,300)
Cash flows from investment activities		
Issuance of long-term bonds	497,005	2,030,039
Issuance of long-term loans	(497,005)	(2,029,749)
Repayment of long-term bonds	(1,000,002)	(1,367,008)
Repayment of long-term loans	1,000,000	1,366,700
Dividends paid		
Net cash used in finance activities	(2)	(18)
Net cash flows	356	41
Cash and cash equivalents		
	30-06-2010	31-12-2009
Balance as at 1 January	57	16
Movement for the year	356	41
Balance as at 31 December	413	57

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 30 June 2010, the total book value of the bonds outstanding was in thousands of EUR 9,842,161 (31 December 2009: in thousands of EUR 10,015,146).

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 15,000,000,000 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 and finally to EUR 15,000,000,000 in July 2009. 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.

The programme has been updated as per 31 May 2010.

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 thousands of EUR. 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.

Cash flows in foreign currencies in the cash flow statement have been translated at exchange rates prevailing at the date the transactions took place.

1.4 Related parties

All companies belonging to the Deutsche Bahn 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 assets

Financial 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. Impairment of financial fixed assets as at balance sheet date if any, is taken into account in the valuation of these assets.

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. A 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 June 30, 2010 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 period until 30 June 2010.

1.15 Cash flow statement

The cash flow statement has been prepared applying the direct method. The cash and cash equivalents in the cash flow statement comprise the balance sheet items inter-company Deutsche Bahn AG and cash and bank balances.

Cash flows in foreign currencies have been translated at exchange rates prevailing at the date the transactions took place. Receipts and payments of interest and corporate income tax are included in the cash flow from operating activities.

1.16 Risk management

General

The company has limited exposure to currency risk, interest rate risk and credit risk. These risks are actively managed via natural hedging. 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 Group.

2 Notes to the balance sheet

2.1 Financial assets

	Loans receivable from group companies	Inter- company Deutsche Bahn AG	Total
	EUR'000	EUR'000	EUR'000
1 January 2010			
Inter-company account opening			
Balance	-	44,334	44,334
Loans granted	9,060,982	-	9,060,982
Loan discounts	-45,548	-	-45,548
Book value	9,015,134	44,334	9,059,468
Movements 2010			
Amortisation of discounts/premiums	4,982	-	4,982
New loan granted	497,005	-	1,490,250
Foreign exchange revaluation	324,330	-	-668,915
Reclassification Loans	-1,180,384	-	-1,180,384
Increase inter-company loan	-	2,626	2,626
30 June 2010	8,661,067	46,960	8,708,027
30 June 2010			
Loans granted	8,704,970		
Loan discounts	-43,903		
Book value	8,661,067		

Loans to group companies included in financial assets are stated at the fair value of the amount owed, which normally consists of its 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 6.15%, depending on the respective currency, maturity and market conditions.

Inter-company loans receivable

30 June 2010

Loans granted	1,181,649
Loan discounts	-1,265
Book value	<u>1,180,384</u>

The remaining lifetime of these loans is less than 1 year and therefore considered as short-term.

The total market value of outstanding loans is EUR 10,654 million.

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

	<u>30 June 2010</u>	<u>31 Dec 2009</u>
	EUR'000	EUR'000
200 shares of EUR 500 each	100	100
	<u> </u>	<u> </u>

2.3 *Retained earnings*

	<u>30 June 2010</u>	<u>31 Dec 2009</u>
	EUR'000	EUR'000
Balance at January 1	42,780	35,883
Result for the previous period	5,897	6,897
	<u>48,677</u>	<u>42,780</u>

2.4 Non-current liabilities

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

	30 June 2010 EUR'000	31 Dec 2009 EUR'000
Bonds Issued	8,704,970	9,060,982
Remaining discount on Bonds	-43,061	-45,302
Book value	<u>8,661,909</u>	<u>9,015,680</u>

Re-payment schedule for long-term debt

		30 June 2010		31 December 2009		
Term 1 – 5 years	Term > 5 years	Average Coupon	Total	Average coupon	Total	
EUR	EUR		EUR		EUR	
Bonds						
Bonds issued in EUR	1,250,000	6,500,000	4.55%	7,750,000	4.62%	7,250,000
Bonds issued in CHF	282,315	-	2.31%	282,315	2.31%	252,765
Bonds issued in HKD	52,330	-	5.49%	52,330	5.49%	44,760
Bonds issued in JPY	551,400	68,925	1.61%	620,325	1.61%	506,925
Bonds issued in USD	-	-	-	-	5.10%	1,006,532
Discount on bonds	-5,153	-37,908		-43,061		-45,302
	<u>2,130,892</u>	<u>6,531,017</u>		<u>8,661,909</u>		<u>9,015,680</u>

2.5 Short-term bonds

The short-term bonds consist of the following

	<u>30 June 2010</u>	<u>31 Dec 2009</u>
	EUR'000	EUR'000
Bonds	1,181,649	1,000,000
Discount	<u>1,397</u>	<u>534</u>
	1,180,252	999,466

Summary of short-term bonds, which will become due before 30 June 2011

Face value in EUR'000	Currency	Amount in thousands	Interest per annum	Issue date	Maturity date	Ratio	Stock Exchange Listing
203,733	USD	250,000	5.0%	16.06.2004	16.06.2011	99.463%	Luxembourg
325,972	USD	400,000	5.125%	30.06.2006	05.01.2011	97.273%	Luxembourg
651,944	USD	800,000	5.125%	05.01.2006	05.01.2011	99.639%	Luxembourg
<u>1,181,649</u>							

The total market value of outstanding bonds is EUR 10,646 million.

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

	Period until: 30 June 2010 EUR'000	30 June 2009 EUR'000
Guarantee fee	<u>5,053</u>	<u>4,958</u>
Total	5,053	4,958

3.3 Taxation on result

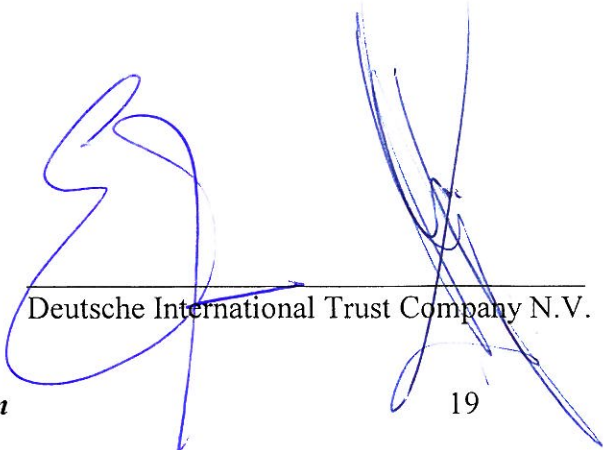
	Period until: 30 June 2010 EUR'000	30 June 2009 EUR'000
Taxable amount	4,124	3,953
Tax expense based on nominal tax rate (25.5%)	1,041	997

Amsterdam, 20 July 2010

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.

Post Balance Sheet Events

No significant events occurred after the balance sheet date.