

**Financial report 2010**  
**Deutsche Bahn Finance B.V.**  
**Amsterdam**

PricewaterhouseCoopers Accountants N.V.  
For identification purposes only



## Contents

<b>Annual report of the directors</b>	<b>3</b>
Annual report of the directors	4
<b>Annual accounts</b>	<b>6</b>
Balance sheet as at 31 December 2010	7
Profit and loss account 2010	9
Cash flow statement 2010	10
Notes to the balance sheet and profit and loss account	11
<b>Other information</b>	<b>20</b>
Profit appropriation according to the Articles of Association	21
Auditors' report	22

**Annual report of the directors**

*Deutsche Bahn Finance B.V., Amsterdam*

3

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 2010. 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 through the issue of bearer bonds on different stock exchanges in Europe. As per 31 December 2010, the total book value of the bonds outstanding was in thousands of EUR 11,777,292 (2009: in thousands of EUR 10,015,146). The annual accounts are prepared in thousands of EUR.

The office address of the Company is Herengracht 450, Amsterdam.

### **Result for the period**

The profit for the year after taxation amounts to thousands of EUR 6,055 (2009: thousands of EUR 5,897).

### **Risk management**

Risk management of the company is based on the policy that the interest and currency risks are hedged via back to back on lending within the group. 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. No significant changes are expected in respect of financial income, solvency or liquidity. There are no significant deviations from previous expectations or uncertainties.

**Responsibility Statement**

“The Managing Directors of the Company hereby declare that to the best of their knowledge and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the year ending 31 December 2010 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and that the Director’s report referred to above gives a true and fair view concerning the position as per the balance sheet date, the development and performance of the business during the financial year of the Company together with a description of the principal risks that it faces.”

Amsterdam, 29 March 2011

The Directors,



W. Reuter



Deutsche International Trust Company N.V.

## **Annual accounts**

*Deutsche Bahn Finance B.V., Amsterdam*

6

PricewaterhouseCoopers Accountants N.V.  
For identification purposes only



**Balance sheet as at 31 December 2010**  
**(before proposed appropriation of result)**

	Notes	31 December 2010		31 December 2009	
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Assets</b>					
<b>Non-current assets</b>					
<b>Financial assets:</b>					
- loans receivable from group companies	2,1	10.446.482		9.015.134	
- inter-company Deutsche Bahn AG		55.716		44.334	
			10.502.198		9.059.468
<b>Current assets</b>					
Interest receivable on inter-company loans		262.010		267.483	
Inter-company loans receivable	2,1	1.324.946		999.458	
Prepaid Corporate taxes		264		328	
Cash at banks	2,2	307		57	
			1.587.527		1.267.326
			12.089.725		10.326.794

	Notes	31 December 2010		31 December 2009	
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Liabilities</b>					
<b>Shareholders' equity</b>					
Share capital	2,3	100		100	
Retained earnings	2,4	48.677		42.780	
Profit for the year		6.055		5.897	
			54.832		48.777
<b>Non-current liabilities</b>					
Long-term bonds	2,5	10.452.683		9.015.680	
			10.452.683		9.015.680
<b>Current liabilities</b>					
Interest payable on bonds	2,6	251.479		257.012	
Short-term bonds		1.324.609		999.466	
Inter-company payable					
Deutsche Bahn AG		5.589		5.333	
Expired Bonds and coupons not yet collected		467		473	
Accrued expenses		66		53	
			1.582.210		1.262.337
			12.089.725		10.326.794



## Profit and loss account 2010

		2010		2009	
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Financial income</b>	3,2				
Interest on inter-company loans		478.786		473.586	
Release of discount on loans receivable		9.937		10.637	
Other interest		198		305	
			488.921		484.528
<b>Financial expense</b>	3,2				
Interest expense		459.575		455.617	
Amortisation/discount on bonds issued		9.959		10.762	
Exchange difference		362		23	
			469.896		466.402
<b>Net financial income</b>			19.025		18.126
<b>Other expenses</b>					
Guarantee fee	3,3	10.403		9.734	
Bond-issue costs		249		134	
General and administrative expenses		261		357	
			10.913		10.225
<b>Net result before taxation</b>			8.112		7.901
Taxation on result from ordinary operations	3,4		2.057		2.004
<b>Net result after taxation</b>			6.055		5.897

## Cash flow statement 2010

	<u>2010</u> EUR'000	<u>2009</u> EUR'000
<b>Cash flows from operating activities</b>		
Cash generated from operations:		
Interest received	496.863	454.653
Interest paid	(477.694)	(437.281)
Expenses paid	(10.825)	(9.731)
Income tax paid	(1.993)	(2.282)
<b>Net cash from operating activities</b>	<u>6.351</u>	<u>5.359</u>
<b>Cash flows from investment activities</b>		
Issuance of long-term loans	(2.466.983)	(2.029.749)
Repayment of long-term loans	1.000.000	1.366.700
Inter-company Deutsche Bahn AG	(11.382)	(5.300)
<b>Net cash from investment activities</b>	<u>(1.478.365)</u>	<u>(668.349)</u>
<b>Cash flows from financing activities</b>		
Issuance of long term bonds	2.472.269	2.030.039
Repayment of long term bonds	(1.000.005)	(1.367.008)
<b>Net cash from financing activities</b>	<u>1.472.264</u>	<u>663.031</u>
<b>Net cash flows</b>	<b>250</b>	<b>41</b>
<b>Cash and cash equivalents</b>		
Balance as at 1 January	31-12-2010 57	31-12-2009 16
Movement for the year	250	41
<b>Balance as at 31 December</b>	<u>307</u>	<u>57</u>

## 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 2010, the total book value of the bonds outstanding was in thousands of EUR 11,777,292 (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 transaction 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 December 31, 2010 no impairment loss is recognised.

### *1.7 Cash at banks*

Cash represents cash in hand and bank balances, which are stated at face value.

### *1.8 Valuation of borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest in the income statement over the period of the borrowings using a straight line depreciation.

#### *1.9 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.

#### *1.10 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.

#### *1.11 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.

#### *1.12 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.

#### *1.13 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.

#### *1.14 General and administrative expenses*

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

#### *1.15 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 2010.

#### *1.16 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 transaction took place. Receipts and payments of interest and corporate income tax are included in the cash flow from operating activities.

#### *1.17 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
<b>1 January 2010</b>			
Inter-company account opening			
Balance	-	44.334	44.334
Loans granted	9.060.982	-	9.060.982
Loan discounts	(45.548)	-	(45.548)
<b>Book value</b>	<b>9.015.434</b>	<b>44.334</b>	<b>9.059.768</b>
<b>Movements 2010</b>			
Amortisation of discounts/premiums	9.937	-	9.937
New Loans	2.533.479	-	2.533.479
Foreign exchange revaluation	212.578	-	212.578
Reclassification Loans	(1.324.946)	-	(1.324.946)
Increase inter-company loan	-	11.382	11.382
<b>31 December 2010</b>	<b>10.446.482</b>	<b>55.716</b>	<b>10.502.198</b>
<b>31 December 2010</b>			
Loans granted	10.512.250		
Loan discounts	(65.768)		
<b>Book value</b>	<b>10.446.482</b>		

Loans to group companies included in financial assets are stated at the carrying 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 0.40% and 5.97%, depending on the respective currency, maturity and market conditions.

*Inter-company loans receivable*

<b>31 December 2010</b>	
Loans granted	1.325.441
Loan discounts	(495)
<b>Book value</b>	<u>1.324.946</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 12,418 million (2009 = 10,553) million.

**2.2** *Cash at banks*

Cash at banks consists of a current account in EUR with Deutsche Bank AG, Amsterdam branch and is at free disposal.

Cash and cash equivalents are at free disposal of the Company.

Cash and cash equivalents are stated at face value.

**2.3** *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>31 Dec 2010</u>	<u>31 Dec 2009</u>
	EUR'000	EUR'000
200 shares of EUR 500 each	100	100

**2.4** *Retained earnings*

	<u>31 Dec 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>



## 2.5 Non-current liabilities

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

	2010 EUR'000	2009 EUR'000
Bonds Issued	10.512.250	9.060.982
Remaining discount on Bonds	(59.567)	(45.302)
Book value	<u>10.452.683</u>	<u>9.015.680</u>

All bonds are guaranteed by Deutsche Bahn AG.

### Re-payment schedule for non-current liabilities

			31 Dec 2010		31 Dec 2009	
	Term 1 – 5 years	Term > 5 years	Average Coupon	Total	Average coupon	Total
	EUR'000	EUR'000	EUR'000	EUR'000		EUR'000
<b>Bonds</b>						
Bonds issued in EUR	1.950.000	6.800.000	4,44%	8.750.000	4,62%	7.250.000
Bonds issued in CHF	59.980	599.805	1,87%	659.785	2,31%	252.765
Bonds issued in HKD	48.145	-	5,49%	48.145	5,49%	44.760
Bonds issued in JPY	552.000	502.320	1,42%	1.054.320	1,61%	506.925
Bonds issued in USD	-	-	-	-	5,10%	1.006.532
Discount on bonds	(9.705)	(49.862)		(59.567)		(45.302)
	<u>2.600.420</u>	<u>7.852.263</u>		<u>10.452.683</u>		<u>9.015.680</u>

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest in the income statement over the period of the borrowings using a straight line depreciation.

## 2.6

*Current liabilities*

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to its short term character.

The short-term bonds consist of the following

	31 Dec 2010 EUR'000	31 Dec 2009 EUR'000
Bonds	1.325.087	1.367.000
Discount	(478)	(1.576)
	<u>1.324.609</u>	<u>1.365.424</u>

*Summary of short-term bonds, which will become due in year 2011*

Face value in EUR'000	Currency	Amount in thousands	Interest per annum	Issue date	Maturity date	Ratio Stock Exchange listing
299.336	USD	400.000.000	5,125%	30/6/2006	5/1/2011	97,270% Luxembourg (EMTF)
598.706	USD	800.000.000	5,125%	5/1/2006	5/1/2011	99,640% Luxembourg (EMTF)
187.032	USD	250.000.000	5,000%	29/12/2004	16/6/2011	99,460% Luxembourg
239.535	CHF	300.000.000	2,125%	16/6/2004	29/12/2011	98,860% Switzerland
<b>Total</b>		<u>1.324.609</u>				

The total market value of outstanding bonds is EUR 12,413 million (2009: EUR 10,544 million).

3 Notes to the profit and loss account

3.1 Employee information

The company has two managing directors and no employees. One managing director received a fixed fee of EUR 5,000 for providing the Company with a registered address and for the day to day management.

3.2 Financial income and expense

All financial income and expense is recognised in the period in which they occur.

3.3 Guarantee fee

	<u>2010</u> EUR'000	<u>2009</u> EUR'000
Guarantee fee		
Total	<u>10.403</u>	<u>9.734</u>
	10.403	9.734

3.4 Taxation on result

	<u>2010</u> EUR'000	<u>2009</u> EUR'000
Taxable amount	8.112	7.901
Tax expense based on nominal tax rate (25.5%)	2.057	2.004
The effective tax rate is 25.4% (2009: 25.4%).		

Income tax is calculated on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years and tax exempt items and plus non deductible expenses. Calculation is also in accordance with the APA which has been concluded with the tax authorities. This APA was valid from 1 January 2006 until 31 December 2010. A request for a new APA is being prepared.

3.5 Auditor's fees

Details of the fees of the company's auditor have not been disclosed because such information is included in the consolidated financial statements of Deutsche Bahn AG.

Amsterdam, 29 March 2011

The Directors,



W. Reuter

Deutsche Bahn Finance B.V., Amsterdam



Deutsche International Trust Company N.V.

19

PricewaterhouseCoopers Accountants N.V.  
For identification purposes only



**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 2010, management proposed to add the result after taxation to the retained earnings. Subsequently management proposes to distribute a dividend in amount of EUR 29,000,000 to the debit of the retained earnings.

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.



## *Independent auditor's report*

To: the Directors and Shareholder of Deutsche Bahn Finance B.V.

### *Report on the financial statements*

We have audited the accompanying financial statements 2010 as set out on pages 6 to 19 of Deutsche Bahn Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

### *Directors' responsibility*

The directors are responsible for the preparation and fair presentation of these financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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.

### *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 2010, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

---

*PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, The Netherlands*

*T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, [www.pwc.nl](http://www.pwc.nl)*

'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Professional Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At [www.pwc.nl](http://www.pwc.nl) more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.



***Report on other legal and regulatory requirements***

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 29 March 2011  
PricewaterhouseCoopers Accountants N.V.

*A.H. Loon* RA