

**unaudited Financial report**  
**for the six-month period ended**  
**30 June 2011**  
**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 2011.

### **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 30 June 2011, the total book value of the bonds outstanding was in thousands of EUR 11,650,299 (2010: in thousands of EUR 11,777,292). The annual accounts are prepared in thousands of EUR. The office address of the Company is Herengracht 450, Amsterdam.

During the reporting period the company issued the following:

As per 1 June 2011 the company issued 3.75% EUR 500 million Notes due 1 June 2021 and as per 30 June 2011 2.875% EUR 500 million Notes due 2016.

The proceeds of both issues have been on lent to Deutsche Bahn AG, Berlin at a consideration of 3.91% resp. 3.035% and with the same maturity.

### **Result for the period**

The profit for the period until 30 June 2011 after taxation amounts to thousands of EUR 3,358 (same period 2010: thousands of EUR 3,083).

### **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**

As per 29 July 2011 the company increased the 3.75% EUR 500 million Notes due 1 June 2021 by EUR 200 million. Furthermore the company decided to issue as per 18 August 2011 1.5% CHF 375 million Notes due 18 December 2017. The proceeds of both issues have been / will be on lent to Deutsche Bahn AG, Berlin at a consideration of 3.91% resp. 1.61% and with the same maturity.

No other significant events occurred after the balance sheet date.

### **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 statement for the period ended 30 June 2011 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 July 2011

The Directors,

\_\_\_\_\_  
W. Reuter

\_\_\_\_\_  
Deutsche International Trust Company N.V.

# **Interim Financial report for the six-month period ended 30 June 2011**

**Balance sheet as at 30 June 2011**  
**(before proposed appropriation of result)**

	Notes	30 June 2011		31 December 2010		30 June 2010	
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>Assets</b>							
<b>Non-current assets</b>							
Financial assets:							
- loans receivable from group companies	2.1	11,396,217		10,446,482		8,661,067	
- inter-company Deutsche Bahn AG		29,557		55,716		46,960	
		<u>11,425,774</u>		<u>10,502,198</u>		<u>8,708,027</u>	
<b>Current assets</b>							
Interest receivable on inter-company loans		249,928		262,010		241,736	
Inter-company loans receivable	2.1	248,324		1,324,946		1,180,384	
Prepaid Corporate taxes		1,077		264		1,281	
Cash at banks	2.2	360		307		413	
		<u>499,689</u>		<u>1,587,527</u>		<u>1,423,814</u>	
		<u>11,925,463</u>		<u>12,089,725</u>		<u>10,131,841</u>	

	Notes	30 June 2011		31 December 2010		30 June 2010	
		EUR'000	EUR'000			EUR'000	EUR'000
<b>Liabilities</b>							
<b>Shareholders' equity</b>							
Share capital	2.3	100		100		100	
Retained earnings	2.4	25,733		48,677		48,677	
Profit for the year		3,358		6,055		3,083	
			29,191		54,832		51,860
<b>Non-current liabilities</b>							
Long-term bonds	2.5	11,401,969		10,452,683		8,661,909	
			11,401,969		10,452,683		8,661,909
<b>Current liabilities</b>							
	2.6						
Interest payable on bonds		239,705		251,479		232,025	
Short-term bonds		248,330		1,324,609		1,180,252	
Inter-company payable							
Deutsche Bahn AG		5,758		5,589		5,264	
Expired Bonds and coupons not yet collected		444		467		471	
Accrued expenses		66		66		60	
			494,303		1,582,210		1,418,072
			<u>11,925,463</u>		<u>12,089,725</u>		<u>10,131,841</u>



## Profit and loss account for the period

		ended 30 June 2011		ended 30 June 2010	
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Financial income</b>	3.2				
Interest on inter-company loans		225,163		240,526	
Release of discount on loans receivable		4,783		4,943	
Other interest		157		60	
			230,103		245,529
<b>Financial expense</b>	3.2				
Interest expense		215,582		231,151	
Amortisation/discount on bonds issued		4,416		4,982	
Exchange difference		(115)		56	
			219,883		236,189
<b>Net financial income</b>			10,220		9,340
<b>Other expenses</b>					
Guarantee fee	3.3	5,433		5,053	
Bond-issue costs		236		57	
General and administrative expenses		132		106	
			5,801		5,216
<b>Net result before taxation</b>			4,419		4,124
Taxation on result from ordinary operations	3.4		1,061		1,041
<b>Net result after taxation</b>			3,358		3,083

## Cash flow statement

	<u>Six-month period</u> <u>until 30 June 2011</u>	<u>2010</u>
	EUR'000	EUR'000
<b>Cash flows from operating activities</b>		
Cash generated from operations:		
Interest received	238,139	496,863
Interest paid	(227,697)	(477,694)
Expenses paid	(5,688)	(10,825)
Income tax paid	(1,840)	(1,993)
<b>Net cash from operating activities</b>	<b>2,914</b>	<b>6,351</b>
<b>Cash flows from investment activities</b>		
Issuance of long-term loans	(994,050)	(2,466,983)
Repayment of long-term loans	1,083,959	1,000,000
Inter-company Deutsche Bahn AG	26,158	(11,382)
Dividends paid	(29,000)	
<b>Net cash from investment activities</b>	<b>87,067</b>	<b>(1,478,365)</b>
<b>Cash flows from financing activities</b>		
Issuance of long term bonds	994,050	2,472,269
Repayment of long term bonds	(1,083,978)	(1,000,005)
<b>Net cash from financing activities</b>	<b>(89,928)</b>	<b>1,472,264</b>
<b>Net cash flows</b>	<b>53</b>	<b>250</b>
<b>Cash and cash equivalents</b>	<b>30-06-2011</b>	<b>31-12-2010</b>
Balance as at 1 January	307	57
Movement for the year	53	250
<b>Balance as at 30 June 2011 / 31 December 2010</b>	<b>360</b>	<b>307</b>

## 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 2011, the total book value of the bonds outstanding was in thousands of EUR 11,650,299 (2010: in thousands of EUR 11,777,292).

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 last been updated as per 28 April 2011.

#### 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 June 30, 2011 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 (APA) for the Company applicable up to and including the financial year 2010. A new APA is still under negotiation with the tax authorities.

#### *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 2011</b>			
Inter-company account opening			
Balance	-	55,716	55,716
Loans granted	10,512,250	-	10,512,250
Loan discounts	(65,768)	-	(65,768)
Book value	<u>10,446,482</u>	<u>55,716</u>	<u>10,502,198</u>
<b>Movements 2011</b>			
Amortisation of discounts/premium	4,784	-	4,784
New Loans	994,050	-	994,050
Foreign exchange revaluation	199,225	-	199,225
Reclassification Loans	(248,325)	-	(248,325)
Increase inter-company loan	-	(26,159)	(26,159)
<b>30 June 2011</b>	<u>11,396,216</u>	<u>29,557</u>	<u>11,425,773</u>
<b>30 June 2011</b>			
Loans granted	11,463,470		
Loan discounts	(67,253)		
<b>Book value</b>	<u>11,396,217</u>		

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 1.23% and 5.97%, depending on the respective currency, maturity and market conditions.

*Inter-company loans receivable*

**30 June 2011**

Loans granted	248,529
Loan discounts	(205)

<b>Book value</b>	<u>248,324</u>
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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 12,150 million (2010 = 12,418) 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>30 June 2011</u>	<u>31 Dec 2010</u>
	EUR'000	EUR'000
200 shares of EUR 500 each	100	100
	<u>          </u>	<u>          </u>

*2.4 Retained earnings*

	<u>30 June 2011</u>	<u>31 Dec 2010</u>
	EUR'000	EUR'000
Balance at January 1	48,677	42,780
Result for the previous period	6,056	5,897
	<u>(29,000)</u>	<u>          </u>
	25,733	48,677



## 2.5 Non-current liabilities

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

	30 June 2011 EUR'000	31 Dec 2010 EUR'000
Bonds Issued	10,463,469	10,512,250
Remaining discount on Bonds	(61,500)	(59,567)
Book value	<u>10,401,969</u>	<u>10,452,683</u>

All bonds are guaranteed by Deutsche Bahn AG.

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

		30 Jun 2011		31 Dec 2010		
Term 1 – 5 years	Term > 5 years	Average Coupon	Total	Average Coupon	Total	
EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
<b>Bonds</b>						
Bonds issued in EUR	2,450,000	7,300,000	4.33%	9,750,000	4.44%	8,750,000
Bonds issued in CHF	62,132	621,323	1.87%	683,455	1.87%	659,785
Bonds issued in HKD	44,454	-	5.48%	44,454	5.49%	48,145
Bonds issued in JPY	516,000	469,560	1.42%	985,560	1.42%	1,054,320
Bonds issued in USD	-	-	-	-	-	-
Discount on bonds	(8,301)	(53,199)		(61,500)		(59,567)
	<u>3,064,285</u>	<u>8,337,684</u>		<u>11,401,969</u>		<u>10,452,683</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.

## 2.5

*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

	30 June 2011	31 Dec 2010
	EUR'000	EUR'000
Bonds	248,530	1,325,087
Discount	(200)	(478)
	<u>248,330</u>	<u>1,324,609</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
	248,330	CHF	300,000	2.125%	16/6/2004	29/12/2011	98.860%a Switzerland
Total	<u>248,330</u>						

The total market value of outstanding bonds is EUR 12,146 million (2010: EUR 12,413 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>period until 30 June 2011</u>	<u>2010</u>
	EUR'000	EUR'000
Guarantee fee	<u>5,433</u>	<u>10,403</u>
Total	5,433	10,403

#### 3.4 Taxation on result

	<u>period until 30 June 2011</u>	<u>2010</u>
	EUR'000	EUR'000
Taxable amount	4,419	8,112
Tax nominal tax rate is (2011 = 25%, 2010 = 25.5%)	1,061	2,057

The effective tax rate is 24.0% (2010: 25.5%).

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 new APA is still under negotiation with the tax authorities.

#### 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 July 2011

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**

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

## **Events after balance sheet date**

As per 29 July 2011 the company increased the 3.75% EUR 500 million Notes due 1 June 2021 by EUR 200 million. Furthermore the company decided to issue as per 18 August 2011 1.5% CHF 375 million Notes due 18 December 2017. The proceeds of both issues have been / will be on lent to Deutsche Bahn AG, Berlin at a consideration of 3.91% resp. 1.61% and with the same maturity.

No other significant events occurred after the balance sheet date.