

Unaudited financial report
for the six-month period ended
30 June 2014
Deutsche Bahn Finance B.V.
Amsterdam

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Deutsche Bahn Finance B.V. Amsterdam

Interim report of the directors

General

We have pleasure in presenting the Interim Report of Deutsche Bahn Finance B.V. (hereafter the Company) for the period ended 30 June 2014.

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 2014 bonds outstanding was in thousands of EUR 16,559,468 (31 December 2013: in thousands of EUR 15,458,432). The annual accounts are prepared in thousands of EUR. The office address of the Company is De Entree 99 - 197, 1101 HE, Amsterdam Zuidoost in the Netherlands.

During the reporting period the Company issued the following:

- As per 28 January 2014 the Company issued 5.395% AUD 90 million Notes due 28 January 2024.
- As per 4 February 2014 the Company issued 2.875% SEK 1.250 million Notes due 4 February 2021.
- As per 4 February 2014 the Company issued floating rate SEK 350 million Notes due 4 February 2021.
- As per 12 February 2014 the Company issued 2.290% SGD 125 million Notes due 12 February 2019.
- As per 26 February 2014 the Company issued 1.500% CHF 300 million Notes due 26 August 2024.
- As per 19 March 2014 the Company issued 2.750% EUR 500 million Notes due 19 March 2029.

The proceeds of these issues have been on lent to Deutsche Bahn AG, Berlin, and to Schenker Singapore (PTE), Singapore, at a consideration between 1.443% and 5.495%.

Result for the period

The profit for the period 1 January 2014 to 30 June 2014 after taxation amounts to thousands of EUR 3,399 (same period 2013: thousands of EUR 4,008).

Risk & risk management

We refer to paragraph 1.16 for the principal risks that the company is facing. 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, given the fact that repayment conditions on granted loans to intercompany parties are identical with the conditions on the bonds issued.

Events after balance sheet date

As per 23 July 2014 the Company issued floating rate EUR 300 million Notes due 23 July 2020.

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.

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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 period ending 30 June 2014 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 period of 1 January 2014 to 30 June 2014 of the Company together with a description of the principal risks that it faces."

Amsterdam, 18 August 2014

The Directors,

W. Reuter

Deutsche International Trust Company N.V.

Deutsche Bahn Finance B.V.
Amsterdam

Balance sheet as at 30 June 2014
(before proposed appropriation of result)

(In EUR'000)	Notes	30. Jun 14	31. Dez 13	30. Jun 13
Assets				
Non-current assets				
Financial assets:	2,1			
- loans receivable from group companies		16.180.622	15.039.093	13.617.615
- inter-company Deutsche Bahn AG		51.351	48.277	36.690
		<u>16.231.973</u>	<u>15.087.370</u>	<u>13.654.305</u>
Current assets				
Interest receivable on inter-company loans		271.133	276.147	267.934
Inter-company loans receivable	2,1	362.769	403.183	812.964
Prepaid Corporate Income Tax		653	-	356
Cash at banks	2,2	22	41	54
		<u>634.577</u>	<u>679.371</u>	<u>1.081.308</u>
		<u><u>16.866.550</u></u>	<u><u>15.766.741</u></u>	<u><u>14.735.613</u></u>

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Balance sheet as at 30 June 2014
(before proposed appropriation of result)

(In EUR'000)	Notes	30. Jun 14	31. Dez 13	30. Jun 13
Liabilities				
Shareholders' equity				
Issued and paid-in share capital	2,3	100	100	100
Retained earnings	2,4	32.964	25.009	25.009
Profit for the year		3.399	7.955	4.008
		<u>36.463</u>	<u>33.064</u>	<u>29.117</u>
Non-current liabilities				
Long-term bonds	2,5	16.198.563	15.055.200	13.629.145
		<u>16.198.563</u>	<u>15.055.200</u>	<u>13.629.145</u>
Current liabilities				
Interest payable on bonds	2,6	262.443	266.495	256.897
Short-term bonds	2,5	360.905	403.232	812.982
Inter-company payable Deutsche Bahn AG		7.731	7.310	6.983
Expired Bonds and coupons not yet collected		429	429	433
Corporate Income Tax payable		-	959	-
Accrued expenses		16	52	56
		<u>631.524</u>	<u>678.477</u>	<u>1.077.351</u>
		<u><u>16.866.550</u></u>	<u><u>15.766.741</u></u>	<u><u>14.735.613</u></u>

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Profit and loss account as at 30 June 2014

(In EUR'000)	Notes	1-Jan-14 to 30-Jun-14	1-Jan-13 to 31-Dec-13	1-Jan-13 to 30-Jun-13
Financial income	3,2			
Interest on inter-company loans		273.354	536.451	261.451
Release of discount on loans receivable		7.400	12.977	6.220
Other interest		68	28	24
Exchange difference		-	679	598
		<u>280.822</u>	<u>550.135</u>	<u>268.293</u>
Financial expense	3,2			
Interest expense		261.114	512.819	249.977
Amortisation/discount on bonds issued		6.128	11.079	5.353
Exchange difference		427	-	-
		<u>267.669</u>	<u>523.898</u>	<u>255.330</u>
Net financial income		13.153	26.237	12.963
Other expenses				
Guarantee fee		8.097	14.866	7.151
Bond-issue costs		447	604	398
General and administrative expenses		90	173	84
		<u>8.634</u>	<u>15.643</u>	<u>7.633</u>
Net result before taxation		4.519	10.594	5.330
Taxation on result from ordinary operations	3,3	1.120	2.639	1.322
Net result after taxation		<u><u>3.399</u></u>	<u><u>7.955</u></u>	<u><u>4.008</u></u>

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Cash flow statement as at 30 June 2013

(In EUR'000)	Notes	1-Jan-14 to 30-Jun-14	1-Jan-13 to 31-Dec-13
Result before taxes		4.519	10.594
Adjustements for:			
Release of discount on loans receivable		(7.400)	(12.977)
Amortisation/discount on bonds issued		6.128	11.079
		(1.272)	(1.898)
Changes in working capital:			
Mutation interest receivable	3,2	5.014	(21.036)
Mutation interest payable	3,2	(4.052)	22.415
Mutation expenses payable		(36)	3
		926	1.382
Cash flow from operating activities			
Income tax paid	3,3	(2.732)	(2.189)
		(2.732)	(2.189)
Net cash from operating activities		(3.078)	(2.705)
Cash flows from investment activities			
Issuance of long-term loans	2,1	(1.044.483)	(2.379.232)
Repayment of long-term loans	2,1	40.414	749.329
Inter-company Deutsche Bahn AG		(2.653)	879
Net cash from investment activities		(1.006.722)	(1.629.024)
Cash flows from financing activities			
Issuance of long term bonds	2,5	1.047.143	2.386.202
Repayment of long term bonds	2,5	(42.308)	(749.363)
Dividend paid	2,4	-	(15.000)
Net cash from financing activities		1.004.835	1.621.839
Exchange differences		427	(679)
Net cash flows		(19)	25
Cash and cash equivalents	2,2	1-Jan-14 to 30-Jun-14	1-Jan-13 to 31-Dec-13
Balance as at 1 January		41	16
Movement for the year		(19)	25
Balance as at 31 December		22	41

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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 2014, the total book value of the bonds outstanding was in thousands of EUR 16,559,468 (31 December 2013: in thousands of EUR 15,458,432).

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 20,000,000,000 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, to EUR 15,000,000,000 in July 2009 and finally to EUR 20,000,000,000 in June 2012. This instrument enables the Company to issue bonds with different currencies and 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 after the reporting period as per 11 July 2014.

1.2 General

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the DASs for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes.

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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 legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the company are considered a related party. In addition, statutory directors, other key management of the Company or the ultimate parent company and close relatives are regarded as related parties.

1.5 Financial assets

Financial assets relate to the inter-company loans receivable and the inter-company account with Deutsche Bahn AG. The inter-company loans receivables are held at its fair value on initial recognition and subsequent at amortised costs, which is minus the value of discount. 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 assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined.

The amount of an impairment loss incurred on financial assets stated at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

1.7 Cash at banks

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

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1.8 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 straightline depreciation.

1.9 Financial income and expense

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

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 period-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 liability 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 2015.

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1.15 Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, and income taxes are included in cash from operating activities. Transactions not resulting in inflow or outflow of cash, are not recognised in the cash flow statement.

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.

1.16 Risk management

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 credit risk of the Company is concentrated on companies belonging to the Deutsche Bahn Group. The present economic situation of Deutsche Bahn Group does not indicate any such risk.

- *Refinancing risk*

The group company's policy is focused on maintaining the AA1/AA/AA rating, which mitigates the refinancing risk of the company.

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2 Notes to the balance sheet

2.1 Financial assets

<i>(In EUR'000)</i>	Loans receivable from group companies	Inter- company Deutsche Bahn AG	Total
Opening balances as per 1 January 2014			
Inter-company account	-	48.277	48.277
Loans granted	15.128.645	-	15.128.645
Loan discounts	(89.552)	-	(89.552)
	<u>15.039.093</u>	<u>48.277</u>	<u>15.087.370</u>
Movements for the period 1 January 2014 to 30 June 2014			
Amortisation of discounts/premiums	7.259	-	7.259
New Loans	1.044.483	-	1.044.483
Foreign exchange adjustments	89.787	-	89.787
Reclassification Loans	-	-	-
Increase inter-company loan	-	3.074	3.074
	<u>1.141.529</u>	<u>3.074</u>	<u>1.144.603</u>
Closing balance as per 30 June 2014	<u>16.180.622</u>	<u>51.351</u>	<u>16.231.973</u>

The table below summarises the maturity profile of the Company's financial assets

<i>(In EUR'000)</i>	30. Jun 14		31. Dez 13	
	Within 1 year	More than 1 year	Within 1 year	More than 1 year
Loans granted to group companies	362.883	16.275.923	403.430	15.128.645
Discount on loans	(114)	(95.301)	(247)	(89.552)
Inter-company Deutsche Bahn AG	-	51.351	-	48.277
	<u>362.769</u>	<u>16.231.973</u>	<u>403.183</u>	<u>15.087.370</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 on a straight-line basis over the term of the loans.

The interest rate charged on loans to group companies vary between 0.550% and 5.495%, depending on the respective currency, maturity and market conditions.

The total market value of all current and non-current outstanding loans as per 30 June 2014 is EUR 18,110 million (31 December 2013: EUR 16,521) million.

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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 Issued and paid-in share capital

The authorised share capital of Deutsche Bahn Finance B.V. amounts to € 500,000, divided into 1,000 ordinary shares of €500 each. Of these, 200 ordinary shares have been issued.

<i>(In EUR'000)</i>	30. Jun 14	31. Dez 13
200 shares of EUR 500 each	100	100

2,4 Retained earnings

<i>(In EUR'000)</i>	30. Jun 14	31. Dez 13
Balance at January 1	25.009	32.462
Result for the previous period	7.955	7.547
Dividend paid	-	(15.000)
	<u>32.964</u>	<u>25.009</u>

2.5 Non-current liabilities

<i>(In EUR'000)</i>	1-Jan-14 to 30-Jun-14	1-Jan-13 to 31-Dec-13
Opening balance	15.055.200	13.351.245
Movements		
Amortisation of discounts/premiums	6.017	10.410
New Bonds	1.047.143	2.386.202
Foreign exchange adjustments	90.203	(289.425)
Reclassification Bonds	-	(403.232)
	<u>1.143.363</u>	<u>1.703.955</u>
Closing balance	<u>16.198.563</u>	<u>15.055.200</u>

<i>(In EUR'000)</i>	30-Jun-14		31-Dec-13	
	Within 1 year	More than 1 year	Within 1 year	More than 1 year
Bonds Issued	361.000	16.275.924	403.430	15.128.645
Discount on Bonds	(95)	(77.361)	(198)	(73.445)
	<u>360.905</u>	<u>16.198.563</u>	<u>403.232</u>	<u>15.055.200</u>

All bonds are guaranteed by Deutsche Bahn AG.

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The table below summarises the re-payment schedule of the Company's bonds issued

(In EUR'000)	30. Jun 14				31. Dez 13	
	Within 5 year	More than 5 year	Average Coupon	Total	Average Coupon	Total
Non-current:						
EUR	5.660.000	5.840.000	3,731%	11.500.000	3,773%	11.000.000
AUD	-	61.911	5,395%	61.911	-	-
CHF	431.886	1.336.790	1,507%	1.768.676	1,508%	1.507.010
GBP	374.298	1.104.179	2,625%	1.478.477	2,625%	1.421.372
HKD	78.977	-	2,000%	78.977	2,000%	78.182
JPY	-	394.212	1,206%	394.212	1,206%	377.286
NOK	238.000	178.500	3,636%	416.500	3,636%	418.495
SEK	-	174.368	2,562%	174.368	-	-
SGD	73.326	-	2,290%	73.326	-	-
USD	329.477	-	0,840%	329.477	0,849%	326.300
Discount	(14.867)	(62.494)		(77.361)		(73.445)
	<u>7.171.097</u>	<u>9.027.466</u>		<u>16.198.563</u>		<u>15.055.200</u>

(In EUR'000)	30. Jun 14			31. Dez 13	
	Within 1 year	Average Coupon	Total	Average Coupon	Total
Current:					
HKD	-	-	-	5,100%	23.380
JPY	361.000	1,650%	361.000	1,643%	380.050
Discount	(95)		(95)		(198)
	<u>360.905</u>		<u>360.905</u>		<u>403.232</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.

The total market value of all current and non-current outstanding bonds as per 30 June 2014 is EUR 18,127 million (31 December 2013: EUR 16,530 million).

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.

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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 annual 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 Taxation on result from ordinary operations

<i>(In EUR'000)</i>	1-Jan-14 to 30-Jun-14	30- 1-Jan-13 to 31-Dec-13	1-Jan-13 to 30-Jun-13
Taxable amount	4.519	10.594	5.330
Tax expense based on nominal tax rate (25%)	1.120	2.639	1.322
Effective tax rate	24,8%	24,9%	24,8%

The Corporate 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 is valid from 1 January 2011 until 31 December 2015.

Amsterdam, 18 August 2014

The Directors,

W. Reuter

Deutsche International Trust Company N.V.

Deutsche Bahn Finance B.V.
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Other information

Appropriation of the result for the 2013 financial year

The annual accounts for 2013 were adopted by the General Meeting of Shareholders. The General Meeting of Shareholders has determined the appropriation of the result as it was proposed.

Post Balance Sheet Events

As per 23 July 2014 the Company issued floating rate EUR 300 million Notes due 23 July 2020.

No further significant events occurred after the balance sheet date.