

Annual Report 2015

Deutsche Bahn Finance B.V.

Amsterdam

Vastgesteld in de algemene vergadering van: *28 april 2016*

Deutsche Bahn Finance B.V.
Amsterdam

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Annual report of the directors

General

We have pleasure in presenting the Annual Report of Deutsche Bahn Finance B.V. (hereafter the Company) for the year ended 31 December 2015. We have considered the annual accounts and recommend that the shareholder approves 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 at The Entree 99, 1101 HE 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 2015, the total book value of the bonds outstanding was in thousands of EUR 19,312,315 (2014: in thousands of EUR 17,167,214).

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 (The 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 all kinds of bonds in different currencies and with different maturity dates. The proceeds are used to finance Deutsche Bahn AG in Berlin or other companies of Deutsche Bahn Group.

The programme has been updated as per 30 September 2015.

Result for the year

The profit for the year after taxation amounts to thousands of EUR 7,275 (2014: thousands of EUR 6,973).

Risk & risk management

We refer to paragraph 1.18 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 which all are guaranteed by Deutsche Bahn AG. It is the Company's policy to attract a fixed interest rate margin on loans to finance its operations. The Company obtains this set margin on the back to back funding. All individually significant assets are assessed for specific impairment.

Audit committee

Pursuant to Section 2 of the Decree implementing the Directive 2006/43/EG (the Decree) and Section 3 sub a of the Decree. The Company should have an audit committee in place which should consist of members of the supervisory board of the Company, unless an exemption applies.

Deutsche Bahn AG (the parent company) has such an audit committee in place and complies with the relevant provisions of the Dutch Corporate Governance Code (CGC). Accordingly, the Company makes use of the exemption from the obligation to install an audit committee.

Reference is made to the Audit committee presented in the consolidated Financial Statements of the parent company.

Gender diversity of the board

The Dutch One-Tier Board act (wet bestuur en toezicht) effective as of January 1, 2013 indicates that the board of directors will be deemed to have a balanced gender distribution if, of the seats occupied by individuals, at least 30% are occupied by women and at least 30% by men. The Board of Directors does currently not meet the 30% requirement. The Company strives to meet the requirement if an applicable and qualified person can be appointed.

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Events after balance sheet date

During the first months of 2016 the Company has issued further bonds and provided a loan for EUR 500,000,000.

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 ended 31 December 2015 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, 4 April 2016

The Directors,

W. Bohner

Deutsche International Trust Company N.V.

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Balance sheet as at 31 December 2015
(before proposed appropriation of result)

(In EUR'000)	Notes	31-Dec-15	31-Dec-14
Non-current assets			
Financial assets:	2.1		
Loans receivable from group companies		17,742,623	16,451,046
Inter-company current account Deutsche Bahn AG		62,442	53,083
		17,805,065	16,504,129
Current assets			
Interest receivable on Loans receivable	2.2	291,324	297,926
Loans receivable from shareholder	2.3	1,550,334	699,337
Cash at banks	2.4	7	16
		1,841,665	997,279
		19,646,730	17,501,408

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Balance sheet as at 31 December 2015
(before proposed appropriation of result)

(In EUR'000)	Notes	31-Dec-15	31-Dec-14
Shareholder's equity	2.5		
Issued and paid-up share capital		100	100
Retained earnings		39,937	32,964
Profit for the year		7,275	6,973
		47,312	40,037
Non-current liabilities	2.6		
Long-term bonds		17,761,761	16,467,877
		17,761,761	16,467,877
Current liabilities	2.7		
Interest payable on bonds		277,621	284,533
Short-term bonds	2.8	1,550,554	699,337
Inter-company payable Deutsche Bahn AG		8,403	8,189
Expired Bonds and coupons not yet collected		347	350
Corporate Income Tax payable		639	965
Accrued expenses		93	120
		1,837,657	993,494
		19,646,730	17,501,408

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Profit and loss account for the year ended 31 December 2015

(In EUR'000)	Notes	2015	2014
Financial income	3.3		
Interest on inter-company loans		556,107	556,331
Release of discount on loans receivable		15,709	15,202
Other interest		-	69
		571,816	571,602
Financial expense	3.3		
Interest expense		529,164	531,001
Other interest		7	-
Amortisation/discount on bonds issued		12,796	12,596
Exchange difference		1,160	1,040
		543,127	544,637
Net financial income		28,689	26,965
Other expenses			
Guarantee fee		17,780	16,739
Bond-issue costs		965	806
General and administrative expenses		255	136
		19,000	17,681
Result before taxation		9,689	9,284
Taxation	3.4	2,414	2,311
Result after taxation		7,275	6,973

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Cash flow statement for the year ended 31 December 2015

(In EUR'000)	Notes	2015	2014
Result before taxation		9,689	9,284
Adjustments for:			
Release of discount on loans receivable		(15,709)	(15,202)
Amortisation/discount on bonds issued		12,796	12,596
		(2,913)	(2,606)
Changes in working capital:			
Movements interest receivable	2.2	6,602	(21,779)
Movements interest payable	2.7	(6,912)	18,038
Movements expenses payable		(27)	68
		(337)	(3,673)
Cash flow generated from operating activities			
Income tax paid	3.4	(2,740)	(2,305)
		(2,740)	(2,305)
Net cash generated from operating activities		3,699	700
Cash flows used in investment activities			
Issuance of long-term loans	2.1	(2,463,106)	(1,944,050)
Repayment of short-term loans	2.3	699,337	403,183
Inter-company Deutsche Bahn AG		(9,145)	(3,927)
Net cash used in investment activities		(1,772,914)	(1,544,794)
Cash flows generated from financing activities			
Issuance of long-term bonds	2.6	2,467,261	1,946,719
Repayment of short-term bonds	2.8	(699,337)	(403,232)
Repayment of Expired bonds		(3)	(79)
Dividend paid	2.5	-	-
Net cash generated from financing activities		1,767,921	1,543,408
Exchange differences		1,285	661
Net cash flows		(9)	(25)
Cash and cash equivalents	2.4	2015	2014
Balance as at 1 January		16	41
Movement for the year		(9)	(25)
Balance as at 31 December		7	16

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Notes to the balance sheet and profit and loss account

The notes on pages 10 to 16 are an integral part of the financial statements

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 at The Entree 99, 1101 HE 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 2015, the total book value of the bonds outstanding was in thousands of EUR 19,312,315 (2014: in thousands of EUR 17,167,214).

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The Company is party to a EUR 20,000,000,000 Debt Issuance Programme (The 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 all kinds of bonds in different currencies and with different maturity dates. The proceeds are used to finance Deutsche Bahn AG in Berlin or other companies of Deutsche Bahn Group.

The programme has been updated as per 30 September 2015.

1.2 General

The financial statements have been prepared in accordance with the statutory provisions of title 9, Book 2, of the Dutch Civil Code (DCC) and the firm pronouncements in the Dutch Accounting Standards 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.

The accounting principles have not changed compared to last year.

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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 financial statements have been translated at exchange rates prevailing at the date the transaction took place.

The exchange rates used in the annual accounts are:

	2015	2014
1 EUR = AUD (Australian dollar)	1.4897	1.4829
1 EUR = CHF (Swiss franc)	1.0835	1.2024
1 EUR = GBP (Pound sterling)	0.73395	0.7789
1 EUR = HKD (Hong Kong dollar)	8.4376	9.4170
1 EUR = JPY (Japanese yen)	131.07	145.23
1 EUR = NOK (Norwegian krone)	9.6030	9.0420
1 EUR = SEK (Swedish krone)	9.1895	9.3930
1 EUR = SGD (Singapore dollar)	1.5417	1.6058
1 EUR = USD (US dollar)	1.0887	1.2141

1.4 Estimates

In applying the principles and policies for drawing up the financial statements, the directors of the Company make different estimates and judgments that may be essential to the amounts disclosed in the special purpose financial information. If it is necessary in order to provide the transparency required under title 9, Art. 2.362.1 DCC, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

1.5 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.

1.6 Financial assets

Financial assets relate to the inter-company loans receivable and the inter-company account with Deutsche Bahn AG. The inter-company loans receivable are held at its fair value on initial recognition and subsequently amortised on a straight-line basis. Impairment of financial fixed assets as at balance sheet date if any, is taken into account in the valuation of these assets.

1.7 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 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 through profit or loss.

1.8 Cash at banks

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

1.9 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.

1.10 Principles for the determination of the result

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

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1.15 General and administrative expenses

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

1.16 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.

1.17 Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. 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, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. Transactions not resulting in inflow or outflow of cash, are not recognised in the cash flow statement.

1.18 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 is exposed to currency risk on notes issued and loans granted that are denominated in a currency other than the respective functional currency, primarily the euro. The currencies in which these transactions primarily are denominated are EUR, CHF, GBP, NOK, JPY and USD. The Company hedges 100% of its estimated foreign currency exposure and 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

It is the Company's policy to attract a fixed interest rate margin on loans to finance its operations. The Company obtains this set margin on the back to back funding. Its margin is therefore fixed and interest rate risk is minimised.

- Credit risk

Credit risk arises principally from the Company loans and receivables presented under financial fixed assets, interest receivable on loans receivable, loans receivable from shareholder and cash. The credit risk is concentrated at the limited number of 7 counterparties being all companies belonging to the Deutsche Bahn Group. The counterparties have always satisfied their obligations to pay in time, no impairment has been recognised. The present economic situation of Deutsche Bahn Group does not indicate any of such credit risk that the creditworthiness of the counterparties is to be reconsidered. The credit ratings for Deutsche Bahn AG defined by the rating agencies are:

<u>Rating agency</u>	<u>Long-term</u>	<u>Short-term</u>	
Standard & Poor's	AA/negative	A-1+	as per August 28, 2015
Moody's	Aa1/stable	P-1	as per September 28, 2015

- Refinancing risk

The Company runs an interest rate risk on interest bearing assets and liabilities and on the refinancing of existing loans. For assets and liabilities with variable interest rate agreements, the Company runs a risks of future cash flows relating. The company uses a fixed interest rate margin on back to back financing, in order to exclude the interest risk of variable interest rate loans. The group company's policy is focused on maintaining the highest possible credit ratings as defined by the rating agencies, which mitigates the refinancing risk of the Company.

- Liquidity risk

The Company monitors its cash position by using successive liquidity budgets. The management ensures that the cash position is sufficient to meet the Company's financial obligations towards creditors and to stay within the limits of its loan covenants.

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2 Notes to the balance sheet as at 31 December 2015

(In EUR'000)

2.1 Financial assets

The financial assets can be detailed as follows:

Non-current financial assets:

Opening balances as per 1 January 2015	16,504,129
Movements 2015	
Amortisation of discounts/premiums	15,046
New Loans	2,463,106
Foreign exchange adjustments	363,759
Reclassification Loans	(1,550,334)
Reclassification Inter-company account Deutsche Bahn AG	9,359
Closing balance as per 31 December 2015	<u>17,805,065</u>

The table below presents a summary of the Company's non-current financial assets

	2015	2014
Loans granted to group companies	17,843,267	16,541,050
Discount on loans	(100,644)	(90,004)
Inter-company Deutsche Bahn AG	62,442	53,083
	<u>17,805,065</u>	<u>16,504,129</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 amortised on a straight-line basis over the term of the loans.

The interest rate charged on loans to group companies vary between 0.210 % and 5.495%, depending on the respective currency, maturity and market conditions. The maturity of the loans equals the maturity of the issued bonds as stated under note 2.6.

The total fair value of all current and non-current outstanding loans is EUR 20,944 million (2014: EUR 19,140 million).

All bonds are guaranteed by Deutsche Bahn AG.

2.2 Interest receivable on loans receivable

The interest receivable on loans receivable relates to the interest on non-current financial assets stated under note 2.1 and interest on loans receivable from shareholder stated under note 2.3.

2.3 Loans receivable from shareholder

The loans receivable from the shareholder can be detailed as follows:

	2015	2014
Loans granted to shareholder	1,551,049	700,000
Discount on loans	(715)	(663)
Closing balance as per 31 December	<u>1,550,334</u>	<u>699,337</u>

The loans receivable from shareholder has not been secured, the interest rates various from 0,565% till 4,375% and maturity dates from 30 June till on 23 November 2016.

2.4 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 and are stated at face value.

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2.5 Shareholder's equity

The authorised share capital of the Company amounts to EUR 500,000, divided into 1,000 ordinary shares of EUR 500 each. Of these, 200 ordinary shares in the amount of EUR 100,000 have been fully paid up.

<i>(In EUR'000)</i>	Issued and paid-up share capital	Retained earnings	Profit for the year	Total
2014				
Balance at 31 December 2013	100	25,009	7,955	33,064
Allocation of profit for the year 2013	-	7,955	(7,955)	-
Dividend	-	-	-	-
Profit for the year	-	-	6,973	6,973
Balance at 31 December 2014	<u>100</u>	<u>32,964</u>	<u>6,973</u>	<u>40,037</u>
2015				
Balance at 31 December 2014	100	32,964	6,973	40,037
Allocation of profit for the year 2014	-	6,973	(6,973)	-
Profit for the year	-	-	7,275	7,275
Balance at 31 December 2015	<u>100</u>	<u>39,937</u>	<u>7,275</u>	<u>47,312</u>

2.6 Non-current liabilities

	2015	2014
Opening balances as per 1 January	16,467,877	15,055,200
Movements :		
Amortisation of discounts/premiums	12,133	12,391
New Bonds	2,467,261	1,946,719
Foreign exchange adjustments	365,044	152,904
Reclassification Bonds	(1,550,554)	(699,337)
	<u>1,293,884</u>	<u>1,412,677</u>
Closing balance as per 31 December	<u>17,761,761</u>	<u>16,467,877</u>
	2015	2014
Bonds Issued	17,843,267	16,541,050
Discount on Bonds	(81,506)	(73,173)
	<u>17,761,761</u>	<u>16,467,877</u>

All bonds are guaranteed by Deutsche Bahn AG.

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

<i>(In EUR'000)</i>	31-Dec-15				31-Dec-14	
	Within 1 - 5 year	More than 5 year	Average Coupon	Total	Average Coupon	Total
Non-current:						
AUD	-	181,246	4.298%	181,246	5.395%	60,692
CHF	1,176,736	969,077	1.401%	2,145,813	1.507%	1,788,091
EUR	5,600,000	6,890,000	3.077%	12,490,000	3.434%	11,700,000
GBP	408,747	1,205,804	2.625%	1,614,551	2.625%	1,521,373
HKD	-	-	-	-	2.000%	88,775
JPY	416,598	-	1.206%	416,598	1.206%	376,193
NOK	-	510,236	3.121%	510,236	3.636%	387,100
SEK	-	174,112	2.288%	174,112	2.417%	170,336
SGD	81,079	-	2.290%	81,079	2.290%	77,843
USD	229,632	-	0.822%	229,632	0.846%	370,647
Discount	(17,631)	(63,875)		(81,506)		(73,173)
	<u>7,895,161</u>	<u>9,866,600</u>		<u>17,761,761</u>		<u>16,467,877</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 fair value of all current and non-current outstanding bonds is EUR 20,955 million (2014: EUR 19,155 million).

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2.7 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.

2.8 Short-term bonds

The short-term bonds can be detailed as follows:

(In EUR'000)	31-Dec-15			31-Dec-14	
	Within 1 year	Average Coupon	Total	Average Coupon	Total
Current:					
EUR	1,060,000	3.384%	1,060,000	4.250%	700,000
HKD	99,083	2.000%	99,083	-	-
NOK	208,260	3.375%	208,260	-	-
USD	183,706	1.230%	183,706	-	-
Discount	(495)	-	(495)	-	(663)
	1,550,554		1,550,554		699,337

All bonds are guaranteed by Deutsche Bahn AG., the short-term bonds bear interest rates various from 0.405% till 4.250% and maturity dates from 30 June till on 23 November 2016.

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3 Notes to the profit and loss account for the year ended 31 December 2015

3.1 Director's remuneration

The Company has two managing directors and no employees. One managing director received a fixed annual fee of EUR 5,000 for management services and domiciliation.

3.2 Staff numbers and employment costs

The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous year.

3.3 Financial income and expense

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

3.4 Taxation on result from ordinary operations

	2015	2014
Taxable amount	9,689	9,284
Tax expense based on nominal tax rate (25%)	2,414	2,311

The effective tax rate is 24.9% (2014: 24.9%).

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.

3.5 Independent auditor's fees

Details of the fees of the Company's independent auditor have not been disclosed because such information is included in the consolidated financial statements of Deutsche Bahn AG, in accordance with title 9, Art. 2.382a.3 DCC.

3.6 Transactions with related parties

Transactions with related parties occur when a relationship exists between the Company, its participating interests and their directors and key management personnel.

All transactions with related parties are on an "arms length" basis.

The Company granted loans in thousands of EUR 19,355,399 to group companies. The interest rate charged on loans to group companies vary between 0% and 5.495%, depending on the respective currency, maturity and market conditions. The maturity of the loans equals the maturity of the issued bonds as stated under note 2.6.

No obligation for early repayment has been agreed.

Amsterdam, 4 April 2016

The Directors,

W. Bohner

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 General Meeting.

Proposed profit appropriation

For the year 2015, management proposes to add the result after taxation to the retained earnings.

The appropriation of profit is not reflected in these annual accounts.

Post Balance Sheet Events

During the first months of 2016 the Company has issued further bonds and provided a loan for EUR 500,000,000.

Independent auditor's report

The independent auditor's report is presented on the next page.



Independent auditor's report

To: the general meeting of Deutsche Bahn Finance B.V.

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Deutsche Bahn Finance B.V. as at 31 December 2015, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of Deutsche Bahn Finance B.V., Amsterdam ('the company').

The financial statements comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the cash flow statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of Deutsche Bahn Finance B.V. in accordance with the 'Verordening inzake de Onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening Gedrags- en Beroepsregels Accountants' (VGBA).

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

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Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments in our team.

The main purpose of the company is the financing of companies belonging to the Deutsche Bahn AG group. The company is financing these loans through bond offerings on international capital markets. The repayment of these bonds to the investors is guaranteed by Deutsche Bahn AG as disclosed in notes 2.6 and 2.8 to the financial statements. The company facilitates the Deutsche Bahn AG group in its financing activities for which it receives a margin.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €98,233,000 (2014: €87,507,000). The general benchmark is 1% of total assets, based on our professional judgement we have used 0.5% of total assets, to ensure that all relevant balance sheet and income statement items are in scope. We use total assets given the company's main activity is intra-group lending. The company facilitates the Deutsche Bahn AG group companies in its financing activities for which it receives a margin.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the directors that we would report to them misstatements identified during our audit above €4,911,000 (2014: €4,375,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our audit

The company is a financing company belonging to the Deutsche Bahn AG group. As part of our testing procedures we tested the existence of the loans by requesting the auditors of the counterparties belonging to the Deutsche Bahn AG group to confirm the outstanding intercompany loans.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the directors, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

Due to the nature of the company's business we recognise that key audit matters may be long-standing and therefore may not change significantly from one year to the next. As compared to prior year there have been no changes in key audit matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><i>Valuation and existence of the loans issued</i></p> <p>We consider the valuation and existence of the loans issued, as disclosed in note 2.1 to the financial statements for a total amount of €17,805,065,000, as a key audit matter. This is due to the size of the loan portfolio and given that an impairment may have a material effect on the income statement.</p> <p>Loans are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method.</p> <p>The directors did not identify any impairment triggers regarding the loans issued.</p>	<p>We have performed audit work addressing the valuation and existence of the loans issued to Deutsche Bahn A.G. group companies, through:</p> <ul style="list-style-type: none">• testing input of contracts in Deutsche Bahn Finance B.V.'s treasury management system;• reconciliation of the treasury management system with the general ledger;• confirmation procedures with the counterparties of the loans and their auditors;• margin analysis;• recalculating the amortised cost value based on the effective interest method;• analysis of the financial situation of the group companies to which loans have been provided;• assessing whether there were any impairment triggers; and• audit of data input to calculate the fair value, including cash flows based on underlying contracts, credit spread and market interest. <p>We concur with the position taken by the directors as set out in the financial statements with respect to the valuation of the loans.</p>

Responsibilities of the directors

The directors 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 Dutch Civil Code; and for
- such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the directors are responsible for assessing the company's ability to continue as a going-concern. Based on the financial reporting framework mentioned, the directors should prepare the financial statements using the going-concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going-concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable, assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and the other information):

- 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 by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the directors' report, to the extent we can assess, is consistent with the financial statements.



Our appointment

We were appointed as auditors of Deutsche Bahn Finance B.V. by the board of managing directors following the passing of a resolution by the shareholders at the annual meeting held on 24 April 2015. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 22 years.

Amsterdam, 4 April 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by P.W.J. Middelhoven RA

Appendix to our auditor's report on the financial statements 2015 of Deutsche Bahn Finance B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of the following:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control;
- obtaining an understanding of internal control relevant to the audit 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;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- concluding on the appropriateness of the directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going-concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going-concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.