

**Unaudited financial report for the
sixt-month period ended 30 June 2017
Deutsche Bahn Finance B.V.
Amsterdam**

Deutsche Bahn Finance B.V.
Amsterdam

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Deutsche Bahn Finance B.V. Amsterdam

Semi-Annual report of the directors

General

We herewith present the unaudited Semi-Annual Interim Report of Deutsche Bahn Finance B.V. (hereafter "the Company") for the financial period ended 30 June 2017.

Profit and loss account for the year ended 30 June 2017

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 Amsterdam and its registered office at De Entree 99, 1101 HE in Amsterdam and acts as a finance company for the Deutsche Bahn Group through the providing of long-term liquidity and intercompany funding. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 30 June 2017, the total book value of the bonds outstanding was thousands of EUR 19,677,205 (2016: thousands of EUR 19,744,780).

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 25,000,000,000 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, to EUR 20,000,000,000 in June 2012 and finally to EUR 25,000,000,000 in June 2016. In addition, in January 2017 also a AUD 5,000,000,000 Debt Issuance Programme was arranged by Deutsche Bahn AG. These instruments enable 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 24 May 2017.

Result for the period

The Company's balance sheet total decreased by thousands of EUR 98,231 (-0.49%) to stand at thousands of EUR 19,984,949 at June 2017. The main factor behind that decrease was the FX revaluation. The volume of the new issued bonds was in line with these of the repaid bonds in 2017. Additionally the Company retained the profit of the year 2016. This remains to a solid liquidity and solvency position of the Company.

The financial position of the Company shows a profit for the year after taxation to thousands of EUR 4,903 (2016: thousands of EUR 10,118).

Risk & risk management

We refer to paragraph 1.18 for the principal risks that the Company is facing. The Company's aim is to exclude the connected market risk, especially interest rate risk and liquidity risk associated with financial instruments. 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. The risk management process comprises the early identification of risks and opportunities, their measurement and the use of suitable instruments to manage and monitor risks. The Risk Management system comprises a wide range of organizational and methodological components that are finely tuned to each other. The company has established an encompassing reporting system that provides decision makers with comprehensive, up-to-date information and insights into developments with regard to the capital markets. Risk management is viewed as a continuous process, given the fact that changes in the legal, economic or regulatory environment or those within the Company itself could lead to new risks or to recognized risks being differently assessed.

Overall risk management within the Deutsche Bahn Group is managed centrally and reviewed for appropriateness and effectiveness by the Deutsche Bahn Group's internal audit department. The integration and optimization of processes have reduced operational risk. At present, no risks have been identified which could threaten the going concern status of the Company or which could have a materially adverse impact on the net assets, financial position or results of operations of the Company.

The Company has a low risk appetite: based on the mitigating measures as outlined above, management is of the opinion that the potential impact of these risks is expected to be low.

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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.

Events after balance sheet date

In July 2017 the Company has issued further bonds and provided a loan for GBP 300,000,000 and SEK 530,000,000.

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.

The Managing Directors of the Company resolved to consider a possible move of the registered office of the Company from the Netherlands to Germany without interruption of the legal personality. In July the relevant Dutch authorities issued a certificate of no objection. The move is subject to, inter alia, a resolution by the sole shareholder of the Company and registration of the company in a German commercial register. Such move is scheduled for September 2017.

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 from 01 January 2017 until 30 June 2017 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 August 2017

The Directors,

W. Bohner

Deutsche International Trust Company N.V.

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Balance sheet as at 30 June 2017
(before proposed appropriation of result)

(In EUR'000)	Notes	<u>30-Jun-17</u>	<u>31-Dec-16</u>	<u>30-Jun-16</u>
Assets				
Non-current assets				
Financial assets:	2.1			
- Loans receivable from group companies		16,442,281	17,890,799	17,631,564
- Inter-company current account Deutsche Bahn AG		<u>73,699</u>	<u>69,159</u>	<u>65,938</u>
		16,515,980	17,959,958	17,697,502
Current assets				
- Interest receivable on loans receivable	2.2	248,690	285,184	268,793
- Loans receivable from group companies	2.3	3,220,270	1,838,016	1,551,830
- Prepaid Corporate Income Tax		-	-	493
- Cash at banks	2.4	<u>9</u>	<u>22</u>	<u>12</u>
		3,468,969	2,123,222	1,821,128
		<u>19,984,949</u>	<u>20,083,180</u>	<u>19,518,630</u>

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Balance sheet as at 30 June 2017
(before proposed appropriation of result)

(In EUR'000)	Notes	30-Jun-17	31-Dec-16	30-Jun-16
Liabilities				
Shareholder's equity				
	2.5			
Issued and paid-up share capital		100	100	100
Retained earnings		57,330	47,212	47,212
Profit for the year		4,903	10,118	5,199
		<u>62,333</u>	<u>57,430</u>	<u>52,511</u>
Non-current liabilities				
	2.6			
Long-term bonds		16,456,770	17,906,354	17,648,842
		<u>16,456,770</u>	<u>17,906,354</u>	<u>17,648,842</u>
Current liabilities				
	2.7			
Interest payable on bonds		234,355	270,363	255,759
Short-term bonds	2.8	3,220,435	1,838,424	1,551,911
Inter-company payable Deutsche Bahn AG		9,481	9,011	8,847
Payables to group companies		-	-	315
Expired Bonds not yet collected		344	345	346
Corporate Income Tax payable		1,132	1,103	-
Accrued expenses		99	150	99
		<u>3,465,846</u>	<u>2,119,396</u>	<u>1,817,277</u>
		<u>19,984,949</u>	<u>20,083,180</u>	<u>19,518,630</u>

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Profit and loss account for the period from 01 January 2017 until 30 June 2017

(In EUR'000)	Notes	01-Jan-17 until 30-Jun-17	01-Jan-16 until 31-Dec-16	01-Jan-16 until 30-Jun-16
Financial income	3.3			
Interest on inter-company loans		255,136	560,582	283,267
Release of discount on loans receivable		8,402	17,078	8,423
Other interest		-	74	74
Exchange difference		406	968	890
		<u>263,944</u>	<u>578,702</u>	<u>292,654</u>
Financial expense	3.3			
Interest expense		240,206	530,122	268,397
Other interest		-	-	-
Amortisation/discount on bonds issued		6,980	14,037	6,871
Exchange difference		-	-	-
		<u>247,186</u>	<u>544,159</u>	<u>275,268</u>
Net financial income		16,758	34,543	17,386
Other expenses				
Guarantee fee		9,688	19,968	9,791
Bond-issue costs		389	637	331
General and administrative expenses		157	462	173
		<u>10,234</u>	<u>21,067</u>	<u>10,295</u>
Result before taxation		6,524	13,476	7,091
Taxation on result from ordinary operations	3.4	1,621	3,358	1,763
Taxation previous years		-	-	129
Result after taxation		<u><u>4,903</u></u>	<u><u>10,118</u></u>	<u><u>5,199</u></u>

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Cash flow statement for the period from 01 January 2017 until 30 June 2017

(In EUR'000)	Notes	01-Jan-17 until 30-Jun-17	01-Jan-16 until 31-Dec-16	01-Jan-16 until 30-Jun-16
Result before taxes		6,524	13,476	7,091
Adjustments for:				
Release of discount on loans receivable		(8,402)	(17,078)	(8,423)
Amortisation/discount on bonds issued		6,980	14,037	6,871
		(1,422)	(3,041)	(1,552)
Changes in working capital:				
Movements interest receivable	2.2	36,494	6,140	22,531
Movements interest payable	2.7	(36,008)	(7,258)	(21,862)
Movements expenses payable		(51)	57	6
		435	(1,061)	675
Cash flow used in operating activities				
Income tax paid	3.4	(1,592)	(2,894)	(2,261)
		(1,592)	(2,894)	(2,261)
Net cash used in operating activities		3,945	6,480	3,953
Cash flows used in investment activities				
Issuance of long-term loans	2.1	(569,598)	(2,118,442)	(494,820)
Repayment of short-term loans	2.3	500,000	1,550,334	-
Inter-company Deutsche Bahn AG		(4,070)	(6,109)	(3,052)
Net cash used in investment activities		(73,668)	(574,217)	(497,872)
Cash flows from financing activities				
Issuance of long-term bonds	2.6	570,142	2,118,619	493,820
Repayment of short-term bonds	2.8	(500,000)	(1,550,556)	-
Repayment of Expired bonds		(1)	-	(1)
Dividend paid	2.5	-	-	-
Net cash from financing activities		70,141	568,063	493,819
Exchange differences		(409)	(311)	105
Net cash flows		<u>9</u>	<u>15</u>	<u>5</u>
Cash and cash equivalents	2.4	01-Jan-17 until 30-Jun-17	01-Jan-16 until 31-Dec-16	01-Jan-16 until 30-Jun-16
Balance as at 1 January		22	7	7
Movement for the year		(13)	15	5
Balance as at 31 December		<u>9</u>	<u>22</u>	<u>12</u>

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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 at Amsterdam and its registered office at De Entree 99, 1101 HE in Amsterdam and acts as a finance company for the Deutsche Bahn Group through the providing of long-term liquidity and intercompany funding. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 30 June 2017, the total book value of the bonds outstanding was thousands of EUR 19,677,205 (2016: thousands of EUR 19,744,780).

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The Company is party to a EUR 25,000,000,000 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, to EUR 20,000,000,000 in June 2012 and finally to EUR 25,000,000,000 in June 2016. In addition, in January 2017 also a AUD 5,000,000,000 Debt Issuance Programme was arranged by Deutsche Bahn AG. These instruments enable 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 15 June 2016 and the first supplement as per 11 July 2016.

1.2 General

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

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 converted 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 conversion and are charged or credited to the profit and loss account.

The company's functional currency is Euro (EUR).

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

The exchange rates used in the annual accounts are:

	30/06/2017	31/12/2016	30/06/2016
1 EUR = AUD (Australian dollar)	1.4851	1.4596	1.4929
1 EUR = CHF (Suisse franc)	1.0930	1.0739	1.0867
1 EUR = GBP (Pound sterling)	0.8793	0.8562	0.8265
1 EUR = HKD (Hong Kong dollar)	8.9068	8.1751	8.6135
1 EUR = JPY (Japanese yen)	127.75	123.40	114.05
1 EUR = NOK (Norwegian krone)	9.5713	9.0863	9.3008
1 EUR = SEK (Swedish krone)	9.6398	9.5525	9.4242
1 EUR = SGD (Singapore dollar)	1.5710	1.5234	1.4957
1 EUR = USD (US dollar)	1.1412	1.0541	1.1102

1.4 Estimates

In applying the principles and policies for drawing up the financial statements, the directors of Deutsche Bahn Finance B.V. 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 Part 9, Book 2, article 362, paragraph 1 of the Dutch Civil Code, 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 Non-derivative Financial instruments

The Company initially recognizes loans, receivables, cash and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

1.7 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 stated at its fair value on initial recognition and are subsequently stated on the basis of amortized cost being the amount paid taking into account of any premium or discount and its amortization 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.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: Financial assets, cash at banks and borrowings.

1.8 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.

1.9 Cash at banks

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

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

1.15 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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1.16 General and administrative expenses

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

1.17 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. A new Advanced Pricing Agreement is currently under discussion.

The Company entered, retroactively as from 2011, into a fiscal unity with DB Nederland Holding B.V., DB Cargo Nederland N.V. and Schenker Nederland B.V.

1.18 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 recognized as cash used in financing activities. Transactions not resulting in inflow or outflow of cash, are not recognized in the cash flow statement.

1.19 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. In order to mitigate the impact of currency risk arising from operational and financial activities, the Company continually assesses its exposure to this risk. 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 6 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-/stable	A-1+	as per July 15, 2016
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 Aa1/AA rating, 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.

The Company has a low risk appetite: based on the mitigating measures as outlined above, management is of the opinion that the potential impact of these risks is expected to be low.

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2 Notes to the balance sheet

(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 2016	17,959,958
Movements for the period 1 January 2017 until 30 June 2017	
Amortisation of discounts/premiums	7,645
New Loans	569,598
Foreign exchange adjustments	(126,500)
Reclassification Loans	(1,899,261)
Reclassification Inter-company account Deutsche Bahn AG	4,540
Closing balance as per 30 June 2017	<u>16,515,980</u>

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

	<u>30-Jun-17</u>	<u>31-Dec-16</u>
Loans granted to group companies	16,541,613	17,995,864
Discount on loans	(99,332)	(105,065)
Inter-company Deutsche Bahn AG	73,699	69,159
	<u>16,515,980</u>	<u>17,959,958</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 0.156 % 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 market value of all current and non-current outstanding loans amounts to thousands of EUR 21,006,392 (2016: thousands of EUR 19,528,717).

The fair value of the loans is based on the market value of the underlying bonds and reflects the current interest environment compared to the cashflow of the loans.

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:

	<u>30-Jun-17</u>	<u>31-Dec-16</u>
Loans granted to shareholder	3,221,497	1,839,269
Discount on loans	(1,227)	(1,253)
	<u>3,220,270</u>	<u>1,838,016</u>

The loans receivable from shareholder have not been secured, the interest rates vary between 0.261% and 5.050% and maturity dates from on 21 August 2017 till 14 March 2018.

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 the Deutsche Bahn Finance B.V. 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 period	Total
2016				
Balance at 31 December 2015	100	39,937	7,275	47,312
Allocation of profit for the year 2015	-	7,275	(7,275)	-
Profit for the year	-	-	10,118	10,118
Balance at 31 December 2016	<u>100</u>	<u>47,212</u>	<u>10,118</u>	<u>57,430</u>
2017				
Balance at 31 December 2016	100	47,212	10,118	57,430
Allocation of profit for the year 2016	-	10,118	(10,118)	-
Profit for the period until 30 June 2017	-	-	4,903	4,903
Balance at 30 June 2017	<u>100</u>	<u>57,330</u>	<u>4,903</u>	<u>62,333</u>

2.6 Non-current liabilities

		30-Jun-17	31-Dec-16
Opening balances as per 1 January 2017		17,906,354	17,761,761
Movements :	Amortisation of discounts/premiums	6,464	13,541
	New Bonds	570,142	2,118,619
	Foreign exchange adjustments	(126,929)	(149,142)
	Reclassification Bonds	(1,899,261)	(1,838,425)
		<u>(1,449,584)</u>	<u>144,593</u>
Closing balance as per 30 June 2016		<u>16,456,770</u>	<u>17,906,354</u>
		30-Jun-17	31-Dec-16
Bonds Issued		16,541,613	17,995,864
Discount on Bonds		(84,843)	(89,510)
		<u>16,456,770</u>	<u>17,906,354</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>	30-Jun-17				31-Dec-16	
	Within 1 - 5 year	More than 5 year	Average Coupon	Total	Average Coupon	Total
AUD	-	181,807	4.298%	181,807	4.298%	184,982
CHF	686,182	960,656	1.435%	1,646,838	1.435%	1,676,143
EUR	4,650,000	7,540,000	2.350%	12,190,000	2.615%	13,590,000
GBP	454,892	551,557	3.049%	1,006,449	3.049%	1,033,662
JPY	427,518	-	1.206%	427,518	1.206%	442,260
HKD	-	39,295	2.070%	39,295	2.070%	42,812
NOK	-	585,088	3.042%	585,088	3.121%	539,294
SEK	165,984	-	2.358%	165,984	2.246%	167,488
SGD	79,567	-	2.290%	79,567	2.290%	82,054
USD	219,067	-	1.620%	219,067	1.357%	237,170
Discount	(13,320)	(71,523)		(84,843)		(89,511)
	<u>6,669,890</u>	<u>9,786,880</u>		<u>16,456,770</u>		<u>17,906,354</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 is EUR 21,022 million (2016: EUR 21,413 million). The fair value of the bonds is calculated by the year-end quotation on the respective stock exchanges.

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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)	30-Jun-17			31-Dec-16	
	Within 1 year	Average Coupon	Total	Average Coupon	Total
Current:					
EUR	2,400,000	3.935%	2,400,000	3.813%	1,000,000
CHF	480,328	1.286%	480,328	1.286%	488,875
GBP	341,169	1.375%	341,169	1.375%	350,394
Discount	<u>(1,062)</u>	-	<u>(1,062)</u>	-	<u>(845)</u>
	<u>3,220,435</u>		<u>3,220,435</u>		<u>1,838,424</u>

All bonds are guaranteed by Deutsche Bahn AG., the short-term bonds bear an interest rate vary between 0,101% and 4.750% and maturity dates from 21 August 2017 and 14 March 2018.

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3 Notes to the profit and loss account

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

	30-Jun-17	31-Dec-16
Taxable amount	6,524	13,476
Tax expense based on nominal tax rate (25%)	1,621	3,358

The effective tax rate is 24.9% (2016: 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. Although this APA was valid from 1 January 2011 until 31 December 2015, this is still applied.

3.5 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 19,736,250 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 August 2017

The Directors,

W. Bohner

Deutsche International Trust Company N.V.

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Other information

Appropriation of the result for the 2016 financial year

The annual accounts for 2016 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

In July 2017 the Company has issued further bonds and provided a loan for GBP 300,000,000 and SEK 530,000,000.