

Financial report 2008
Deutsche Bahn Finance B.V.
Amsterdam

1030216



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Annual report of the directors

Annual report of the directors

We have pleasure in presenting the Annual Report of Deutsche Bahn Finance B.V. (hereafter the Company) for the year ended 31 December 2008. We have considered the annual accounts and recommend that the shareholder approve these accounts at the Annual General Meeting.

Activities and group structure

The Company was incorporated in Amsterdam on 16 September 1994. The Company is a wholly owned subsidiary of Deutsche Bahn AG, Germany. The Company is incorporated in the Netherlands with its statutory seat in Amsterdam and acts as a finance company for the Deutsche Bahn Group. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 31 December 2008, the total book value of the bonds outstanding was in thousands of EUR 9,291,394 (2007: in thousands of EUR 10,197,668).

The annual accounts are prepared in thousands of EUR.

Result for the period

The profit for the year after taxation amounts to thousands of EUR 6,897 (2007: thousands of EUR 6,905).

Risk management

Risk management of the company is based on the policy that almost all interest and currency risks are hedged via back to back on lending within the group. The credit risks are covered by a guarantee issued by Deutsche Bahn AG.

We refer to the notes of the financial statements.

Events after balance sheet date

There were no post balance sheet events to be mentioned in this Report.

Future developments

The Company will continue its operations as a group finance company for the foreseeable future.

Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the fiscal year ending 31 December 2008 give a true and fair view of the assets, liabilities, financial position and profit and loss of the company; the management report specifies the most important events of the reporting period

and their effects on the financial statements; necessary estimates have been made with due care.”

Amsterdam, 4 March 2009

The Directors,

W. Reuter

Deutsche International Trust Company N.V.

Annual accounts

Balance sheet as at 31 December 2008

(before proposed appropriation of result)

	Notes	31 December 2008		31 December 2007	
		EUR'000	EUR'000	EUR'000	EUR'000
Assets					
Fixed assets					
Financial fixed assets:					
- loans receivable from group companies	2.1.	7,925,837		9,082,939	
- inter-company Deutsche Bahn AG		39,034		31,890	
			7,964,871		9,114,829
Current assets					
Interest receivable on inter-company loans		250,231		274,730	
Inter-company loans receivable	2.1.	1,365,149		1,114,424	
Prepaid Corporate taxes		11			
Cash and bank balances		16		54	
			1,615,407		1,389,208
			<u>9,580,278</u>		<u>10,504,037</u>

	Notes	31 December 2008		31 December 2007	
		EUR'000	EUR'000	EUR'000	EUR'000
Liabilities					
Shareholders' equity					
Share capital	2.2.	100		100	
Retained earnings	2.3.	35,883		28,978	
Profit for the year		6,897		6,905	
			42,880		35,983
Long-term debt					
Long-term bonds	2.4.	7,925,970		9,083,132	
			7,925,970		9,083,132
Current liabilities					
Interest payable on bonds		240,538		264,234	
Short-term bonds	2.5.	1,365,424		1,114,536	
Inter-company payable Deutsche Bahn AG		4,947		5,421	
Expired Bonds and coupons not yet collected		489		545	
Corporate taxes payable		-		131	
Accrued expenses		30		55	
			1,611,428		1,384,922
			<u>9,580,278</u>		<u>10,504,037</u>

Profit and loss account 2008

		2008		2007	
		EUR'000	EUR'000	EUR'000	EUR'000
Financial income					
Interest on inter-company loans		479,601		533,999	
Release of discount on loans receivable		12,061		13,374	
Other interest		1,425		1,222	
			493,087		548,595
Financial expense					
Interest expense		461,750		513,960	
Amortisation/discount on bonds issued		12,083		13,367	
Exchange difference		17		163	
			473,850		527,490
Net financial income			19,237		21,105
Other expenses					
Guarantee fee	3.2	9,789		10,835	
Bond-issue costs		71		715	
General and administrative expenses		139		291	
			9,999		11,841
Net result before taxation			9,238		9,264
Taxation on result from ordinary operations	3.3		2,341		2,359
Net result after taxation			6,897		6,905

Notes to the balance sheet and profit and loss account

1 Accounting principles

1.1 Activities and group structure

The Company was incorporated in Amsterdam on 16 September 1994. The Company is a wholly owned subsidiary of Deutsche Bahn AG, Germany. The Company is incorporated in the Netherlands with its statutory seat in Amsterdam and acts as a finance company for the Deutsche Bahn Group. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 31 December 2008, the total book value of the bonds outstanding was in thousands of EUR 9,291,394 (2007: in thousands of EUR 10,197,668).

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 10,000,000,000 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. This instrument enables the Company to issue all kinds of bonds in different currencies and with different maturity dates.

The proceeds were used to finance Deutsche Bahn AG in Berlin or other companies of Deutsche Bahn Group.

Currently the programme is being updated. This update will be finalised at the beginning of the second quarter of 2009.

1.2 General

The annual accounts are prepared in accordance with Titel 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The annual accounts are prepared in thousands of EUR. Assets and liabilities are valued at face value, unless otherwise indicated. The principles of valuation and determination of result remained unchanged compared to the prior year.

1.3 Foreign exchange

Balance sheet items relating to assets and liabilities denominated in currencies other than EUR are translated at the rate of exchange prevailing on balance sheet date. The resulting exchange rate differences are credited or charged to the profit and loss account.

The Company manages its exchange exposure by means of back to back funding of the initiated loans in the respective currencies. Therefore, the Company has no currency exposure on the nominal loan amounts in foreign currencies. Exchange results arise from settlement and translation and are charged or credited to the profit and loss account.

The company's functional currency is EURO.

1.4 Related parties

All companies belonging to the Deutsche Bahn Group are considered to be related parties. The parent company and intermediate parents of the Company are also considered to be related parties.

1.5 Financial fixed assets

Financial fixed assets relate to the inter-company loans receivables and the inter-company account with Deutsche Bahn AG. The inter-company loans receivables are stated at nominal value minus the value of the discount at year-end. Impairment of financial fixed assets as at balance sheet date if any, is taken into account in the valuation of these assets.

1.6 Impairment

At each balance sheet date, the company tests whether there are any indications of receivables being subject to impairment. If any such indications are present, the recoverable amount of the receivable is determined. A receivable is subject to impairment if its carrying amount exceeds its recoverable amount. An impairment loss is directly recognised as an expense in the income statement. As at December 31, 2008 no impairment loss is recognised.

1.7 Cash at banks

Cash represents cash in hand and bank balances.

1.8 Financial income

Financial income represents the interest income on inter-company loans recognised, the release of discounts on these loans as well as other interest income.

1.9 Financial expense

Financial expense represents the interest expenses on outstanding bonds, the amortisation of discounts/premiums on these bonds as well as other interest expenses.

1.10 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 year-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 provision for income tax is based on taxable income, which is defined under a specific Advanced Pricing Agreement for the Company applicable up to and including the financial year 2008.

1.15 Cash flow statement

The Company does not draw up a cash flow statement, because its capital is entirely contributed directly or indirectly by Deutsche Bahn Group which prepares an equivalent cash flow statement included in its annual accounts. The annual accounts of Deutsche Bahn Group are available at the address of the Company, being Herengracht 450, 1017 CA Amsterdam, The Netherlands.

1.16 Risk management

General

The company has limited exposure to currency risk, interest rate risk and credit risk. These risks are actively managed via natural hedging. Risks are closely managed as following:

- *Currency risk*

The Company manages its exchange exposure by means of back to back funding of the initiated loans in the respective currencies. Therefore, the Company has no currency exposure on the nominal loan amounts in foreign currencies.

- *Interest rate risk*

The Company obtains a set margin on the back to back funding. Its margin is therefore fixed and interest rate risk is minimised.

- *Credit risk*

The Company has limited credit risks in connection with providing to loans of companies belonging to the Deutsche Bahn Group. A guarantee has been issued by Deutsche Bahn AG which limits the credit risk for the company.

2 Notes to the balance sheet

2.1 Financial fixed assets

	Loans receivable from group companies	Inter- company Deutsche Bahn AG	Total
	EUR'000	EUR'000	EUR'000
1 January 2008			
Inter-company account opening Balance	-	31,890	31,890
Loans granted	9,135,659	-	
Loan discounts	-52,720	-	-
Book value	9,082,939	31,890	9,114,829
Movements 2008			
Amortisation of discounts/premiums	11,241	-	11,241
Early Repayment of Loans	-		-
Foreign exchange revaluation	196,806	-	196,806
Reclassification Loans	-1,365,149	-	-1,365,149
Increase inter-company loan	-	7,144	7,144
31 December 2008	7,925,837	39,034	7,964,871
31 December 2008			
Loans granted	7,966,580		
Loan discounts	-40,743		
Book value	7,925,837		

Loans to group companies included in financial assets are stated at the fair value of the amount owed, which normally consists of its face value net of any provisions considered necessary.

Deferred premiums and discounts on loans to group companies are amortized over the term of the loans.

The interest rate charged on loans to group companies vary between 1.305% and 7.1%, depending on the respective currency, maturity and market conditions.

Inter-company loans receivable

31 December 2008

Loans granted	1,366,700
Loan discounts	-1,551
Book value	<u>1,365,149</u>

The remaining lifetime of these loans is less than 1 year and therefore considered as short-term.

The total market value of outstanding loans is EUR 9.424 bn.

2.2 *Shareholder's equity*

Share capital

The authorised share capital of Deutsche Bahn Finance B.V. is composed of 1,000 shares, with a nominal value of EUR 500 per share. The authorised share capital amounts to EUR 500,000.

Called-up and paid-in share capital

	<u>31 Dec 2008</u>	<u>31 Dec 2007</u>
	EUR'000	EUR'000
200 shares of EUR 500 each	100	100
	<u> </u>	<u> </u>

2.3 *Retained earnings*

	<u>31 Dec 2008</u>	<u>31 Dec 2007</u>
	EUR'000	EUR'000
Balance at January 1	28,978	22,497
Result for the previous period	6,905	6,481
	<u>35,883</u>	<u>28,978</u>

2.4 Long-term debt

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

	2008 EUR'000	2007 EUR'000
Bonds Issued	7,966,578	9,135,960
Remaining discount on Bonds	-40,608	-52,828
Book value	<u>7,925,970</u>	<u>9,083,132</u>

Re-payment schedule for long-term debt

		31 December 2008		31 December 2007		
	Term 1 – 5 years	Term > 5 years	Average Coupon	Total	Average coupon	Total
	EUR	EUR		EUR		EUR
Bonds						
Bonds issued in EUR	2,250,000	3,900,000	4.92%	6,150,000	4.90%	7,517,000
Bonds issued in CHF	252,525	-	2.31%	252,525	2.31%	226,627
Bonds issued in HKD	23,178	23,178	5.49%	46,356	5.49%	43,554
Bonds issued in JPY	39,650	436,150	1.61%	475,800	1.61%	363,791
Bonds issued in USD	1,041,897	-	5.10%	1,041,897	5.10%	984,988
Discount on bonds	12,380-	-28,228		-40,608		-52,828
	<u>3,594,870</u>	<u>4,331,100</u>		<u>7,925,970</u>		<u>9,083,132</u>

2.5 Short-term debt

The short-term bonds consist of the following

	<u>31 Dec 2008</u>	<u>31 Dec 2007</u>
	EUR'000	EUR'000
Bonds	1,367,000	1,115,232
Discount	<u>1,576</u>	<u>696</u>
	1,365,424	1,114,536

Summary of short-term bonds, which will become due in year 2009

Face value in EUR'000	Currency	Amount in thousands	Interest per annum	Issue date	Maturity date	Ratio	Stock Exchange Listing
1,000,000	EUR	1,000,000	4.875%	06.07.1999	06.07.2009	98.932%	Frankfurt/Berlin/ Paris/Milan
350,000	EUR	350,000	4.875%	19.11.1999	06.07.2009	94.575%	Frankfurt/Berlin Paris/Milan
17,000	EUR	17,000	3.25%	28.10.2004	28.10.2009	98.980%	Frankfurt
Total		<u>1,367,000</u>					

The total market value of outstanding bonds is EUR 9.523 bn.

3 Notes to the profit and loss account

3.1 Employee information

The company has two directors and no employees. The directors received no emoluments in the current and previous year.

3.2 Guarantee fee

	<u>2008</u> EUR'000	<u>2007</u> EUR'000
Guarantee fee	<u>9,789</u>	<u>10,835</u>
Total	<u>9,789</u>	<u>10,835</u>

3.3 Taxation on result

	<u>2008</u> EUR'000	<u>2007</u> EUR'000
Taxable amount	9,238	9,264
Tax expense based on nominal tax rate (25.5%)	2,341	2,359

Amsterdam, 4 March 2009

The Directors,

W. Reuter

Deutsche International Trust Company N.V.

Other information

Profit appropriation according to the Articles of Association

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

Proposed profit appropriation

For the year 2008, management proposed to add the result after taxation to the other reserves. The appropriation of profit is not reflected in these annual accounts.

Post Balance Sheet Events

No significant events occurred after the balance sheet date.

Auditor's report

The Auditor's report is presented on the next page.

To the Board of Directors of Deutsche Bahn Finance B.V.

Auditor's report

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Report on the financial statements

We have audited the accompanying financial statements 2008 of Deutsche Bahn Finance B.V., Amsterdam as set out on pages 6 to 18 which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the notes.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the Annual report of the directors, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Deutsche Bahn Finance B.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Annual report of the directors is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 4 March 2009
PricewaterhouseCoopers Accountants N.V.