

unaudited Financial report
for the six-month period ended
30 June 2012
Deutsche Bahn Finance B.V.
Amsterdam

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Interim report of the directors

Interim report of the directors

We have pleasure in presenting the interim Report of Deutsche Bahn Finance B.V. (hereafter the Company) for the six-month period ended 30 June 2012.

Activities and group structure

The Company was incorporated in Amsterdam on 16 September 1994. The Company is a wholly owned subsidiary of Deutsche Bahn AG, Germany. The Company is incorporated in the Netherlands with its statutory seat in Amsterdam and acts as a finance company for the Deutsche Bahn Group. Funding of these activities is done through the issue of bearer bonds on different stock exchanges in Europe. As per 30 June 2012, the total book value of the bonds outstanding was in thousands of EUR 14,043,580 (2011: in thousands of EUR 12,622,558). This financial report is prepared in thousands of EUR.

The office address of the Company is De Entrée 99 - 197, Amsterdam.

During the reporting period the company issued the following:

As per 27 January 2012 the company issued 3.375% NOK 750 million Notes due 1 September 2016, as per 9 February 3.44% EUR 98 million Notes due 19 December 2025, as per 21 February 0.75% CHF 150 million Notes due 21 August 2017 and 1.5% CHF 100 million Notes due 21 February 2024, as per 8 March 3% EUR 500 million due 8 March 2024 and as per 20 June 2.75% GBP 400 million due 20 June 2022.

The proceeds of these issues have been on lent to Deutsche Bahn AG, Berlin at a consideration between 0.86% and 3.6%.

Result for the period

The profit for the period until 30 June 2012 after taxation amounts to thousands of EUR 3,748 (same period 2011: thousands of EUR 3,358).

Risk management

Risk management of the company is based on the policy that the interest and currency risks are hedged via back to back on lending within the group. We refer to the notes of the financial statements.

Events after balance sheet date

No significant events occurred after the balance sheet date.

Future developments

The Company will continue its operations as a group finance company for the foreseeable future. No significant changes are expected in respect of financial income, solvency or liquidity. There are no significant deviations from previous expectations or uncertainties.

Responsibility Statement

“The Managing Directors of the Company hereby declare that to the best of their knowledge and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the period ended 30 June 2012 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, 24 July 2012

The Directors,

W. Reuter

Deutsche International Trust Company N.V.

Interim Financial report for the six-month period ended 30 June 2012

Balance sheet as at 30 June 2012
(before proposed appropriation of result)

		30 June 2012		31 December 2011		30 June 2011	
	Notes	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Assets							
Non-current assets							
Financial assets:							
- loans receivable from group companies	2.1	13,394,823		11,978,495		11,396,217	
- inter-company Deutsche Bahn AG		41,915		35,891		29,557	
			13,436,738		12,014,386		11,425,774
Current assets							
Interest receivable on inter-company loans		283,701		240,619		249,928	
Inter-company loans receivable	2.1	639,636		637,810		248,324	
Prepaid Corporate taxes		762		-		1,077	
Cash at banks	2.2	37		347		360	
			924,136		878,776		499,689
			<u>14,360,874</u>		<u>12,893,162</u>		<u>11,925,463</u>

	Notes	30 June 2012		31 December 2011		30 June 2011	
		EUR'000	EUR'000			EUR'000	EUR'000
Liabilities							
Shareholders' equity							
Share capital	2.3	100		100		100	
Retained earnings	2.4	32,462		25,733		25,733	
Profit for the year		3,748		6,729		3,358	
			36,310		32,562		29,191
Non-current liabilities							
Long-term bonds	2.5	13,405,717		11,986,313		11,401,969	
			13,405,717		11,986,313		11,401,969
Current liabilities	2.6						
Interest payable on bonds		274,028		231,758		239,705	
Short-term bonds		637,863		636,245		248,330	
Inter-company payable Deutsche Bahn AG		6,479		5,668		5,758	
Expired Bonds and coupons							
not yet collected		440		444		444	
Corporate taxes payable				80		-	
Accrued expenses		37		92		66	
			918,847		874,287		494,303
			<u>14,360,874</u>		<u>12,893,162</u>		<u>11,925,463</u>

Profit and loss account for the period

		ended 30 June 2012		ended 30 June 2011	
		EUR'000	EUR'000	EUR'000	EUR'000
Financial income	3.2				
Interest on inter-company loans		258,169		225,163	
Release of discount on loans receivable		5,606		4,783	
Other interest		49		157	
			263,824		230,103
Financial expense	3.2				
Interest expense		246,861		215,582	
Amortisation/discount on bonds issued		4,956		4,416	
Exchange difference		(73)		(115)	
			251,744		219,883
Net financial income			12,080		10,220
Other expenses					
Guarantee fee	3.3	6,632		5,433	
Bond-issue costs		318		236	
General and administrative expenses		146		132	
			7,096		5,801
Net result before taxation			4,984		4,419
Taxation on result from ordinary operations	3.4		1,236		1,061
Net result after taxation			3,748		3,358

Cash flow statement

	<u>Six-month period</u> <u>until 30 June 2012</u> EUR'000	<u>2011</u> EUR'000
Cash flows from operating activities		
Cash generated from operations:		
Interest received	215,496	497,008
Interest paid	(205,570)	(475,491)
Expenses paid	(5,891)	(12,354)
Income tax paid	(2,078)	(1,840)
Net cash from operating activities	1,957	7,323
Cash flows from investment activities		
Issuance of long-term loans	(1,385,318)	(2,059,192)
Repayment of long-term loans	-	1,329,268
Inter-company Deutsche Bahn AG	(6,024)	19,825
Net cash from investment activities	(1,391,342)	(710,099)
Cash flows from financing activities		
Issuance of long-term bonds	1,389,077	2,061,103
Repayment of long-term bonds	(2)	(1,329,287)
Dividends paid	-	(29,000)
Net cash from financing activities	1,389,075	702,816
Net cash flows	(310)	40
Cash and cash equivalents	30-06-2012	31-12-2011
Balance as at 1 January	347	307
Movement for the year	(310)	40
Balance as at 30 June 2012 / 31 December 2011	37	347

Notes to the balance sheet and profit and loss account

1 Accounting principles

1.1 *Activities and group structure*

The Company was incorporated in Amsterdam on 16 September 1994. The Company is a wholly owned subsidiary of Deutsche Bahn AG, Germany. The Company is incorporated in the Netherlands with its statutory seat in Amsterdam and acts as a finance company for the Deutsche Bahn Group. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 30 June 2012, the total book value of the bonds outstanding was in thousands of EUR 14,043,580 (2011: in thousands of EUR 12,622,558).

The Company is party to a EUR 2,000,000,000 multi-currency commercial paper programme, arranged by Deutsche Bahn AG in October 1994, re-denominated into EUR (previously DEM) in January 1999 and increased from EUR 1,000,000,000 to EUR 2,000,000,000 in December 2003, under which the Company can issue notes, together with Deutsche Bahn AG.

The Company is party to a EUR 20,000,000,000 debt issuance programme, arranged by Deutsche Bahn AG in May 2001. The programme was increased from EUR 5,000,000,000 to EUR 10,000,000,000 in August 2003, to EUR 15,000,000 in July 2009 and finally to EUR 20,000,000 in June 2012. This instrument enables the Company to issue all kinds of bonds in different currencies and with different maturity dates.

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

The programme has last been updated as per 6 June 2012.

1.2 *General*

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

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

1.3 Foreign exchange

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

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

The company's functional currency is EURO.

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

1.4 Related parties

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

1.5 Financial assets

Financial assets relate to the inter-company loans 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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

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

1.7 Cash at banks

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

1.8 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest in the income statement over the period of the borrowings using a straight line depreciation.

1.9 Financial income and expense

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

1.10 Discount/premium on bond and loan issues

Discounts/premiums arising on the issue of inter-company loans and the issue of bonds are respectively released, amortised on a straight-line basis over the term of the loans/bonds.

1.11 Guarantee fee

Guarantee fee represents the costs relating to the guarantee issued by Deutsche Bahn AG in relation to the redemption of the bonds and the payment of interest thereon. The guarantee fee amounts to 0.1% of the issued bonds per annum. The outstanding balance at 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 (APA) for the Company applicable up to and including the financial year 2015.

1.15 Cash flow statement

The cash flow statement has been prepared applying the direct method. The cash and cash equivalents in the cash flow statement comprise the balance sheet items inter-company Deutsche Bahn AG and cash and bank balances.

Cash flows in foreign currencies have been translated at exchange rates prevailing at the date the transaction took place. Receipts and payments of interest and corporate income tax are included in the cash flow from operating activities.

1.16 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 credit risk of the Company is concentrated on companies belonging to the Deutsche Bahn Group. Based on the present situation the Company finds it will not be needed to make a provision.

- *Refinancing risk*

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

2 Notes to the balance sheet

2.1 Financial assets

	Loans receivable from group companies	Inter- company Deutsche Bahn AG	Total
	EUR'000	EUR'000	EUR'000
1 January 2012			
Inter-company account opening			
Balance	-	35,891	35,891
Loans granted	12,045,109	-	12,045,109
Loan discounts	(66,614)	-	(66,614)
Book value	11,978,495	35,891	12,014,386
Movements 2012			
Amortisation of discounts/premiums	5,606	-	5,606
New Loans	1,385,318	-	1,385,318
Foreign exchange revaluation	25,404	-	25,404
Reclassification Loans	-	-	-
Increase inter-company loan	-	6,024	6,024
30 June 2012	13,394,823	41,915	13,436,738
30 June 2012			
Loans granted	13,469,233		
Loan discounts	(74,410)		
Book value	13,394,823		

Loans to group companies included in financial assets are stated at the carrying value of the amount owed, which normally consists of its face value net of any provisions considered necessary. Deferred premiums and discounts on loans to group companies are amortized over the term of the loans.

The interest rate charged on loans to group companies vary between 0.86% and 5.97%, depending on the respective currency, maturity and market conditions.

Inter-company loans receivable

30 June 2012

Loans granted	639,675
Loan discounts	(39)

Book value	<u>639,636</u>
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The remaining lifetime of these loans is less than 1 year and therefore considered as short-term.

The total market value of outstanding loans is EUR 15,324 million (2011 = 13,580) million.

2.2 *Cash at banks*

Cash at banks consists of a current account in EUR with Deutsche Bank AG, Amsterdam branch and is at free disposal.

Cash and cash equivalents are at free disposal of the Company.

Cash and cash equivalents are stated at face value.

2.3 *Shareholder's equity*

Share capital

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

Called-up and paid-in share capital

	<u>30 June 2012</u>	<u>31 Dec 2011</u>
	EUR'000	EUR'000
200 shares of EUR 500 each	100	100
	<u> </u>	<u> </u>

2.4 *Retained earnings*

	<u>30 June 2012</u>	<u>31 Dec 2011</u>
	EUR'000	EUR'000
Balance at January 1	25,733	48,677
Result for the previous period	6,729	6,055
Dividend paid	-	-29,000
		1
	<u>32,462</u>	<u>25,733</u>

2.5 *Non-current liabilities*

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

	30 June 2012	31 Dec 2011
	EUR'000	EUR'000
Bonds Issued	13,469,233	12,045,108
Remaining discount on Bonds	(63,516)	(58,795)
Book value	<u>13,405,717</u>	<u>11,986,313</u>

All bonds are guaranteed by Deutsche Bahn AG.

Re-payment schedule for non-current liabilities

			30 Jun 2012		31 Dec 2011	
	Term 1 – 5 years	Term > 5 years	Average Coupon	Total	Average Coupon	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Bonds						
Bonds issued in EUR	3,010,000	7,190,000	4.16%	10,200,000	4.24%	9,602,000
Bonds issued in CHF	-	1,142,983	1.55%	1,142,983	1.67%	925,470
Bonds issued in HKD	111,206	-	2.71%	111,206	2.71%	108,046
Bonds issued in JPY	549,450	545,454	1.43%	1,094,904	1.43%	1,093,808
Bonds issued in NOK	265,500	-	3.38%	265,500	3.38%	161,212
Bonds issued in USD	158,856	-	1.32%	158,856	1.34%	154,572
Bonds issued in GBP	-	495,784	2.75%	495,784	-	-
Discount on bonds	(11,309)	(52,207)		(63,516)		(58,795)
	4,083,703	9,322,014		13,405,717		11,986,313

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.

Development of non-current liabilities:

	2012	2011
	EUR'000	EUR'000
1 January		
Long-term bonds nominal	12,045,108	10,512,250
Long-term bonds discount	(58,795)	(59,567)
Book value	<u>11,986,313</u>	<u>10,452,683</u>
Movements 2012 / 2011		
Amortisation of discounts/premiums	4,956	9,379
New Bonds	1,389,077	2,051,479
Foreign exchange revaluation	25,371	109,017
Reclassification Loans	-	(636,245)
30 June 2012	<u>13,405,717</u>	
31 December 2011		<u>11,986,313</u>
	30 June 2012	31 December 2011
Long-term bonds nominal	13,469,233	12,045,108
Long-term bonds discount	(63,516)	(58,795)
Book value	<u>13,405,717</u>	<u>11,986,313</u>

Current liabilities

The short-term bonds consist of the following

	30 June 2012	31 Dec 2011
	EUR'000	EUR'000
Bonds	637,895	636,471
Discount	<u>(32)</u>	<u>(226)</u>
	637,863	636,245

Summary of short-term bonds, which will become due in year 2012

	Face value in EUR'000	Currency	Amount in thousands	Interest per annum	Issue date	Maturity date	Ratio	Stock Exchange listing
	25,600	HKD	250,000,000	5.870%	16/7/2002	16/7/2012	100.000%	not listed
	499,968	EUR	500,000	5.375%	31/7/2002	31/7/2012	99.221%	Luxembourg/Frankfurt am Main
	49,950	JPY	5,000,000,000	1.205%	17/10/2002	17/10/2012	100.000%	not listed
	62,345	CHF	75,000,000	3.060%	4/10/2002	4/10/2012	100.000%	not listed
Total	637,863							

The total market value of outstanding bonds is EUR 15,328 million (2011: EUR 13,579 million).

3 Notes to the profit and loss account

3.1 Employee information

The company has two managing directors and no employees. One managing director received a fixed fee of EUR 5,000 for providing the Company with a registered address and for the day to day management.

3.2 Financial income and expense

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

3.3 Guarantee fee

	<u>period until 30 June 2012</u>	<u>year ended 31 December 2011</u>
	EUR'000	EUR'000
Guarantee fee	<u>6,632</u>	<u>11,655</u>
Total	6,632	11,655

3.4 Taxation on result

	<u>period until 30 June 2012</u>	<u>year ended 31 December 2011</u>
	EUR'000	EUR'000
Taxable amount	4,984	8,914
Tax nominal tax rate is (2012 = 25%, 2011 = 25%)	1,236	2,185
The effective tax rate is 24.8% (2011: 24.9%).		

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. The APA is valid until 31 December 2015.

3.5 Auditor's fees

Details of the fees of the company's auditor have not been disclosed because such information is included in the consolidated financial statements of Deutsche Bahn AG.

Amsterdam, 24 July 2012

The Directors,

W. Reuter

Deutsche International Trust Company N.V.

Other information

Profit appropriation according to the Articles of Association

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

Proposed profit appropriation

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

Events after balance sheet date

No significant events occurred after the balance sheet date.