

Financial report 2009

Deutsche Bahn Finance B.V.

Amsterdam

PRICEWATERHOUSECOOPERS 

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Annual report of the directors

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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 2009. 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 through the issue of bearer bonds on different stock exchanges in Europe. As per 31 December 2009, the total book value of the bonds outstanding was in thousands of EUR 10,015,146 (2008: in thousands of EUR 9,291,394).

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 5,897 (2008: thousands of EUR 6,897).

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

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.

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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 2009 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.

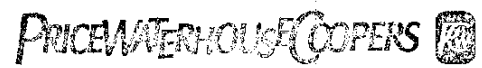
Amsterdam, 31 March 2010

The Directors,

W. Reuter

Deutsche International Trust Company N.V.

Annual accounts



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Balance sheet as at 31 December 2008


(before proposed appropriation of result)

	Notes	31 December 2009		31 December 2008	
		EUR'000	EUR'000	EUR'000	EUR'000
Assets					
Non-current assets					
Financial assets:					
- loans receivable from group companies	2.1.	9,015,134		7,925,837	
- inter-company Deutsche Bahn AG		44,334		39,034	
			9,059,468		7,964,871
Current assets					
Interest receivable on inter-company loans		267,483		250,231	
Inter-company loans receivable	2.1.	999,458		1,365,149	
Prepaid Corporate taxes		328		11	
Cash and bank balances		57		16	
			1,267,326		1,615,407
			10,326,794		9,580,278

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	Notes	31 December 2009		31 December 2008	
		EUR'000	EUR'000	EUR'000	EUR'000
Liabilities					
Shareholders' equity					
Share capital	2.2.	100		100	
Retained earnings	2.3.	42,780		35,883	
Profit for the year		5,897		6,897	
			48,777		42,880
Non-current liabilities					
Long-term bonds	2.4.	9,015,680		7,925,970	
			9,015,680		7,925,970
Current liabilities					
Interest payable on bonds		257,012		240,538	
Short-term bonds	2.5.	999,466		1,365,424	
Inter-company payable Deutsche Bahn AG		5,333		4,947	
Expired Bonds and coupons not yet collected		473		489	
Corporate taxes payable		-		-	
Accrued expenses		53		30	
			1,262,337		1,611,428
			<u>10,326,794</u>		<u>9,580,278</u>

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Profit and loss account 2009


		2009		2008
		EUR'000	EUR'000	EUR'000
Financial income				
Interest on inter-company loans		473,586		479,601
Release of discount on loans receivable		10,637		12,061
Other interest		305		1,425
			484,528	493,087
Financial expense				
Interest expense		455,617		461,750
Amortisation/discount on bonds issued		10,762		12,083
Exchange difference		23		17
			466,402	473,850
Net financial income			18,126	19,237
Other expenses				
Guarantee fee	3.2	9,734		9,789
Bond-issue costs		134		71
General and administrative expenses		357		139
			10,225	9,999
Net result before taxation			7,901	9,238
Taxation on result from ordinary operations	3.3		2,004	2,341
Net result after taxation			5,897	6,897

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Cash flow statement 2009

	<u>2009</u>	<u>2008</u>
	EUR'000	EUR'000
Cash flows from operating activities		
Cash generated from operations:		
Interest received	454,653	573,151
Interest paid	(437,281)	(552,470)
Expenses paid	(9,731)	(11,078)
Income tax paid	(2,282)	(2,448)
Net cash from operating activities	5,359	7,155
Cash flows from financing activities		
Inter-company Deutsche Bahn AG	(5,300)	(7,144)
Net cash from financing activities	(5,300)	(7,144)
Cash flows from investment activities		
Issuance of long-term bonds	2,030,039	-
Issuance of long-term loans	(2,029,749)	-
Repayment of long-term bonds	(1,367,008)	(1,059,939)
Repayment of long-term loans	1,366,700	1,059,890
Dividends paid		
Net cash used in finance activities	(18)	(49)
Net cash flows	41	(38)
Cash and cash equivalents		
	31-12-2009	31-12-2008
Balance as at 1 January	16	54
Movement for the year	41	(38)
Balance as at 31 December	41	16

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Notes to the balance sheet and profit and loss account

1 Accounting principles

1.1 Activities and group structure

The Company was incorporated in Amsterdam on 16 September 1994. The Company is a wholly owned subsidiary of Deutsche Bahn AG, Germany. The Company is incorporated in the Netherlands with its statutory seat in Amsterdam and acts as a finance company for the Deutsche Bahn Group. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 31 December 2009, the total book value of the bonds outstanding was in thousands of EUR 10,015,146 (2008: in thousands of EUR 9,291,394).

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 15,000,000,000 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 and finally to EUR 15,000,000,000 in July 2009. 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 been updated as per 17 July 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.

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1.3 Foreign exchange

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

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

The company's functional currency is EURO.

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

1.4 Related parties

All 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 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

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, 2009 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 2009.

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 Company has limited credit risks in connection with providing to loans of companies belonging to the Deutsche Bahn Group.

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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 2009			
Inter-company account opening Balance	-	39,034	39,034
Loans granted	7,966,580	-	7,966,580
Loan discounts	-40,743	-	-40,743
Book value	7,925,837	39,034	7,964,871
Movements 2009			
Amortisation of discounts/premiums	9,087	-	9,087
New Loans	2,156,325	-	2,156,325
Foreign exchange revaluation	-76,657	-	-76,657
Reclassification Loans	-999,458	-	-999,458
Increase inter-company loan	-	5,300	5,300
31 December 2009	9,015,134	44,334	9,059,468
31 December 2009			
Loans granted	9,060,982		
Loan discounts	-45,548		
Book value	9,015,134		

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 1.305% and 6.15%, depending on the respective currency, maturity and market conditions.

Inter-company loans receivable

31 December 2009	
Loans granted	1,000,000
Loan discounts	-542
Book value	<u>999,458</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 10,553 million.

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 2009</u>	<u>31 Dec 2008</u>
	EUR'000	EUR'000
200 shares of EUR 500 each	100	100

2.3 Retained earnings

	<u>31 Dec 2009</u>	<u>31 Dec 2008</u>
	EUR'000	EUR'000
Balance at January 1	35,883	28,978
Result for the previous period	6,897	6,905
	<u>42,780</u>	<u>35,883</u>

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2.4 Non-current liabilities

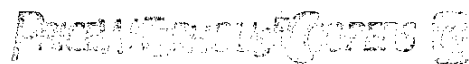
The total amount of Bonds outstanding can be specified as follows:

	2009 EUR'000	2008 EUR'000
Bonds Issued	9,060,982	7,966,578
Remaining discount on Bonds	-45,302	-40,608
Book value	9,015,680	7,925,970

All bonds are guaranteed by Deutsche Bahn AG.

Re-payment schedule for non-current liabilities

			31 December 2009		31 December 2008	
	Term 1 – 5 years	Term > 5 years	Average Coupon	Total	Average coupon	Total
	EUR'000	EUR'000		EUR'000		EUR'000
Bonds						
Bonds issued in EUR	1,250,000	6,000,000	4.62%		4.92%	6,150,000
Bonds issued in CHF	252,765	-	2.31%		2.31%	252,525
Bonds issued in HKD	44,760	-	5.49%		5.49%	46,356
Bonds issued in JPY	450,600	56,325	1.61%		1.61%	475,800
Bonds issued in USD	1,006,532	-	5.10%		5.10%	1,041,897
Discount on bonds	-7,998	-37,304		-45,302		-40,608
	2,996,659	6,019,021		9,015,680		7,925,970



Anti-Fraud Code
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2.5 Short-term debt

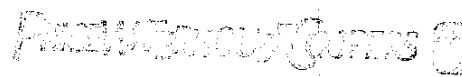
The short-term bonds consist of the following

	<u>31 Dec 2009</u>	<u>31 Dec 2008</u>
	EUR'000	EUR'000
Bonds	1,000,000	1,367,000
Discount	<u>534</u>	<u>1,576</u>
	999,466	1,365,424

Summary of short-term bonds, which will become due in year 2010

Face value in		Amount in	Interest per				Stock Exchange
EUR'000	Currency	thousands	annum	Issue date	Maturity date	Ratio	Listing
1,000,000	EUR	1,000,000	6.0%	15.06.2000	15.06.2010	98.819%	Frankfurt/Berlin/ Paris/Milan
Total		<u>1,000,000</u>					

The total market value of outstanding bonds is EUR 10,544 bn.



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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>2009</u> EUR'000	<u>2008</u> EUR'000
Guarantee fee	<u>9,734</u>	<u>9,789</u>
Total	9,734	9,789

3.3 Taxation on result

	<u>2009</u> EUR'000	<u>2008</u> EUR'000
Taxable amount	7,901	9,238
Tax expense based on nominal tax rate (25.5%)	2,004	2,342

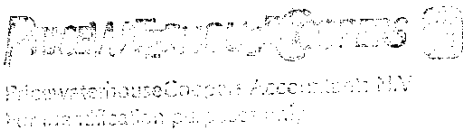
Amsterdam, 31 March 2010

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 2009, 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. The audit fee for the statutory audit of the Financial report 2009 amounts to EUR 27,000 (2008: EUR 27,000).

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To the Directors and Shareholder of
Deutsche Bahn Finance B.V.

PricewaterhouseCoopers
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Auditor's report

Report on the financial statements

We have audited the accompanying 2009 annual accounts of Deutsche Bahn Finance B.V., Amsterdam ("the Company") as set out on pages 6 to 19 which comprise the balance sheet as at 31 December 2009, 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 Directors' report, 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.

RvA/e0160924

PricewaterhouseCoopers is the trade name of among others the following companies: PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287) and PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289). The services rendered by these companies are governed by General Terms & Conditions, which include provisions regarding our liability. These General Terms & Conditions are filed with the Amsterdam Chamber of Commerce and can also be viewed at www.pwc.com/nl

Opinion

In our opinion the 2009 annual accounts give a true and fair view of the financial position of Deutsche Bahn Finance B.V. as at 31 December 2009, 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 Director's report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 31 March 2010
PricewaterhouseCoopers Accountants N.V.

Originally signed by R.E.H.M van Adrichem RA