

Financial report 2014

Deutsche Bahn Finance B.V.

Amsterdam

Deutsche Bahn Finance B.V.
Amsterdam

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Annual report of the directors

General

We have pleasure in presenting the Annual Report of Deutsche Bahn Finance B.V. (hereafter the Company) for the year ended 31 December 2014. We have considered the annual accounts and recommend that the shareholders approve these accounts at the Annual General Meeting.

Gender diversity of the board

The Dutch One-Tier Board act (wet bestuur en toezicht) effective as of January 1, 2013 indicates that the board of directors will be deemed to have a balanced gender distribution if, of the seats occupied by individuals, at least 30% are occupied by women and at least 30% by men. In 2014 the Board of Directors does not meet the 30% requirement stipulated in the Dutch Act. The Company strives to get the best applicable persons in the Board of Directors despite the gender or culture.

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 2014 bonds outstanding was in thousands of EUR 17,167,214 (2013: in thousands of EUR 15,458,432). The annual accounts are prepared in thousands of EUR. The office address of the Company is De Entree 99 - 197, 1101 HE, Amsterdam Zuidoost in the Netherlands.

Result for the period

The profit for the year after taxation amounts to thousands of EUR 6,973 (2013: thousands of EUR 7,955).

Risk & risk management

We refer to paragraph 1.18 for the principal risks that the company is facing. Risk management of the Company is based on the policy that the interest and currency risks are hedged via back to back on lending within the group, given the fact that repayment conditions on granted loans to intercompany parties are identical with the conditions on the bonds issued which all are guaranteed by Deutsche Bahn AG. It is the Company's policy to attract a fixed interest rate margin on loans to finance its operations. The Company obtains this set margin on the back to back funding. All individually significant assets are assessed for specific impairment.

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 year ended 31 December 2014 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, 2 April 2015

The Directors,

Deutsche Bahn Finance B.V.
Amsterdam

Balance sheet as at 31 December 2014
(before proposed appropriation of result)

(In EUR'000)	Notes	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Assets			
Non-current assets			
Financial assets:	2.1		
- loans receivable from group companies		16,451,046	15,039,093
- inter-company current account Deutsche Bahn AG		<u>53,083</u>	<u>48,277</u>
		16,504,129	15,087,370
Current assets			
- interest receivable on loans receivable	2.2	297,926	276,147
- loans receivable from shareholder	2.3	699,337	403,183
- Cash at banks	2.4	<u>16</u>	<u>41</u>
		997,279	679,371
		<u>17,501,408</u>	<u>15,766,741</u>

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Balance sheet as at 31 December 2014
(before proposed appropriation of result)

(In EUR'000)	Notes	31-Dec-14	31-Dec-13
Liabilities			
Shareholder's equity	2.5		
Issued and paid-up share capital		100	100
Retained earnings		32,964	25,009
Profit for the year		<u>6,973</u>	<u>7,955</u>
		40,037	33,064
Non-current liabilities	2.6		
Long-term bonds		<u>16,467,877</u>	<u>15,055,200</u>
		16,467,877	15,055,200
Current liabilities	2.7		
Interest payable on bonds		284,533	266,495
Short-term bonds	2.8	699,337	403,232
Inter-company payable Deutsche Bahn AG		8,189	7,310
Expired Bonds and coupons not yet collected		350	429
Corporate Income Tax payable		965	959
Accrued expenses		<u>120</u>	<u>52</u>
		993,494	678,477
		<u>17,501,408</u>	<u>15,766,741</u>

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Profit and loss account for the year ended 31 December 2014

(In EUR'000)	Notes	<u>2014</u>	<u>2013</u>
Financial income	3.3		
Interest on inter-company loans		556,331	536,451
Release of discount on loans receivable		15,202	12,977
Other interest		69	28
Exchange difference		<u>-</u>	<u>679</u>
		571,602	550,135
Financial expense	3.3		
Interest expense		531,001	512,819
Amortisation/discount on bonds issued		12,596	11,079
Exchange difference		<u>1,040</u>	<u>-</u>
		544,637	523,898
Net financial income		26,965	26,237
Other expenses			
Guarantee fee		16,739	14,866
Bond-issue costs		806	604
General and administrative expenses		<u>136</u>	<u>173</u>
		17,681	15,643
Result before taxation		9,284	10,594
Taxation on result from ordinary operations	3.4	2,311	2,639
Result after taxation		<u><u>6,973</u></u>	<u><u>7,955</u></u>

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Cash flow statement for the year ended 31 December 2014

(In EUR'000)	Notes	2014	2013
Result before taxes		9,284	10,594
Adjustments for:			
Release of discount on loans receivable		(15,202)	(12,977)
Amortisation/discount on bonds issued		<u>12,596</u>	<u>11,079</u>
		(2,606)	(1,898)
Changes in working capital:			
Mutation interest receivable	2.2	(21,779)	(21,036)
Mutation interest payable	2.7	18,038	22,415
Mutation expenses payable		<u>68</u>	<u>3</u>
		(3,673)	1,382
Cash flow used in operating activities			
Income tax paid	3.4	<u>(2,305)</u>	<u>(2,189)</u>
		(2,305)	(2,189)
Net cash used in operating activities		700	7,889
Cash flows used in investment activities			
Issuance of long-term loans	2.1	(1,944,050)	(2,379,232)
Repayment of short-term loans	2.3	403,183	749,329
Inter-company Deutsche Bahn AG		<u>(3,927)</u>	<u>879</u>
Net cash used in investment activities		(1,544,794)	(1,629,024)
Cash flows from financing activities			
Issuance of long-term bonds	2.6	1,946,719	2,386,202
Repayment of short-term bonds	2.8	(403,232)	(749,363)
Repayment of Expired bonds		(79)	-
Dividend paid	2.5	<u>-</u>	<u>(15,000)</u>
Net cash from financing activities		1,543,408	1,621,839
Exchange differences		661	(679)
Net cash flows		<u>(25)</u>	<u>25</u>
Cash and cash equivalents	2.4	2014	2013
Balance as at 1 January		41	16
Movement for the year		(25)	25
Balance as at 31 December		<u>16</u>	<u>41</u>

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 The Entree 99, 1101 HE in Amsterdam and acts as a finance company for the Deutsche Bahn Group. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 31 December 2014, the total book value of the bonds outstanding was in thousands of EUR 17,167,214 (2013: in thousands of EUR 15,458,432).

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 15,000,000,000 in July 2009 and finally to EUR 20,000,000,000 in June 2012. This instrument enables the Company to issue all kinds of bonds in different currencies and with different maturity dates. The proceeds were used to finance Deutsche Bahn AG in Berlin or other companies of Deutsche Bahn Group.

The programme has been updated as per 11 July 2014 and a supplement was made as per 22 August 2014.

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 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 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.

The exchange rates used in the annual accounts are:

	2014	2013
1 EUR = AUD (Australian dollar)	1.4829	1.5423
1 EUR = CHF (Suisse franc)	1.2024	1.2276
1 EUR = GBP (Pound sterling)	0.7789	0.8337
1 EUR = HKD (Hong Kong dollar)	9.4170	10.6933
1 EUR = JPY (Japanese yen)	145.23	144.72
1 EUR = NOK (Norwegian krone)	9.0420	8.363
1 EUR = SEK (Swedish krone)	9.3930	8.8591
1 EUR = SGD (Singapore dollar)	1.6058	1.7414
1 EUR = USD (US dollar)	1.2141	1.3791

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 Financial assets

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

1.7 Impairment

At each balance sheet date, the Company tests whether there are any indications of assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined.

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

1.8 Cash at banks

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

1.9 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest in the income statement over the period of the borrowings using a straight-line depreciation.

1.10 Principles for the determination of the result

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

1.11 Financial income and expense

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

1.12 Discount/premium on bond and loan issues

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

1.13 Guarantee fee

Guarantee fee represents the costs relating to the guarantee issued by Deutsche Bahn AG in relation to the redemption of the bonds and the payment of interest thereon. The guarantee fee amounts to 0.1% of the issued bonds per annum. The outstanding balance at year-end relating to the guarantee fee is part of the inter-company payable with Deutsche Bahn AG.

1.14 Bond issue costs

Bond issue costs relate to the marketing costs of new bonds issued. These costs include road shows, conferences, hotel and travelling expenses. These costs are recognised on the historical cost convention and are expensed in the reporting year the bond was issued.

1.15 General and administrative expenses

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

1.16 Taxation

The liability for income tax is based on taxable income, which is defined under a specific Advanced Pricing Agreement for the Company applicable up to and including the financial year 2015.

1.17 Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents. Cash flows in foreign currencies have been translated at exchange rates prevailing at the date the transaction took place. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid, received and income taxes are included in cash flow from operating activities. Transactions not resulting in inflow or outflow of cash, are not recognised in the cash flow statement. Receipts and payments of interest and corporate income tax are included in the cash flow from operating activities.

1.18 Risk management

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

- *Currency risk*

The Company is exposed to currency risk on notes issued and loans granted that are denominated in a currency other than the respective functional currency, primarily the euro. The currencies in which these transactions primarily are denominated are Euro, USD, GBP, JPY, SGD and CHF. 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 3 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.

- *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/AA rate, 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.

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 2014	15,087,370
Movements 2014	
Amortisation of discounts/premiums	14,948
New Loans	1,944,050
Foreign exchange adjustments	152,292
Reclassification Loans	(699,337)
Reclassification Inter-company account Deutsche Bahn AG	4,806
Closing balance as per 31 December 2014	<u>16,504,129</u>

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

	2014	2013
Loans granted to group companies	16,541,050	15,128,645
Discount on loans	(90,004)	(89,552)
Inter-company Deutsche Bahn AG	53,083	48,277
	<u>16,504,129</u>	<u>15,087,370</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 0.522 % 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 is EUR 19,140 million (2013: EUR 16,521 million).

All bonds are guaranteed by Deutsche Bahn AG.

2.2 Interest receivable on loans receivable

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

2.3 Loans receivable from shareholder

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

	2014	2013
Loans granted to shareholder	700,000	403,430
Discount on loans	(663)	(247)
Closing balance as per 31 December	<u>699,337</u>	<u>403,183</u>

The loan receivable from shareholder has not been secured, it bears 4.375% interest and matures on 08 July 2015.

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.

(In EUR'000)	Issued and paid-up share capital	Retained earnings	Profit for the year	Total
2013				
Balance at 31 December 2012	100	32,462	7,547	40,109
Allocation of profit for the year 2012	-	7,547	(7,547)	-
Dividend	-	(15,000)	-	(15,000)
Profit for the year	-	-	7,955	7,955
Balance at 31 December 2013	100	25,009	7,955	33,064
2014				
Balance at 31 December 2013	100	25,009	7,955	33,064
Allocation of profit for the year 2013	-	7,955	(7,955)	-
Profit for the year	-	-	6,973	6,973
Balance at 31 December 2014	100	32,964	6,973	40,037

2.6 Non-current liabilities

	2014	2013
Opening balances as per 1 January	15,055,200	13,351,245
Movements :		
Amortisation of discounts/premiums	12,391	10,410
New Bonds	1,946,719	2,386,202
Foreign exchange adjustments	152,904	(289,425)
Reclassification Bonds	(699,337)	(403,232)
	1,412,677	1,703,955
Closing balance as per 31 December	16,467,877	15,055,200
	2014	2013
Bonds Issued	16,541,050	15,128,645
Discount on Bonds	(73,173)	(73,445)
	16,467,877	15,055,200

All bonds are guaranteed by Deutsche Bahn AG.

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

(In EUR'000)	31-Dec-14				31-Dec-13	
Non-current:	Within 5 year	More than 5 year	Average Coupon	Total	Average Coupon	Total
AUD	-	60,692	5.395%	60,692	-	-
CHF	436,627	1,351,464	1.507%	1,788,091	1.508%	1,507,010
EUR	5,560,000	6,140,000	3.434%	11,700,000	3.773%	11,000,000
GBP	385,158	1,136,215	2.625%	1,521,373	2.625%	1,421,372
HKD	88,775	-	2.000%	88,775	2.000%	78,182
JPY	51,675	324,518	1.206%	376,193	1.206%	377,286
NOK	221,200	165,900	3.636%	387,100	3.636%	418,495
SEK	-	170,336	2.417%	170,336	-	-
SGD	77,843	-	2.290%	77,843	-	-
USD	370,647	-	0.846%	370,647	0.849%	326,300
Discount	(13,716)	(59,457)		(73,173)	-	(73,445)
	7,178,209	9,289,668		16,467,877		15,055,200

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 19,155 million (2013: EUR 16,530 million).

2.7 Current liabilities

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to its short-term character.

2.8 Short-term bonds

The short-term bonds can be detailed as follows:

(In EUR'000)	31-Dec-14			31-Dec-13	
	Within 1 year	Average Coupon	Total	Average Coupon	Total
Current:					
EUR	700,000	4.250%	700,000	-	-
HKD	-	-	-	5.100%	23,380
JPY	-	-	-	1.643%	380,050
Discount	(663)	-	(663)	-	(198)
	<u>699,337</u>		<u>699,337</u>		<u>403,232</u>

All bonds are guaranteed by Deutsche Bahn AG., the short-term bonds bear 4.25% interest and mature on 08 July 2015.

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 providing the Company with a registered address and for the day to day management.

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

	2014	2013
Taxable amount	9,284	10,594
Tax expense based on nominal tax rate (25%)	2,311	2,639

The effective tax rate is 24.9% (2013: 24.9%).

The Corporate Income Tax is calculated on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years and tax exempt items and plus non deductible expenses. Calculation is also in accordance with the APA which has been concluded with the tax authorities. This APA is valid from 1 January 2011 until 31 December 2015.

3.5 Independent auditor's fees

Details of the fees of the Company's independent auditor have not been disclosed because such information is included in the consolidated financial statements of Deutsche Bahn AG, in accordance with Part 9, Book 2, article 382a sub 3 of the Dutch Civil Code.

3.6 Transactions with related parties

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

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

The company granted a loan in thousands of EUR 17,203,466 to group companies. The interest rate charged on loans to group companies vary between 0.522 % 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, 2 April 2015

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 2014, management proposes to add the result after taxation to the retained earnings.

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

Post Balance Sheet Events

No significant events occurred after the balance sheet date.

Independent auditor's report

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



Independent auditor's report

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

Report on the financial statements 2014

Our 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 2014, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2014 of Deutsche Bahn Finance B.V., Amsterdam ('the company').

The financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended;
- the cash flow statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

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

The basis for our opinion

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

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

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

Ref.: e0350854

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Our audit approach

Overview

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

The main purpose of the company is the financing of companies belonging to the Deutsche Bahn AG group. The company is financing these loans through bond offerings on the international capital markets. The repayment of these bonds to the investors is guaranteed by Deutsche Bahn AG as disclosed in note 2.1 to the financial statements.

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Based on our professional judgement we determined the materiality for the financial statements as a whole at €87,507,000 (2013: €78,824,000). The general benchmark is 1% of total assets, based on our professional judgement we have used 0.5% of total assets, to ensure that all relevant balance sheet and income statement items are in scope. We use total assets given the company's main activity is intra-group lending. The company facilitates the Deutsche Bahn AG group companies in its financing activities for which it receives a margin.

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

We agreed with the directors that we would report to them misstatements identified during our audit above €4,375,000 (2013: €3,941,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our audit

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

Key audit matters

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

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><i>Valuation of the loans issued</i></p> <p>We consider the financial assets, as disclosed in notes 2.1 to the financial statements for a total amount of €16,504,129,000, as a key audit matter. This is due to the size of the loan portfolio and that an impairment may have a material effect on the income statement.</p> <p>Loans are initially recognized at its fair value and subsequently amortized on a straight-line basis.</p> <p>Management did not identify any impairment triggers regarding the loans issued to Deutsche Bahn AG group companies.</p>	<p>We have performed detailed audit work addressing the existence and valuation of the loans issued to Deutsche Bahn Finance B.V. group companies, through testing on a sample basis the input of contracts in Deutsche Bahn Finance B.V. treasury management system, confirmation procedures, margin analysis, analysis of the financial situation of the group companies to which loans have been provided, audit of data input to calculate the fair value and reconciliation of the treasury management system with the general ledger, and assessed whether there were any impairments triggers.</p> <p>We concur with the position taken by the directors as set out in the financial statements with respect to the valuation of the loans.</p>

Responsibilities of the directors

The directors are responsible for:

- the preparation and fair presentation of the financial statements and for the preparation of the annual report of the directors, both in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all errors and frauds.

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

Report on other legal and regulatory requirements

Our report on the annual report of the directors and the other information

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

- we have no deficiencies to report as a result of our examination whether the annual report of the directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the annual report of the directors, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of Deutsche Bahn Finance B.V. following the passing of a resolution by the shareholders at the annual meeting held on 10 April 2014 and has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 21 years.

Amsterdam, 2 April 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.J. Brouwer RA

Appendix to our auditor's report on the financial statements 2014 of Deutsche Bahn Finance B.V.

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

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

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

Our audit consisted, among others of:

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

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