

**Annual Report 2016**

**Deutsche Bahn Finance B.V.**

**Amsterdam**

Vastgesteld in de algemene vergadering van: *8 mei 2017*

Deutsche Bahn Finance B.V.  
Amsterdam

Table of contents

Annual report of the directors	3
Balance sheet as at 31 December 2016	5
Profit and loss account for the year ended 31 December 2016	7
Cash flow statement for the year ended 31 December 2016	8
Notes to the balance sheet and profit and loss account	9
Other information	17
Profit appropriation according to the Articles of Association	17
Independent auditor's report	18

# Deutsche Bahn Finance B.V. Amsterdam

## 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 2016. We have considered the annual accounts and recommend that the Annual General Meeting approves these accounts.

### Activities and group structure

The Company was incorporated in Amsterdam on 16 September 1994. The Company is a wholly owned subsidiary of Deutsche Bahn AG, Germany. The Company is incorporated in the Netherlands with its statutory seat at Amsterdam and its registered office at De Entree 99, 1101 HE in Amsterdam and acts as a finance company for the Deutsche Bahn Group through the providing of long-term liquidity and intercompany funding. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 31 December 2016, the total book value of the bonds outstanding was EUR 19,744,780 million (2015: EUR 19,312,315 million).

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

The Company is party to a EUR 25,000,000,000 Debt Issuance Programme (The programme), arranged by Deutsche Bahn AG in May 2001. The programme was increased from EUR 5,000,000,000 to EUR 10,000,000,000 in August 2003, to EUR 15,000,000,000 in July 2009, to EUR 20,000,000,000 in June 2012 and finally to EUR 25,000,000,000 in June 2016. This instrument enables the Company to issue all kinds of bonds in different currencies and with different maturity dates. The proceeds are used to finance Deutsche Bahn AG in Berlin or other companies of Deutsche Bahn Group.

The programme has been updated as per 15 June 2016.

### Result for the year

The Company's balance sheet total increased to thousands of EUR with 436,450 (+2,22%) to stand at thousands of EUR 20,083,180 at December 2015. The main factor behind that increase was the issuance of new bonds. The volume of the new issued bonds was higher than these of the repaid bonds in 2016. Additionally the Company retained the profit of the year 2015. This remains to a solid liquidity and solvency position of the Company.

The financial position of the Company shows a profit for the year after taxation to thousands of EUR 10,118 (2015: thousands of EUR 7,275). The main driver of the increase is a higher interest margin due to increased business volume. Additionally the Company reported a positive foreign exchange result.

### Risk & risk management

We refer to paragraph 1.18 for the principal risks that the Company is facing. The Company's aim is to exclude the connected market risk, especially interest rate risk and liquidity risk associated with financial instruments. Risk management of the Company is based on the policy that the interest and currency risks are hedged via back to back on-lending within the group, given the fact that repayment conditions on granted loans to intercompany parties are identical with the conditions on the bonds issued which all are guaranteed by Deutsche Bahn AG. It is the Company's policy to attract a fixed interest rate margin on loans to finance its operations. The Company obtains this set margin on the back to back funding. All individually significant assets are assessed for specific impairment. The risk management process comprises the early identification of risks and opportunities, their measurement and the use of suitable instruments to manage and monitor risks. The risk Management system comprises a wide range of organizational and methodological components that are finely tuned to each other. The company has established an encompassing reporting system that provides decision makers with comprehensive, up-to-date information and insights into developments with regard to the capital markets. Risk management is viewed as a continuous process, given the fact that changes in the legal, economic or regulatory environment or those within the Company itself could lead to new risks or to recognized risks being differently assessed.

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

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

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**Amsterdam**

**Audit committee**

Pursuant to Section 2 of the Decree implementing the Directive 2006/43/EG (the Decree) and Section 3 sub a of the Decree. The Company should have an audit committee in place which should consist of members of the supervisory board of the Company, unless an exemption applies.

Deutsche Bahn AG (the parent company) has such an audit committee in place and complies with the relevant provisions of the Dutch Corporate Governance Code (CGC). Accordingly, the Company makes use of the exemption from the obligation to install an audit committee.

Reference is made to the Audit committee presented in the consolidated Financial Statements of the parent company.

**Events after balance sheet date**

During the first months of 2017 the Company has issued further bonds and provided a loan for NOK 700,000,000. Furthermore, on 12 January 2017 the Company and Deutsche Bahn AG established a AUD 5,000,000,000 Debt Issuance Programme.

**Future developments**

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

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

**Responsibility Statement**

"The Managing Directors of the Company hereby declare that to the best of their knowledge and in accordance with the applicable reporting principles for the financial reporting, the financial statements for the year ended 31 December 2016 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, 3 May 2017

The Directors,

Allard Elema  
Authorized signatory

Rens van Hoof  
Managing Director

W. Bohner

Deutsche International Trust Company N.V.

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**Balance sheet as at 31 December 2016**  
(before proposed appropriation of result)

(In EUR'000)	Notes	31-Dec-16	31-Dec-15
<b>Non-current assets</b>			
Financial assets:	2.1		
Loans receivable from group companies		17,890,799	17,742,623
Inter-company current account Deutsche Bahn AG		<u>69,159</u>	<u>62,442</u>
		17,959,958	17,805,065
<b>Current assets</b>			
Interest receivable on Loans receivable	2.2	285,184	291,324
Loans receivable from group companies	2.3	1,838,016	1,550,334
Cash at banks	2.4	<u>22</u>	<u>7</u>
		2,123,222	1,841,665
		<u>20,083,180</u>	<u>19,646,730</u>

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Balance sheet as at 31 December 2016  
(before proposed appropriation of result)

(In EUR'000)	Notes	31-Dec-16	31-Dec-15
<b>Shareholder's equity</b>	2.5		
Issued and paid-up share capital		100	100
Retained earnings		47,212	39,937
Profit for the year		10,118	7,275
		<u>57,430</u>	<u>47,312</u>
<b>Non-current liabilities</b>	2.6		
Long-term bonds		17,906,354	17,761,761
		<u>17,906,354</u>	<u>17,761,761</u>
<b>Current liabilities</b>	2.7		
Interest payable on bonds		270,363	277,621
Short-term bonds	2.8	1,838,424	1,550,554
Inter-company payable Deutsche Bahn AG		9,011	8,403
Expired Bonds not yet collected		345	347
Corporate Income Tax payable		1,103	639
Accrued expenses		150	93
		<u>2,119,396</u>	<u>1,837,657</u>
		<u>20,083,180</u>	<u>19,646,730</u>

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Profit and loss account for the year ended 31 December 2016

(In EUR'000)	Notes	2016	2015
<b>Financial income</b>	3.3		
Interest on inter-company loans		560,582	556,107
Release of discount on loans receivable		17,078	15,709
Other interest		74	-
Exchange difference		968	-
		<u>578,702</u>	<u>571,816</u>
<b>Financial expense</b>	3.3		
Interest expense		530,122	529,164
Other interest		-	7
Amortization/discount on bonds issued		14,037	12,796
Exchange difference		-	1,160
		<u>544,159</u>	<u>543,127</u>
<b>Net financial income</b>		<u>34,543</u>	<u>28,689</u>
<b>Other expenses</b>			
Guarantee fee		19,968	17,780
Bond-issue costs		637	965
General and administrative expenses		462	255
		<u>21,067</u>	<u>19,000</u>
<b>Result before taxation</b>		<u>13,476</u>	<u>9,689</u>
<b>Taxation</b>	3.4		
		3,358	2,414
<b>Result after taxation</b>		<u><u>10,118</u></u>	<u><u>7,275</u></u>

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**Cash flow statement for the year ended 31 December 2016**

(In EUR'000)	Notes	2016	2015
Result before taxation		13,476	9,689
Adjustments for:			
Release of discount on loans receivable		(17,078)	(15,709)
Amortization/diskont on bonds issued		14,037	12,796
		(3,041)	(2,913)
<b>Changes in working capital:</b>			
Interest received	2.2	6,140	6,602
Interest paid	2.7	(7,258)	(6,912)
Movements expenses payable		57	(27)
		(1,061)	(337)
<b>Cash flow generated from operating activities</b>			
Income tax paid	3.4	(2,894)	(2,740)
		(2,894)	(2,740)
<b>Net cash generated from operating activities</b>		6,480	3,699
<b>Cash flows used in investment activities</b>			
Issuance of long-term loans	2.1	(2,118,442)	(2,463,106)
Repayment of short-term loans	2.3	1,550,334	699,337
Movement in Inter-company Deutsche Bahn AG		(6,109)	(9,145)
<b>Net cash used in investment activities</b>		(574,217)	(1,772,914)
<b>Cash flows generated from financing activities</b>			
Issuance of long-term bonds	2.6	2,118,619	2,467,261
Repayment of short-term bonds	2.8	(1,550,556)	(699,340)
Dividend paid	2.5	-	-
<b>Net cash generated from financing activities</b>		568,063	1,767,921
Exchange differences		(311)	1,285
<b>Net cash flows</b>		15	(9)
<b>Cash and cash equivalents</b>	2.4	2016	2015
Balance as at 1 January		7	16
Movement for the year		15	(9)
<b>Balance as at 31 December</b>		22	7



# Deutsche Bahn Finance B.V. Amsterdam

## Notes to the balance sheet and profit and loss account

The notes on pages 10 to 16 are an integral part of the financial statements

### 1 Accounting principles

#### 1.1 Activities and group structure

The Company was incorporated in Amsterdam on 16 September 1994. The Company is a wholly owned subsidiary of Deutsche Bahn AG, Germany. The Company is incorporated in the Netherlands with its statutory seat at Amsterdam and its registered office at De Entree 99, 1101 HE in Amsterdam and acts as a finance company for the Deutsche Bahn Group. Funding of these activities is done mainly through the issue of bearer bonds on different stock exchanges in Europe. As per 31 December 2016, the total book value of the bonds outstanding was in thousands of EUR 19,744,780 (2015: in thousands of EUR 19,312,315).

The Company is party to a EUR 2,000,000 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 to EUR 2,000,000 in December 2003, under which the Company can issue notes, together with Deutsche Bahn AG in EUR or other currencies.

The Company is party to in thousands of EUR 25,000,000 Debt Issuance Programme (The programme), arranged by Deutsche Bahn AG in May 2001. The programme was increased from in thousands of EUR 5,000,000 to EUR 10,000,000 in August 2003, to in thousands of EUR 15,000,000 in July 2009, to in thousands of EUR 20,000,000 in June 2012 and finally to in thousands of EUR 25,000,000 in June 2016. This instrument enables the Company to issue all kinds of bonds in different currencies and with different maturity dates. The proceeds are used to finance Deutsche Bahn AG in Berlin or other companies of Deutsche Bahn Group.

The programme has been updated as per 15 June 2016.

#### 1.2 General

The financial statements have been prepared in accordance with the statutory provisions of title 9, Book 2, of the Dutch Civil Code (DCC) and the firm pronouncements in the Dutch Accounting Standards 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 recognized 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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Amsterdam

### 1.3 Foreign exchange

Any position in assets and liabilities in an other currency than EUR is valued with the rate prevailing at the year-end. Any position in the profit and loss account is accounted for with the the average rate. 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 financial statements have been translated at exchange rates prevailing at the date the transaction took place.

The exchange rates used in the annual accounts at year end are:

	2016	2015
1 EUR = AUD (Australian dollar)	1.4596	1.4897
1 EUR = CHF (Swiss franc)	1.0739	1.0835
1 EUR = GBP (Pound sterling)	0.85618	0.73395
1 EUR = HKD (Hong Kong dollar)	8.1751	8.4376
1 EUR = JPY (Japanese yen)	123.40	131.07
1 EUR = NOK (Norwegian krone)	9.0863	9.6030
1 EUR = SEK (Swedish krone)	9.5525	9.1895
1 EUR = SGD (Singapore dollar)	1.5234	1.5417
1 EUR = USD (US dollar)	1.0541	1.0887

### 1.4 Estimates

In applying the principles and policies for drawing up the financial statements, the directors of the Company 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 title 9, Art. 2.362.1 DCC, 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 parent company and close relatives are regarded as related parties.

### 1.6 Non-derivative Financial Instruments

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

### 1.7 Financial assets

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

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

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

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

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Amsterdam

**1.8 Impairment**

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

The amount of an impairment incurred on financial assets stated at amortized 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 recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized through profit or loss.

**1.9 Cash at banks**

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

**1.10 Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized 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 recognized as interest in the income statement over the period of the borrowings using a straight-line depreciation.

**1.11 Principles for the determination of the result**

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

**1.12 Financial income and expense**

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

**1.13 Discount/premium on bond and loan issues**

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

**1.14 Guarantee fee**

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

**1.15 Bond issue costs**

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

## Deutsche Bahn Finance B.V. Amsterdam

### 1.16 General and administrative expenses

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

### 1.17 Taxation

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

### 1.18 Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognized as cash used in financing activities. Transactions not resulting in inflow or outflow of cash, are not recognized in the cash flow statement.

### 1.19 Risk management

The formal procedures and policies operated by the Company to cover banking, foreign exchange and other treasury matters are consistent with objectives and policies to financial risk management within the Deutsche Bahn Group. The Company's policy is not to take positions in derivative financial instruments with the aim of profit realization. The Company has limited exposure to currency risk, interest rate risk and credit risk. These risks are actively managed via natural hedging. Risks are closely managed as following:

#### - Currency risk

The Company is exposed to currency risk on notes issued and loans granted that are denominated in a currency other than the respective functional currency, primarily the euro. In order to mitigate the impact of currency risk arising from operational and financial activities, the Company continually assesses its exposure to this risk. The currencies in which these transactions primarily are denominated are EUR, CHF, GBP, NOK, JPY and USD. The Company hedges 100% of its estimated foreign currency exposure and manages its exchange exposure by means of back to back funding of the initiated loans in the respective currencies. Therefore, the Company has no currency exposure on the nominal loan amounts in foreign currencies.

#### - Interest rate risk

It is the Company's policy to attract a fixed interest rate margin on loans to finance its operations. The Company obtains this set margin on the back to back funding. Its margin is therefore fixed and interest rate risk is minimized.

#### - Credit risk

Credit risk arises principally from the Company loans and receivables presented under financial fixed assets, interest receivable on loans receivable, loans receivable from shareholder and cash. The credit risk is concentrated at the limited number of 6 counterparties being all companies belonging to the Deutsche Bahn Group. The counterparties have always satisfied their obligations to pay in time, no impairment has been recognized. The present economic situation of Deutsche Bahn Group does not indicate any of such credit risk that the creditworthiness of the counterparties is to be reconsidered. The credit ratings for Deutsche Bahn AG defined by the rating agencies are:

Rating agency	Long-term	Short-term	
Standard & Poor's	AA-/stable	A-1+	as per August 11, 2016
Moody's	Aa1/stable	P-1	as per April 13, 2016

#### - 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 highest possible credit ratings as defined by the rating agencies, which mitigates the refinancing risk of the Company.

#### - Liquidity risk

The Company monitors its cash position by using successive liquidity budgets. The management ensures that the cash position is sufficient to meet the Company's financial obligations towards creditors and to stay within the limits of its loan covenants.

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

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Amsterdam

2 Notes to the balance sheet as at 31 December 2016

(in EUR'000)

**2.1 Financial assets**

The financial assets can be detailed as follows:

**Non-current financial assets:**

	2016	2015
Opening balance	17,805,065	16,504,129
Movements		
Amortization of discounts/premiums	15,104	15,046
New Loans	2,118,442	2,463,106
Foreign exchange adjustments	(147,354)	363,759
Reclassification Loans	(1,838,016)	(1,550,334)
Reclassification Inter-company account Deutsche Bahn AG	6,717	9,359
Closing balance	<u>17,959,958</u>	<u>17,805,065</u>

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

	2016	2015
Loans granted to group companies	17,995,864	17,843,267
Discount on loans	(105,065)	(100,644)
Inter-company Deutsche Bahn AG	69,159	62,442
	<u>17,959,958</u>	<u>17,805,065</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 amortized on a straight-line basis over the term of the loans.

The interest rate charged on loans to group companies vary between 0.100 % 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 fair value of the non-current outstanding loans amounts to thousands of EUR 19,528,717 (2015: thousands of EUR 19,362,625).

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

**2.2 Interest receivable on loans receivable**

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

**2.3 Loans receivable from group company**

The loans receivable from group companies can be detailed as follows:

	2016	2015
Loans granted to group companies	1,839,269	1,551,049
Discount on loans	(1,253)	(715)
Closing balance as per 31 December	<u>1,838,016</u>	<u>1,550,334</u>

The loans receivable from group companies have not been secured, the interest rates various from 0,860% till 4,160% and maturity dates from 16 January till 18 December 2017.

The fair value of the loans receivable from group company approximates the book value due to its short-term character and amounts to thousands of EUR 1,865,443 (2015: thousands of EUR 1,580,904).

**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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Amsterdam

**2.5 Shareholder's equity**

The authorised share capital of the Company 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
<b>2015</b>				
Balance at 31 December 2014	100	32,964	6,973	40,037
Allocation of profit for the year 2014	-	6,973	(6,973)	-
Dividend	-	-	-	-
Profit for the year	-	-	7,275	7,275
Balance at 31 December 2015	100	39,937	7,275	47,312
<b>2016</b>				
Balance at 31 December 2015	100	39,937	7,275	47,312
Allocation of profit for the year 2015	-	7,275	(7,275)	-
Profit for the year	-	-	10,118	10,118
Balance at 31 December 2016	100	47,212	10,118	57,430

**2.6 Non-current liabilities**

	2016	2015
Opening balances as per 1 January	17,761,761	16,467,877
Movements :		
Amortisation of discounts/premiums	13,541	12,133
New Bonds	2,118,619	2,467,261
Foreign exchange adjustments	(149,142)	365,044
Reclassification Bonds	(1,838,425)	(1,550,554)
	144,593	1,293,884
Closing balance as per 31 December	17,906,354	17,761,761
	2016	2015
Bonds Issued	17,995,864	17,843,267
Discount on Bonds	(89,510)	(81,506)
	17,906,354	17,761,761

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-16				31-Dec-15	
Non-current:	Within 1 - 5 year	More than 5 year	Average Coupon	Total	Average Coupon	Total
AUD	-	184,982	4.298%	184,982	4.298%	181,246
CHF	698,393	977,750	1.435%	1,676,143	1.401%	2,145,813
EUR	6,250,000	7,340,000	2.616%	13,590,000	3.077%	12,490,000
GBP	-	1,033,662	3.049%	1,033,662	2.625%	1,614,551
HKD	-	42,812	2.070%	42,812	-	-
JPY	442,260	-	1.206%	442,260	1.206%	416,598
NOK	-	539,294	3.121%	539,294	3.121%	510,236
SEK	167,488	-	2.246%	167,488	2.288%	174,112
SGD	82,054	-	2.290%	82,054	2.290%	81,079
USD	237,170	-	1.357%	237,170	0.822%	229,632
Discount	(14,735)	(74,776)		(89,511)		(81,506)
	7,862,630	10,043,724		17,906,354		17,761,761

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 fair value of all current and non-current outstanding bonds is EUR 21,413 million (2015: EUR 20,955 million). The fair value of the bonds is calculated by the year-end quotation on the respective stock exchanges.

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**2.7 Current liabilities**

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

**2.8 Short-term bonds**

The short-term bonds can be detailed as follows:

(In EUR'000)	31-Dec-16			31-Dec-15	
	Within 1 year	Average Coupon	Total	Average Coupon	Total
<b>Current:</b>					
EUR	1,000,000	3.813%	1,000,000	3.384%	1,080,000
HKD	-	-	-	2.000%	99,083
NOK	-	-	-	3.375%	208,260
USD	-	-	-	1.230%	183,706
CHF	488,875	1.286%	488,875	-	-
GBP	350,394	1.375%	350,394	-	-
Discount	(845)	-	(845)	-	(495)
	<u>1,838,424</u>		<u>1,838,424</u>		<u>1,550,554</u>

All bonds are guaranteed by Deutsche Bahn AG., the short-term bonds bear interest rates various from 0.750% till 4.000% and maturity dates from 16 January till 18 December 2017.

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**3 Notes to the profit and loss account for the year ended 31 December 2016**

**3.1 Director's remuneration**

The Company has two managing directors and no employees. One managing director received a fixed annual fee of EUR 5,000 for management services and domiciliation.

**3.2 Staff numbers and employment costs**

The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous year.

**3.3 Financial income and expense**

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

**3.4 Taxation on result from ordinary operations**

	2016	2015
Taxable amount	13,476	9,689
Tax expense based on nominal tax rate (25%)	3,358	2,414

The effective tax rate is 24.9% (2015: 24.9%).

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

**3.5 Independent auditor's fees**

The audit fees for the year 2016 paid to Mazars amount to EUR 42,500. Mazars Paardekooper Hoffman Accountants N.V. has not provided other services. For the year 2015 the audit fee from the predecessor audit company (PricewaterhouseCoopers Accountants N.V.) was EUR 45,000.

**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 loans in thousands of EUR 19,797,974 to group companies. The interest rate charged on loans to group companies vary between 0% and 5.495%, depending on the respective currency, maturity and market conditions. The maturity of the loans equals the maturity of the issued bonds as stated under note 2.6.

No obligation for early repayment of the loan has been agreed.

**3.7 Proposed profit appropriation**

For the year 2016, management proposes to add the result after taxation to the retained earnings. The proposed appropriation of profit is not reflected in these annual accounts.

**3.8 Post Balance Sheet Events**

During the first months of 2017 the Company has issued further bonds and provided a loan for NOK 700,000,000. Furthermore, on 12 January 2017 the Company and Deutsche Bahn AG established an AUD 5,000,000,000 Debt Issuance Programme.

Amsterdam, 3 May 2017

The Directors,

W. Bohner

Allard Elema  
Authorized signatory

Deutsche International Trust Company N.V.

Rens van Hoof  
Managing Director



**Deutsche Bahn Finance B.V.  
Amsterdam**

**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 General Meeting.

**Independent auditor's report**

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

## INDEPENDENT AUDITOR'S REPORT

To: general meeting of shareholders of Deutsche Bahn Finance B.V.

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE ANNUAL REPORT

#### OUR OPINION

We have audited the financial statements of Deutsche Bahn Finance B.V. for financial year 2016. In our opinion the accompanying financial statements give a true and fair view of the financial position of Deutsche Bahn Finance B.V. as at 31 December 2016, and of its result for the year then ended in accordance with with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the balance sheet as at 31 December 2016;
- the profit and loss account for the year ended 31 December 2016; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

#### 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, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

#### MATERIALITY

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 100 million. The materiality is based on 0.5% of total assets. We use total assets given the Company's main activity is intra-group lending. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons. The Company facilitates the Deutsche Bahn AG group companies in its financing activities for which it receives a margin.

We agreed with the directors that misstatements in excess of EUR 5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

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TEL: +31 (0)88 27 72 400- FAX: +31 (0)88 277 2245 - amsterdam.audit@mazars.nl

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.  
WITH ITS REGISTERED OFFICE IN ROTTERDAM (KvK ROTTERDAM NR. 24402415)  
114768/PS/PG

## **KEY AUDIT MATTER**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the directors. The key audit matters are not a comprehensive reflection of all matters discussed.

Due to the nature of the company's business we recognise that key audit matters may be long-standing and therefore may not change significantly from one year to the next. As compared to prior year there have been no changes in key audit matters.

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

### ***Valuation and existence of the loans issued***

The principal activity of the Company is to raise funds through the issue of bonds. The proceeds of bonds issued, are on-lent to Deutsche Bahn AG. The bonds issued are also guaranteed by Deutsche Bahn AG, as disclosed in the financial statements.

We consider the valuation and existence of the loans issued, as disclosed in note 2.1 to the financial statements for a total amount of EUR 17,8 billion, as a key audit matter. This is due to the size of the loan portfolio and given that an impairment may have a material effect on the income statement. Loans are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method. The directors did not identify any impairment triggers regarding the loans issued.

We have performed detailed audit work addressing the existence and valuation of the loans issued to intra-group companies by verifying loans receivable with loan agreements, obtaining year-end confirmations for the loans outstanding and reconciled recorded amounts with these confirmations from Deutsche Bahn A.G. group companies. We have recalculated the effective interest applied and amortised cost at year-end and reconciled these to recorded amounts. We have also assessed whether there were any impairment triggers, including an assessment of the financial position of the borrowers and their payment history. In addition, we determined that the financial statements disclosures is appropriate including the audit of the fair value of the loans receivable for which we challenged the assumptions from the directors.

## **REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Director's report;
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The directors are responsible for the preparation of the other information, including the director's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### ***ENGAGEMENT***

We were appointed as auditor of Deutsche Bahn Finance B.V. as of the audit for the year 2016.

## **DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS**

### ***RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS***

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the directors are responsible for such internal control as the directors determine is necessary to enable the preparation of the 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 frameworks 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 objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- 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 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 management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events 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. However, future events or conditions may cause a 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 findings in internal control that we identify during our audit.

Amsterdam, 3 May 2017

**MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.**

w.s. J.C. van Oldenbeek MSc RA