Research Update:
Deutsche Bahn AG 'AA' Rating Affirmed On Sovereign Rating Action; Off Watch, Outlook Stable

Primary Credit Analyst:
Amy Eddy, London (44) 20-7176-3760; amy_eddy@standardandpoors.com

Secondary Contact:
Aurelie Hariton-Fardad, London (44) 20-7176-3677; aurelie_hariton-fardad@standardandpoors.com

Table Of Contents
Overview
Rating Action
Rationale
Outlook
Related Criteria And Research
Ratings List
Research Update:
Deutsche Bahn AG 'AA' Rating Affirmed On Sovereign Rating Action; Off Watch, Outlook Stable

Overview
• On Jan. 13, 2012, we affirmed our 'AAA' unsolicited rating on The Federal Republic of Germany.
• We believe that the likelihood of timely and sufficient extraordinary government support for Germany-based vertically integrated rail and logistics group, Deutsche Bahn AG is "very high", based on Deutsche Bahn AG's "very important" role and "very strong" link with the German state.
• We are therefore affirming our long-term corporate credit rating on Deutsche Bahn AG at 'AA', and removing it from CreditWatch negative. We are also affirming our 'A-1+' short-term corporate credit rating on Deutsche Bahn AG.
• The stable outlook reflects our view that Deutsche Bahn AG will continue to benefit from strong ongoing and extraordinary support from the German state and that it will maintain an adjusted FFO to debt of more than 20%.

Rating Action
On Jan. 17, 2012, Standard & Poor's Ratings Services affirmed its 'AA' long-term corporate credit rating on Germany-based vertically-integrated rail and logistics company Deutsche Bahn AG. At the same time, we removed the long-term rating from CreditWatch, where it had been placed with negative implications on Dec. 8, 2011. In addition, we affirmed our 'A-1+' short-term corporate credit rating on Deutsche Bahn AG.

Rationale
The rating action follows similar actions on the Federal Republic of Germany (AAA/Stable/A-1+, unsolicited ratings). (For more information, see "Standard & Poor's Takes Various Rating Actions On 16 Eurozone Sovereign Governments," published Jan. 13, 2012, on RatingsDirect on the Global Credit Portal.)

The 'AA' long-term corporate credit rating on Deutsche Bahn AG reflects our opinion that there is a "very high" likelihood that the Federal Republic of Germany would provide timely and sufficient extraordinary support to Deutsche Bahn AG in the event of financial distress. This is based on our view of Deutsche Bahn AG's:
• "Very important" role for the German government. Deutsche Bahn AG has a dominant position and strategic, socioeconomic, and political importance as the country's leading provider of passenger rail services. Deutsche Bahn AG is Germany's rail network owner, manager, and operator; and
Germany's dominant rail-freight and logistics operator.

- "Very strong" link with the German government. It is a constitutional requirement that the government owns the rail infrastructure and has responsibility for offering a functional rail infrastructure.

The rating also reflects Deutsche Bahn AG's stand-alone credit profile (SACP), which we assess at 'a-'. This is based on our assessment that the group's business risk profile is "strong". Our assessment reflects Deutsche Bahn AG's dominant position as operator in the European passenger transport segment and as owner of all rail track and stations in Germany. Deutsche Bahn AG is also a leading player in the global rail and freight market.

These strengths are partially offset by our view of the weakening macroeconomic environment, which could weigh on Deutsche Bahn AG's credit metrics, which are somewhat weak for the rating. We assess Deutsche Bahn AG's financial risk profile as "intermediate," reflecting the high level of net capital expenditures (capex) in 2012-2015, which is likely to result in lower levels of free operating cash flow (FOCF); a slight increase in financial risk tolerance due to the continuation of a dividend payment; and increasing competition from other train operating companies in Germany, which is pressuring margins.

**Liquidity**

The short-term rating is 'A-1+'. We assess Deutsche Bahn AG's liquidity as "adequate" under our criteria, with sources of liquidity covering uses by 1.2x over the six months starting Sept. 30, 2011.

On Sept. 30, 2011, Deutsche Bahn AG had €2.2 billion of unrestricted cash, as well as €1.6 billion available in committed credit facilities expiring beyond six months. During those six months, according to Standard & Poor's base-case scenario, we anticipate that Deutsche Bahn AG will report FOCF of about €600 million after net capital spending of roughly €1.5 billion. Additionally, Deutsche Bahn AG faces debt maturities of €1.6 billion over the same period.

Over the 12 months starting Sept. 30, 2011, Deutsche Bahn AG does not meet the 1.2x coverage threshold. This is primarily due to most of its committed credit facilities being renewed for periods shorter than 12 months at a time and therefore are excluded from our assessment of liquidity under our criteria. However, we believe that Deutsche Bahn AG fulfills the characteristics outlined in our criteria that allow us to use a six-month time horizon to assess liquidity. This is because the group has:

- An SACP of 'a-';
- A well-established solid relationship with its banks;
- A generally high standing in the capital markets. We believe that Deutsche Bahn AG could tap the capital markets amid the toughest macroeconomic conditions. For example, Deutsche Bahn AG was able to issue commercial paper even during the financial crisis of late 2008 and early 2009; and
- Generally prudent management of financial risk.
We understand that Deutsche Bahn AG's loan agreements and bond documentation do not contain any financial covenants that could negatively affect its liquidity position.

Outlook

The stable outlook on Deutsche Bahn AG reflects our assessment of the "very high" likelihood of ongoing and extraordinary sovereign support.

We could lower the ratings if we revised our assessment of the group's SACP downward to 'bbb+'. This could occur if the group's adjusted FFO to debt declined to less than 20%, perhaps due to the weak macroeconomic outlook, increased competition in the passenger transport segment, or the adoption of a more aggressive financial policy.

We could also lower the rating if our assessment of extraordinary government support weakened from current levels. This could result from an increase in the amount of business conducted outside of Germany, or the shareholder's adoption of an increasingly aggressive financial policy. This would likely be manifest in higher levels of dividends or a significant decline in investment grants. Weakened government support could also result from the partial privatization of DB Mobility Logistics AG. However, we consider such action as remote within the next two to three years.

We believe that a positive rating action is unlikely in the medium term. This is largely because, as per our GRE criteria, an upgrade of the corporate credit rating depends on an upward revision of the SACP by three notches to 'aa-', assuming that the likelihood of extraordinary support remains "very high." We consider an upward revision of Deutsche Bahn AG's SACP to be remote in the near term. This is due to a softer economic outlook, and our forecast reduction in the levels of FOCF over the next few years, arising from an increase in capital spending and dividend payments.

Related Criteria And Research

All articles listed below are available on RatingsDirect on the Global Credit Portal, unless otherwise stated.

- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- Corporate And Government Ratings That Exceed The Sovereign Rating, Jan. 10, 2012
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May
27, 2009

- Corporate Criteria--Parent/Subsidiary Links; General Principles; Subsidiaries/Joint Ventures/Nonrecourse Projects; Finance Subsidiaries; Rating Link to Parent, Oct. 28, 2004
- Principles Of Credit Ratings, Feb. 16, 2011
- Credit FAQ: How Sovereign Credit Quality Impacts The Ratings On Utilities In Greece, Ireland, Italy, Portugal, And Spain, Aug. 3, 2011
- Corporate and Government Ratings That Exceed The Sovereign Rating, Jan. 10, 2012

Ratings List

CreditWatch/Outlook Action; Rating Affirmed

<table>
<thead>
<tr>
<th>To From</th>
<th>Deutsche Bahn AG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>Corporate Credit Rating</td>
</tr>
<tr>
<td></td>
<td>Senior Unsecured Debt</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>To From</th>
<th>Deutsche Bahn Finance B.V.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>Senior Unsecured Debt*</td>
</tr>
</tbody>
</table>

*Guaranteed by Deutsche Bahn AG

Additional Contact:
Infrastructure Finance Ratings Europe; InfrastructureEurope@standardandpoors.com

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 783-4009.