

INTERIM REPORT

for the half year ended June 30, 2016

DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V.

MAASTRICHT

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Report of the directors

Directors' report

The Board of Management is pleased to present the semi-annual report and the semi-annual financial statements of Deutsche Telekom International Finance B.V. (the Company) as of June 30, 2016.

Review of financial position and result

The business activities of the Company for the six months that ended June 30, 2016 are adequately presented in the statement of financial position and the statement of comprehensive profit and loss. The course of business of the Company went in line with expectations of the management.

Business activities

On March 23, 2016 the Company issued a bond in three tranches with nominal amounts of EUR 1,250,000,000, EUR 1,750,000,000 and EUR 1,500,000,000 and with maturities in 2020, 2023 and 2028 respectively. On April 19, 2016 the Company issued a bond with a nominal amount of EUR 500,000,000 and a maturity in 2021. For the same amounts and same maturities the Company granted loans to DTAG.

On March 23, 2016 the Company redeemed a note with a nominal amount of USD 1,000,000,000 and a loan granted to DTAG with the same nominal amount was repaid to the Company. On April 11, 2016 the Company redeemed a note with a nominal amount of USD 1,250,000,000 and a loan granted to DTAG with the same nominal amount was repaid to the Company. On May 31, 2016 the Company redeemed a note with a nominal amount of EUR 500,000,000 and a loan granted to DTAG with the same nominal amount was repaid to the Company.

The Company made a semi-annual net profit of EUR 4,140,359 versus a semi-annual net profit of EUR 2,939,838 for the first half year of 2015.

Future business developments and financing

The management does not anticipate any major changes of its financing activities during the current financial year. Since derivatives are carried at fair value and the non-derivative instruments at amortized costs, the result of the Company under IFRS is volatile. However, we expect net positive cash flows for the year ending December 31, 2016 as well as in each of the following years.

Management representation

Management declares that, to the best of their knowledge, the semi-annual financial statements give a true and fair view of the assets,

liabilities, financial position and results of the Company. The semi-annual management report includes a fair review of the development and performance of the business and the position of the Company.

Maastricht, July 29, 2016

The Managing Directors,

Markus Schäfer

Frans Roose

Financial statements (unaudited)

Statement of comprehensive profit and loss (unaudited)

thousands of €	Six months ended June 30,	
	2016	2015
Finance income (expense)		
Interest income	575.699	614.850
Interest expense	(584.349)	(636.322)
Other financial income (expense)	14.366	25.535
Profit (Loss) from financial activities	5.716	4.063
General and administrative expenses	(215)	(165)
Other operating income	8	8
Other operating expenses	-	-
Profit (Loss) from operations	(207)	(157)
Profit (Loss) before income taxes	5.509	3.906
Income taxes	(1.369)	(966)
Profit (Loss) after income taxes	4.140	2.940
Other comprehensive income	-	-
Profit (Loss) attributable to owners:	4.140	2.940
Total comprehensive profit (loss) attributable to the owners:	4.140	2.940

Statement of financial position (unaudited)

thousands of €	30.06.2016	31.12.2015
Assets		
Current assets	3.507.765	3.213.763
Cash and cash equivalents	-	-
Financial assets	3.506.809	3.213.278
Income tax receivable	955	482
Other assets	1	3
Non-current assets	21.638.899	19.892.871
Property, plant and equipment	2	2
Financial assets	21.638.897	19.892.869
Other assets	-	-
Total Assets	25.146.664	23.106.634
Liabilities and shareholder's equity		
Current liabilities	3.487.632	3.191.384
Financial liabilities	3.487.475	3.191.326
Other liabilities	157	58
Non-current liabilities	21.345.966	19.601.792
Financial liabilities	21.245.716	19.502.165
Deferred tax liability	100.250	99.627
Liabilities	24.833.598	22.793.176
Shareholder's equity	313.066	313.458
Issued Capital	500	454
Other reserves	407.691	407.691
Retained earnings	(99.265)	(105.433)
Net profit (loss)	4.140	10.746
Total Liabilities and shareholder's equity	25.146.664	23.106.634

Statement of changes in equity (unaudited)

thousands of €	Issued share capital	Other reserves	Retained earnings	Result for the year	Total
Balance as at January 1, 2016	454	407.691	(105.433)	10.746	313.458
Capital increase	46				46
Result current year				4.140	4.140
Unappropriated net profit (loss) carried forward			10.746	(10.746)	-
Dividends paid			(4.578)		(4.578)
Balance as at June 30, 2016	500	407.691	(99.265)	4.140	313.066

thousands of €	Issued share capital	Other reserves	Retained earnings	Result for the year	Total
Balance as at January 1, 2015	454	407.691	(89.654)	(10.840)	307.651
Result current year				10.746	10.746
Unappropriated net loss carried forward			(10.840)	10.840	-
Dividends paid			(4.939)		(4.939)
Balance as at December 31, 2015	454	407.691	(105.433)	10.746	313.458

Statement of cash flows (unaudited)

thousands of €	Six months ended June 30,	
	2016	2015
Proceeds from repayments of loans	2.495.582	3.818.392
Cash outflows for investments in loans	(4.956.371)	-
Net cash inflow from investments and repayments of derivatives	-	(301.904)
Interest received	694.689	810.617
Interest paid	(695.232)	(873.102)
Net interest received (paid) from derivatives	10.138	74.960
Guarantee fees paid	(8.763)	(10.659)
Net income tax paid	(1.218)	(734)
Others	(187)	(269)
Net cash from operating activities	(2.461.362)	3.517.301
Repayment of financial liabilities	(2.492.685)	(3.513.748)
Proceeds from issue of financial liabilities	4.956.371	-
Dividend payments	(4.578)	(4.939)
Net cash from financing activities	2.459.108	(3.518.687)
Net decrease in cash and cash equivalents	(2.254)	(1.386)
Cash and cash equivalents, at the beginning of the period	10.973	10.680
Cash and cash equivalents, at the end of the period	8.719	9.294

Notes to the financial statements

General information

Deutsche Telekom International Finance B.V. (hereafter “the Company”) is the financing company of Deutsche Telekom AG, Bonn, Germany (hereafter “DTAG”). Its principal activity consists of the issuance of debt instruments and funding of the Deutsche Telekom Group. The Company, with its statutory seat in Maastricht and which has its office at Stationsplein 8-K, 6221 BT Maastricht, the Netherlands, is a 100% subsidiary of DTAG, which is also the ultimate parent of the Company. The Company’s financial statements are included in the consolidated financial statements of DTAG.

Basis of preparation

The single entity semi annual accounts have been drawn up in accordance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’. It does not contain all the information that is required for the full year financial report and needs to be read in combination with the annual accounts 2015 of the Company, which have been prepared in accordance with IFRS. The principles applied in preparing the half yearly accounts of the Company are similar to those applied by drawing up the annual accounts 2015 of the Company.

Changes in accounting policies

There have not been any changes in accounting policies in the first half year of 2016.

Judgements and estimates

The Company exercises judgement in measuring and recognizing provisions. Judgement is necessary in assessing the likelihood that a liability will arise and to quantify the possible range of the final settlement. These estimates are subject to change as new information becomes available.

Regarding assumptions made for the calculation of fair values we refer to the section under accounting policies (derivative financial instruments) of the annual report for the year ended December 31, 2015.

Cash and cash equivalents

For the purpose of the half yearly cash flow statement, cash and cash equivalents are comprised of cash and the net amount from the cash pooling with DTAG, which is measured at cost. This amount is included in the financial assets in the statement of financial position.

Income taxes

Income tax expense is recognized based on management's best estimate of the effective income tax rate for the complete fiscal year. The estimated effective tax rate used for the year to June 30, 2016 is 25.0%.

Dividends

The Shareholders' meeting decided to pay a dividend of EUR 4,577,646.02 in 2016 relating to the fiscal year ending December 31, 2015. The Company did pay a dividend of EUR 4,939,420.22 in 2015 relating to the fiscal year ending December 31, 2014.

Post statement of financial position events

No other events occurred since June 30, 2016, which would make the present financial position substantially different from that shown in the statement of financial position as that date, or which would require adjustment to or disclosure in the semi-annual financial statements.