

ANNUAL REPORT

for the year ended December 31, 2015

DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V.

AMSTERDAM

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Annual report of the Supervisory Board

As per December 31, 2015 the Supervisory Board comprised the following members:

- Mr. G. Mischke (chairman)
- Dr. Ch. Dorenkamp
- Dr. A. Lützner

The composition of the members of the Supervisory Board did not change during the reporting year but Mr. Mischke resigned from his position on February 29, 2016 and Mr. S. Wiemann was appointed on March 7, 2016.

The Supervisory Board met once on February 24, 2015. During this meeting the Board of Management presented the business results for the year 2014 which were discussed and approved by the Supervisory Board. Also the planned activities of the company were discussed and the budget for 2015 was approved.

In the reporting year bonds, bank loans and assignable loans to group companies matured in an aggregate volume of EUR 3.35 billion and HUF 50.59 billion. In 2015 Deutsche Telekom International Finance B.V. issued no new bonds into the international capital markets due to the limited financing needs of the DT Group. However Deutsche Telekom International Finance B.V. is constantly prepared to act in the debt capital markets if deemed appropriate.

In connection with the listing of bonds at the Luxembourg Stock Exchange the Company is regarded as an "Organization of Public Interest (Organisatie van Openbaar Belang)". This implicates that the Company is compulsory to implement an Audit Committee by law. Since DTAG has installed a group orientated Audit Committee the Company uses the exemption of the duty of having an Audit Committee of its own.

The financial statements 2015 have been audited and were given an unqualified opinion by the auditors of PricewaterhouseCoopers. The auditor's report is included in this report.

The statement of comprehensive income for the year 2015 discloses a Net Profit of € 10.7 million. The Supervisory Board approves the proposal made by the Board of Management to distribute an amount of EUR 4,577,646.02 to the shareholder and add the remaining profit amount to the "Other reserves".

The Supervisory Board recommends that the General Meeting of Shareholders adopts the financial statements for the year 2015. The Supervisory Board takes this opportunity to express its appreciation for the performance of the management during the past year.

Maastricht, March 15, 2016

S. Wiemann

Dr. Ch. Dorenkamp

Dr. A. Lützner

Annual report of the directors

Directors' report

The Board of Management is pleased to present the annual report and financial statements of Deutsche Telekom International Finance B.V. ("the Company") for the financial year ended December 31, 2015.

Business activities

In 2015 the Company did not issue any notes under its Debt Issuance Programme (DIP) nor did it issue any other debt.

In 2015 the Company reduced its debt by the redemption of three bonds with a total nominal value of EUR 3,350,000,000 and a bank loan from the European Investment Bank (EIB) amounting to HUF 50,586,000,000. At the same maturity dates and with the same total nominal amount various loans to Deutsche Telekom AG (DTAG), T-Mobile Austria GmbH and Magyar Telekom NYRT have been repaid to the Company.

On May 26, 2015 a part of an existing loan granted to DTAG was assumed by Magyar Telekom NYRT with a nominal value of EUR 130,000,000.

The Company made a net profit of EUR 10,746,252 in 2015 versus a net loss of EUR 10,839,948 in 2014.

Management policy with respect to risks

The main risks arising from the Company's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. Management of these risks is performed in accordance with DTAG's financial risk management policy. We regard effective management of the interest rate risk and foreign currency risk as one of our main tasks. The currency risk is hedged by means of raising the funds in the same currency as the financing provided to the borrowers. The interest rates on the Company's funding do in principle match with the interest rates on the corresponding loans provided by the Company or otherwise has been hedged by interest rate swaps. The credit risk is mainly covered by the guarantee agreement with DTAG. For further details of the risk policies we refer to note 1 of the notes.

Internal Control System

The company participates in the DTAG's Internal Control System (ICS) and the tests during 2015 and in the beginning of 2016 have proved that this ICS is effective. The accounting-related ICS comprises both preventive and detective controls which include general IT management checks, 4 eyes principle, segregation of functions and the process of monitoring the accounting reporting process. The Internal audit department of DTAG is responsible for independently reviewing the functionality and effectiveness of the ICS and the Audit Committee of DTAG monitors the effectiveness of the ICS and the DTAG risk management system .

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 and no hedge accounting is applied, 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.

Other Events

On December 18, 2015 the limited power of attorney of Mr. Jakob Poggensee was revoked.

Events after the statement of financial position date

On January 11, 2016 a limited power of attorney was granted to Mr. Jürgen Kistner. On February 29, 2016 Mr. Gerhard Mischke resigned from his position in the Supervisory Board of the Company and on March 7, 2016 Mr. Stephan Wiemann was appointed as a member and chairman of the Supervisory Board.

Management representation

The Board of Management certifies that, to the best of their knowledge:

- the financial statements give a true and fair view, in all material respects, of the assets, the liabilities, the financial position and profit and loss of the Company;
- the annual report gives a true and fair view, in all material respects, of the Company as per December 31, 2015 and the business activities during 2015; and
- the annual report describes the material risks that the Company is facing.

Maastricht, March 15, 2016

The Managing Directors,

Markus Schäfer

Frans Roose

Financial statements

Statement of comprehensive income

thousands of €	Note	2015	2014
Finance income (expense)	2		
Interest income		1,215,409	1,264,547
Interest expense		(1,245,781)	(1,348,503)
Other financial income (expense)	3	44,996	69,872
Profit (loss) from financial activities		14,624	(14,084)
General and administrative expenses	4	(324)	(409)
Other operating income		16	16
Other operating expenses		-	-
Loss from operations		(308)	(393)
Profit (loss) before income taxes		14,316	(14,477)
Income taxes	5	(3,570)	3,637
Profit (loss) after income taxes		10,746	(10,840)
Other comprehensive income		-	-
Profit (loss) attributable to owners:		10,746	(10,840)
Total comprehensive profit (loss) attributable to the owners:		10,746	(10,840)

Statement of financial position

thousands of €	Note	31.12.2015	31.12.2014
Assets			
Current assets		3,213,763	4,236,215
Cash and cash equivalents		-	1
Financial assets	6	3,213,278	4,235,691
Income tax receivable	5	482	521
Other assets		3	2
Non-current assets		19,892,871	21,462,548
Property, plant and equipment		2	3
Financial assets	6	19,892,869	21,462,544
Other assets		-	1
Total Assets		23,106,634	25,698,763
Liabilities and shareholder's equity			
Current liabilities		3,191,384	4,199,068
Financial liabilities	7	3,191,326	4,198,966
Other liabilities		58	102
Non-current liabilities		19,601,792	21,192,044
Financial liabilities	7	19,502,165	21,094,474
Deferred tax liability	5	99,627	97,570
Liabilities		22,793,176	25,391,112
Shareholder's equity	8	313,458	307,651
Issued Capital		454	454
Other reserves		407,691	407,691
Retained earnings (loss)		(105,433)	(89,654)
Net profit (loss)		10,746	(10,840)
Total Liabilities and shareholder's equity		23,106,634	25,698,763

Statement of changes in equity

thousands of €	Note	Issued share capital	Other reserves	Retained earnings (loss)	Result for the year	Total
	8					
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

thousands of €	Note	Issued share capital	Other reserves	Retained earnings (loss)	Result for the year	Total
	8					
Balance as at January 1, 2014		454	407,691	23,120	(110,093)	321,172
Result current year					(10,840)	(10,840)
Unappropriated net loss carried forward				(110,093)	110,093	-
Dividends paid				(2,681)		(2,681)
Balance as at December 31, 2014		454	407,691	(89,654)	(10,840)	307,651

Statement of cash flows

thousands of €	Note	2015	2014
	9		
Proceeds from repayments of loans		3,818,392	2,580,504
Net cash inflow (outflow) from repayments of derivatives		(301,904)	39,031
Interest received		1,289,427	1,286,667
Interest paid		(1,353,292)	(1,387,469)
Net interest received (paid) from derivatives		85,477	124,946
Guarantee fees paid		(17,204)	(17,438)
Cash inflow from deposits		-	679
Net income tax paid		(1,471)	(1,657)
Others		(445)	(485)
Net cash from operating activities		3,518,980	2,624,778
Repayment of financial liabilities		(3,513,748)	(2,619,535)
Dividend payments		(4,939)	(2,681)
Net cash from financing activities		(3,518,687)	(2,622,216)
Net increase in cash and cash equivalents		293	2,562
Cash and cash equivalents, at the beginning of the year		10,680	8,118
Cash and cash equivalents, at the end of the year		10,973	10,680

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 activities consist of the issuance of debt instruments and funding of the Deutsche Telekom Group. The Company with its registered office at Stationsplein 8-K, 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. The financial statements of the Company for the 2015 financial year were authorised for issue by the Board of Management on March 15, 2016.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities. The financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter “IFRS”) as adopted by the EU and with Book 2, Title 9 of the Dutch Civil Code. All IFRSs issued by the International Accounting Standards Board (hereafter “IASB”) adopted by the European Commission for use in the EU and effective at the time of preparing these financial statements have been applied by the Company. The financial statements of the Company, however, do not fully comply with IFRS as issued by the IASB. Please refer to “Standards, interpretations and amendments issued but not yet adopted”. Nevertheless the term IFRS is used in the following. The financial year corresponds to the calendar year. Both the functional and presentation currency of the Company is Euro. All values are rounded to the nearest thousand except when otherwise indicated.

Initial application of standards, interpretations and amendments to standards and interpretations in the financial year

In the 2015 financial year, the Company applied the following IASB pronouncements and/or amendments to such pronouncements for the first time:

Pronouncement	Title
IFRIC 21	Levies
Annual Improvements Project	Annual improvements to IFRSs 2011-2013 Cycle

In May 2013, the IASB issued IFRIC Interpretation 21 “Levies.” The core issue in the Interpretation is the question of when to recognize a liability to pay a levy imposed by public authorities. The IFRIC clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the obligation to pay the levy in accordance with the relevant legislation. However, an “economic compulsion” to continue to operate in a future period under the going concern assumption expressly does not constitute an obligating event. The new requirements were endorsed by the European Union in June 2014. The amendments do not have a material impact on the presentation of the Company’s results of operations, financial position, or cash flows.

In December 2013, the IASB issued “Annual Improvements to IFRSs 2011–2013 Cycle,” which amended four standards. The improvements primarily aim to provide clarifications. The amendments were endorsed by the European Union in December 2014. The amendments do not have a material impact on the presentation of the Company’s results of operations, financial position, or cash flows.

Standards, interpretations and amendments issued, but not yet adopted

Pronouncement	Title	To be applied by the Company	Expected amendments	Expected impact on the presentation of the Company's results of operations, financial position, or cash flows
Standards endorsed by the EU				
Amendments to IAS 1	Disclosure Initiative	January 1, 2016	The amendments will allow disclosures in the financial statements to be simplified, with a focus on materiality.	No material impact.
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016	Pursuant to these amendments, a revenue-based depreciation method for property, plant and equipment is not permissible, whereas for intangible assets there is only a rebuttable assumption that such a method is not appropriate.	No material impact.
Amendments to IAS 16 and IAS 41	Bearer Plants	January 1, 2016		No relevance for the Company.
Amendments to IAS 19	Defined Benefit Plans – Employee Contributions	January 1, 2016	The objective of the amendments is to simplify the accounting for contributions from employees or third parties to a defined benefit plan. The simplified accounting permits such contributions to be recognized as a reduction in the current service cost in the period in which the related service is rendered if the amounts of the contributions are independent of the number of years of service.	No relevance for the Company.
Amendments to IAS 27	Equity Method in Separate Financial Statements	January 1, 2016		No relevance for the Company.
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016	The amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in IFRS 11.	No relevance for the Company.
Annual Improvements Project	Annual Improvements to IFRSs 2010-2012 Cycle	January 1, 2016	Clarification of many published standards.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016	Clarification of many published standards.	No material impact.
Standards not yet endorsed by the EU ^a				
Amendments to IFRS 10, IFRS 12, and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016	Investment entities are not covered by IFRS 10 and are therefore exempt from the provisions on consolidation in this standard. The consolidation exception is substantiated in four points.	No relevance for the Company.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely	The amendments affect transactions between an investor and its associate or joint venture and provide for full gain or loss recognition on the loss of control of a business and partial recognition of the gain or loss resulting from the sale or contribution of assets that do not constitute a business, regardless of whether that business is housed in a subsidiary or not.	No relevance for the Company.
IFRS 14	Regulatory Deferral Accounts	January 1, 2016	This standard is applicable to first-time adopters of IFRSs only.	No relevance for the Company.
Amendments to IAS 7	Disclosure Initiative	January 1, 2017	This pronouncement requires that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	The Company is currently analyzing the effects of the pronouncement, but does not expect it to have a material impact on the presentation of The Company's results of operations, financial position, or cash flows.
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017	Clarification of the accounting for deferred tax assets for unrealized losses on debt instruments that are classified as available-for-sale financial assets.	No material impact.

Pronouncement	Title	To be applied by the Company	Expected amendments	Expected impact on the presentation of the Company's results of operations, financial position, or cash flows
IFRS 9	Financial Instruments	January 1, 2018	The final version of IFRS 9 as a full standard combines all previously published provisions with the new provisions on accounting for impairment losses as well as limited amendments to the classification and measurement requirements for financial assets.	Although The Company has not yet finalized the detailed analysis of IFRS 9, the first-time adoption of this standard is not expected to have a material impact on the financial statements. In some cases, the new provisions on the classification of financial assets depending on the business model existing for
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular the existing standards IAS 18 "Revenue" and IAS 11 "Construction Contracts." When applying IFRS 15 for the first time, an entity shall apply the standard in full for the current period. In respect of prior periods, the transition guidance grants entities an option to either apply IFRS 15 in full to prior periods (with certain limited practical expedients being available) or to retain prior-period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 to all contracts that had not yet been completed at the beginning of the reporting period as an adjustment to the opening balance of equity at the date of first-time adoption (beginning of current reporting period).	No relevance for the Company.
IFRS 16	Leases	January 1, 2019	IFRS 16 principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. Going forward, lessees will therefore no longer be required to make the distinction between finance and operating leases that was required in the past in accordance with IAS 17. For all leases, the lessee will recognize a lease liability in its statement of financial position for the obligation to make future lease payments. At the same time, the lessee will capitalize a right of use to the underlying asset which is generally equivalent to the present value of the future lease payments plus directly attributable expenditure. Similar to the guidance on finance leases in IAS 17, the lease liability will be adjusted over the lease term for any remeasurement, while the right-of-use asset will be depreciated, which normally leads to higher expenses at the inception date of a lease. For the lessor, on the other hand, the provisions of the new standard are similar to the existing guidance in IAS 17. The criteria for lease	No material impact.

Accounting policies

The accounting policies set out below have been applied consistently in all periods presented in these financial statements.

A **financial instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, loans, receivables and derivative financial assets held for trading. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular this includes bonds and other securitized liabilities, liabilities to banks, trade payables and derivative financial liabilities. Financial instruments are generally recognized as soon as the Company becomes a party to the contractual regulations of the financial instrument. However, in the case of regular way purchase or sale (purchase or sale of a financial asset under a contract whose terms require delivery of the assets within the timeframe established generally by regulation or convention in the market place concerned), the settlement date is relevant for the initial recognition and derecognition.

Financial assets are measured at fair value on initial recognition. For all financial assets not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are taken into account. The fair values recognized in the statement of financial position generally correspond to the market prices of the financial assets. If these are not immediately available, they must be calculated using standard valuation models on the basis of current market parameters. For this calculation, the cash flows already fixed or determined by way of forward rates using the current yield curve taking into account maturity adjusted spreads are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle rates are used.

The Company assesses whether the embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates the designation at each financial year end.

The Company has not made use of the option of designating financial assets upon initial recognition as financial assets at fair value through profit or loss.

The carrying amounts of the financial assets that are not measured at fair value through profit and loss are tested at each reporting date to determine whether there is objective material evidence of impairment. Any impairment losses caused by the future cash flows discounted by the original effective interest rate being lower than the carrying amount are recognized in profit or loss.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass through arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Loans and receivables are measured subsequently at amortized cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. On each statement of financial position date, the Company tests whether there are any indications of loans being subject to impairment. If any such indications (e.g. a debtor defaults in payments) are present, the recoverable amount of the asset is determined.

Cash and cash equivalents, which include cash on hand, cash accounts and short-term cash deposits at banks, have maturities of up to three months when initially recognized and are measured at amortized cost.

The Company uses **derivative financial instruments** to hedge the interest rate risk resulting from its activities. The Company does not hold derivatives for speculative nor trading purposes. The Company does not apply hedge accounting as defined under IAS 39. Derivatives that are not part of an effective hedging relationship as set out in IAS 39 must be classified as held for trading and reported at fair value through profit or loss. If the fair values are negative, the derivatives are recognized as financial liabilities. Derivatives are recognized initially at fair value. Subsequent to initial recognition derivatives are measured at fair value and changes in the fair value of derivatives are recognized immediately

in other financial income (expense) in profit or loss. In the case that no market value is available, the fair value must be calculated using standard financial valuation models. The fair value of derivatives is the value that the Company would receive or have to pay if the financial instrument was discontinued at the reporting date. This is calculated on the basis of the contracting parties' relevant exchange rates, interest rates and credit ratings at the reporting date. Calculations are made using mid rates. Currency basis and inter-tenor spreads are taken into account. In the case of interest-bearing derivatives, a distinction is made between the "clean price" and the "dirty price". In contrast to the clean price the dirty price also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

Other assets are measured at the amount the item is initially recognized less any impairment losses using the effective interest method, if applicable.

Property, plant and equipment is carried at cost less straight-line depreciation and impairment losses. The depreciation period is based on the expected useful life. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method of the assets are reviewed at least at each financial year-end and if expectations differ from previous estimates the changes are accounted for as changes in accounting estimates in accordance with IAS 8 and adjusted if appropriate at the end of each financial year end. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Impairment of property, plant and equipment is identified by comparing the carrying amount with the recoverable amounts. At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amounts of the asset must be determined. Impairment losses are reversed if the reasons of recognizing the original impairment loss no longer apply.

Financial liabilities are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are also recognized.

Trade payables and **other non-derivative financial liabilities** are generally measured at amortized cost using the effective interest method. The Company has not yet made use of the option to designate financial liabilities upon initial recognition as financial liabilities at fair value through profit or loss. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortisation process. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires.

Other liabilities are generally measured at amortized cost using the effective interest method.

Dividend distribution to the Company's shareholder is recognized as a liability in the financial statement in the period in which the dividends are approved by the Company's shareholders.

Provisions are recognized when the company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Interest income (expense) is recognized as it accrues, using the effective interest method.

Other financial income (expense) includes gains (losses) from derivative financial instruments and from foreign exchange. Foreign-currency transactions are translated into the functional currency at the exchange rate at the date of transaction. At statement of financial position dates, monetary items are translated at the closing rate, and non-monetary items are translated at the exchange rate at the date of transaction. Exchange rate differences are recognized in other financial income (expense) in profit or loss.

The exchange rates of significant currencies changed as follows:

in €	Average rate		Rate at balance sheet date	
	2015	2014	31.12.2015	31.12.2014
1 Pound sterling (GBP)	1.37760	1.24035	1,36180	1.28428
1000 Hungarian forints (HUF)	3.22570	3.23940	3,17145	3.17153
1 U.S. dollar (USD)	0.90117	0.75241	0,91819	0.82300

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that are enacted by the statement of financial position date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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).

Notes to the statement of comprehensive income

1. Risk management, financial derivatives and other disclosures on capital management

Principles of risk management

The Company's principal financial liabilities, other than derivatives, mainly comprise bank loans and bonds. These financial liabilities are the result of the Company's main purpose, i.e. to raise funds for group companies of DTAG. The company's financial assets, other than derivatives, mainly comprise loans to group companies. Before 2009 the Company has entered into derivative transactions, primarily interest rate swaps and cross currency interest rate swaps, to manage the interest rate risk and currency risk arising from the group's operations and its sources of funding. It is the Company's policy that derivatives are exclusively used as hedging instruments, i.e. neither for trading nor other speculative purposes. In 2015 and 2014, the Company has not closed any new derivative contracts because it was not necessary in order to manage an interest rate or currency risk.

The main risks arising from the Company's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. Management of these risks is performed in accordance with DTAG's financial risk management policy. The Board of Directors regards effective management of the interest rate risk and foreign currency risk as one of its main tasks.

For the presentation of market risks IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of the relevant risk variables on profit or loss and shareholder's equity. In addition to currency risks the Company is exposed to interest rate risks according to the definition of IFRS 7. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative for the year as a whole.

Currency risk

Currency risk as defined by IFRS 7 arises on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature.

The Company's currency risk relates to positions in GBP, USD and HUF. The currency risk is either hedged by means of raising the funds in the same currency as the financing provided to the borrowers or by a swap agreement.

The currency sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial instruments (loans and other financial assets and interest-bearing and non-interest bearing liabilities) are directly denominated in the functional currency.

Whereas derivatives are valued at fair value, non-derivative financial instruments are carried at amortized cost; therefore a change in exchange rates has an impact on the result of the Company.

Interest income and interest expense from financial instruments are recorded directly in the functional currency. The Company does not hedge the future net margins. This has an impact on the net profit margin of the Company.

If the euro had gained (lost) 10 percent against all currencies at December 31, 2015, other financial income would have been EUR 36.5 million lower (higher) (December 31, 2014: EUR 36.4 million lower (higher)). This hypothetical effect on profit or loss before income taxes of EUR 36.5 million mainly results from the currency sensitivity EUR/USD: EUR 36.4million (2014: EUR 36.4 million).

Interest rate risk

The Company is exposed to interest rate risk on the interest-bearing receivables and interest-bearing liabilities. However, the interest rates on the Company's funding do in principle match with the interest rates on the corresponding loans provided by the Company. Any interest rate exposure that arose nevertheless before 2009 at the level of the Company is hedged by means of swaps entered into before 2009 so there will effectively be no interest rate risk with respect to cash flows at the level of the Company. However, as the derivatives are valued at fair value a change in interest rates has an impact on the result of the company of the respective year.

The following table provides a breakdown of the Interest Rate Swaps.

maturity		notional	pay	receive
August 20, 2018	USD	850,000,000	8.170%	6MUSLibor +4.101%
August 20, 2018	USD	850,000,000	6MUSLibor +4.101%	6.825%
June 15, 2030	USD	1,685,000,000	6.285%	6MUSLibor +1.120%
June 15, 2030	USD	1,685,000,000	6MUSLibor +1.045%	8.250%

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholder's equity. The interest rate sensitivity analyses are based on the following assumptions:

- Changes in the market interest rates of non-derivative financial fixed instruments do not affect income because they are not measured at fair value but at amortized cost.
- Changes in the market interest rates of non-derivative financial variable instruments do not affect income because they are not measured at fair value but at amortized costs and because variable interest income or expense is hedged by means of a corresponding derivative.
- Changes in the market interest rate of interest rate swaps and cross-currency swaps do affect other financial income or expense since they are measured at fair value and are not part of a hedging relationship as set out in IAS 39. They are therefore taken into consideration in the income-related sensitivity calculations.

If the market interest rates had been 100 basis points higher (lower) at December 31, 2015, the profit or loss before income taxes would have been EUR 25.4 million lower (higher) (December 31, 2014: EUR 29.6 million lower (higher)).

Some loan contracts of the Company include a step-clause. If the rating of DTAG changes and triggers the step-clause of the contracts, the interest rate of those contracts is adjusted. If the rating of DTAG had been upgraded to A3/A- as of December 31, 2015, the profit or loss before income taxes would have been EUR 7.9 million lower (December 31, 2014: EUR 6.7 million lower). If the rating of DTAG had been downgraded as of December 31, 2015, the profit or loss before income taxes would not have materially changed.

Credit risk

Loans are granted to group companies only. The maximum exposure to credit risk is generally represented by the carrying amounts of the financial assets that are carried in the statement of financial position, including derivatives with positive market values. However, the Company has a guarantee agreement with DTAG for all repayments of loans to affiliated companies, above a maximum of EUR 10 million which the Company must bear. This guarantee agreement covers also all derivatives closed with DTAG before 2009. These derivatives have been closed only for the reason of covering all exposures related to the loans to affiliates companies and therefore no IFRS 13, measurement of CVA/DVA, is required. The loans are unsecured. Management does not expect any losses from non-performance by these counterparties.

Liquidity risk

Please refer to Note 7.

Capital management

The overriding aim of the Company's capital management is to match the assets and liabilities in order to ensure its capability to repay the debt. The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

2. Finance income (expense)

The following table provides a breakdown of finance income (expense):

thousands of €	2015	2014
Interest income	1,215,409	1,264,547
Interest expense	(1,245,781)	(1,348,503)
	(30,372)	(83,956)

Interest income of thousands of euro (hereafter "TEUR") 1,215,409 has been earned from contracts with Deutsche Telekom group companies in 2015 (2014: TEUR 1,264,547). All interest expense in 2015 and 2014 respectively has been derived from group external debt. The negative interest result is mainly due to the fact that hedge accounting as defined under IAS 39 is not applied. We refer to Note 1 and Note 6.

3. Other financial income (expense)

The item breaks down as follows:

thousands of €	2015	2014
Gain (Loss) from financial instruments	(194,639)	(171,029)
Gain (Loss) from foreign exchange differences	239,635	240,901
	44,996	69,872

The Company does not apply hedge accounting under IFRS. Therefore, all movements in fair value of financial instruments and related income and expenses, are included in 'Other financial income (expense)'.

All gains and losses from financial instruments in 2015 (and 2014) are earned from derivative contracts with DTAG.

4. General and administrative expenses

The following table provides a breakdown of total general and administrative expenses:

thousands of €	2015	2014
Personnel costs		
Remuneration Management Board	78	78
Other salaries	17	52
Restructuring	-	24
Other social security costs	11	19
Total personnel costs	106	173
Other general and administrative expenses		
Office rent	14	13
Service fees	141	147
Audit and tax consultancy fees	45	48
Telephone	2	2
Computer lease	8	8
Depreciation	1	1
Other	7	17
Total other general and administrative expenses	218	236
Total general and administrative expenses	324	409

The remuneration of the Board of Management consists of short-term employee benefits and complies with the "bezoldiging bestuurders" in accordance with Dutch law article "2:383 BW". The remuneration of the Supervisory Board in 2015 was nil (2014: nil).

Total expenses recognized for defined contribution plans (state pension plan) in 2015 were TEUR 12 (2014: TEUR 12).

As at December 31, 2015 the Company employed 1 person (2014: 2).

Service fees of TEUR 141 have been paid in 2015 for services of DTAG (2014: TEUR 147).

Furthermore, computer leasing fees of TEUR 8 have been paid in 2015 to DTAG (2014: TEUR 8).

For the audit of the financial statements, audit fees of TEUR 13 (2014: TEUR 11) have been paid to PricewaterhouseCoopers Accountants N.V., Amsterdam and audit fees of TEUR 8 (2014: TEUR 6) have been paid to PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. Fees for other non-audit services were paid to PricewaterhouseCoopers Accountants N.V., Amsterdam of TEUR 21.

In 2015 fees for other audit procedures were paid to PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft amounting to TEUR 18.

5. Income tax

Income taxes in the statement of comprehensive income:

The following table provides a breakdown of income taxes in the statement of comprehensive income:

thousands of €	2015	2014
Current income taxes	1,514	1,623
Deferred tax expense (income)	2,056	(5,260)
	3,570	(3,637)

The following table shows the reconciliation of the effective tax rate:

thousands of €	2015	2014
Profit before income taxes	14,316	(14,477)
Expected income tax expense*	3,569	(3,637)
Income tax expense (benefit) according to income statement	3,570	(3,637)
Effective income tax rate (%)	24.9%	25.1%

* Applicable income tax rates in the Netherlands ranged from 20% to 25.0% in 2015 (2014: 20% to 25.0%).
For the Company the average income tax rate was 25.0% in 2015 (2014: 25.0%).

Income taxes in the statement of financial position:

Current income taxes in the statement of financial position refer to recoverable income taxes amounting to TEUR 482 as of December 31, 2015 (December 31, 2014: TEUR 521). All income taxes are payable in the Netherlands.

Deferred taxes relate to the following key statement of financial position items:

thousands of €	31.12.2015		31.12.2014	
Deferred taxes related to following key statement of financial position item:	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current assets	10,356	(397)	8,554	(16,865)
Financial assets	10,356	(397)	8,554	(16,865)
Non-current assets	45,206	(228,107)	52,912	(215,572)
Financial assets	18,230	(228,107)	21,818	(215,572)
Prepaid expenses*	26,976	-	31,094	-
Current liabilities	1,404	(71,916)	15,817	(73,859)
Financial liabilities	-	(12,711)	15,281	(13,845)
Other deferred income*	1,404	(59,205)	536	(60,014)
Non-current liabilities	147,555	(3,728)	147,230	(15,787)
Financial liabilities	147,555	(3,728)	147,230	(15,787)
Total	204,521	(304,148)	224,513	(322,083)
Of which: non-current	192,761	(231,835)	200,142	(231,359)
Netting:	(204,521)	204,521	(224,513)	224,513
Recognition:	-	(99,627)	-	(97,570)

* refers to tax balance sheet item

All deferred taxes relate to temporary differences and changes in deferred taxes are recognized in Income taxes in the statement of comprehensive income. There are no deferred taxes that relate to loss carry-forwards.

Notes to the statement of financial position

6. Financial assets

The following table provides a breakdown of the financial assets:

thousands of €	31.12.2015		31.12.2014	
	Total	Of which: current	Total	Of which: current
Loans to group companies	21,686,378	2,705,936	24,183,116	3,582,862
Derivative financial instruments	912,427	-	933,103	70,813
Interest receivables	496,369	496,369	571,336	571,336
Cash Pooling	10,973	10,973	10,680	10,680
	23,106,147	3,213,278	25,698,235	4,235,691

The following table provides a breakdown of loans to group companies of DTAG:

thousands of €	31.12.2015		31.12.2014	
	Total	Of which: current	Total	Of which: current
Germany*	21,030,488	2,461,373	23,295,053	3,221,393
Hungary	336,417	134,592	528,871	321,475
Austria	319,473	109,972	359,192	39,994
	21,686,378	2,705,937	24,183,116	3,582,862

* of which loans to shareholder: TEUR 21,030,488 (2014: TEUR 23,295,053)

The Board of Management has concluded that no impairment is required on any of the Company's loans and receivables due to the following reasons:

With regard to all loans and receivables, none of those are impaired or past due. There are no indications as of the reporting date that the debtors will not meet their payment obligations.

The major part of Financial Assets relate to loans to the shareholder Deutsche Telekom AG. The rating of Deutsche Telekom AG is currently BBB+ (according to Standard & Poor's) and Baa1 (according to Moody's). All Financial Assets which are not directly related to Deutsche Telekom AG are related to Deutsche Telekom Group companies, thus a similar credit quality is assumed.

DTAG has also entered into a guarantee agreement with the Company on November 30, 2004, which has been renewed on January 20, 2010, October 11, 2012 and February 16, 2015. Under this agreement DTAG guarantees for all repayments of loans to affiliated companies, except for the own risk the Company bears with a maximum of EUR 10 million.

The loans have stated coupon interest rates as per December 31, 2015 of 2.13% to 9.33% (2014: 0.96% to 9.33%) and mature in 1 to 26 years (2014: 1 to 27 years). The average interest rate of the loans was 5.45% as of December 31, 2015 (2014: 5.14%).

The Company does not hold derivatives for speculative nor for trading purposes. All derivatives have been contracted with the parent company, DTAG. The Company does not make use of hedge accounting as defined under IAS 39.

Since derivatives are carried at fair value and the non-derivative instruments at amortized costs, the financial result under IFRS of the Company is volatile. As shown by the liquidity analysis under note 7 the Company always has net positive cash flows in every year until the last contract expires.

All interest receivables as of December 31, 2015 (and December 31, 2014 respectively) refer to accrued interest from companies of Deutsche Telekom Group, of which TEUR 486,126 relate to DTAG (2014: TEUR 547,026).

The receivable from cash pooling as of December 31, 2015 (and December 31, 2014 respectively) refers to the balance of the inter-company clearing account with DTAG. This item is also the only component of cash and cash equivalent in the statement of cash flows. We refer to note 9.

7. Financial liabilities

The following table provides a breakdown of financial liabilities and its maturities:

thousands of €	31.12.2015			
	Total	due within 1 year	due > 1 year < 5 years	due > 5 years
Bonds and other securitized liabilities	21,427,919	2,564,767	6,353,895	12,509,257
Liabilities to banks	134,806	134,806	-	-
Guarantee fees payable	91,233	7,937	8,938	74,358
Interest liabilities	483,816	483,816	-	-
Derivative financial instruments	555,717	-	60,776	494,941
	22,693,491	3,191,326	6,423,609	13,078,556

thousands of €	31.12.2014			
	Total	due within 1 year	due > 1 year < 5 years	due > 5 years
Bonds and other securitized liabilities	23,690,278	3,348,486	7,930,567	12,411,225
Liabilities to banks	294,619	160,273	134,346	-
Guarantee fees payable	99,214	8,942	12,012	78,260
Interest liabilities	611,147	611,147	-	-
Derivative financial instruments	598,182	70,118	70,409	457,655
	25,293,440	4,198,966	8,147,334	12,947,140

The average interest rate for bonds, MTNs and bank loans is 5.51% as of December 31, 2015 (2014: 5.37%).

Guarantee fee liabilities to be paid to DTAG are paid over the term of the external financial instruments. DTAG provides a full and irrevocable guarantee for all liabilities issued by the Company. Payment dates of guarantee fees are generally matched with interest payment dates of the external financial liabilities.

In 2015 (and 2014 respectively) all interest liabilities refer to external debt.

Liquidity analysis

The following tables show the contractually agreed (undiscounted) interest and guarantee payments and repayments of the non-derivative financial instruments and the derivatives with positive and negative values as of December 31, 2015 and as of December 31, 2014 respectively. All instruments held at December 31, 2015 (December 31, 2014 respectively) and for which payments were already contractually agreed are included. Planning data for future new liabilities were not included. Each amount in foreign currency was translated at the closing rate prevailing on reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2015 (December 31, 2014 respectively). Based on this liquidity analysis the Company expects net positive cash flows in all years presented herein.

The following tables show the liquidity analysis as of December 31, 2015:

thousands of €	2016		2017		2018-2020	
	Interest	Repayments	Interest	Repayments	Interest	Repayments
Liabilities (cash payments)						
Bonds and other securitized liabilities	(1,138,327)	(2,565,926)	(1,059,916)	(3,018,189)	(2,520,971)	(3,359,554)
Bank Loans	(8,058)	(134,598)	-	-	-	-
Guarantee Fees	(14,673)	-	(13,025)	-	(32,204)	-
Cross currency swaps	-	-	-	-	-	-
Interest rate swaps	(226,109)	-	(229,925)	-	(483,607)	-
Assets (cash receivables)						
Loans to aff. comp.	1,140,058	2,706,582	1,051,051	3,024,602	2,460,706	3,381,129
Cross currency swaps	-	-	-	-	-	-
Interest rate swaps	247,195	-	251,008	-	567,849	-
Total	86	6,058	(807)	6,413	(8,227)	21,575
Total cash flow for the year		6,144		5,606		13,348

thousands of €	2021-2025		2026 and thereafter	
	Interest	Repayments	Interest	Repayments
Liabilities (cash payments)				
Bonds and other securitized liabilities	(3,112,033)	(5,253,263)	(3,088,068)	(7,295,848)
Bank Loans	-	-	-	-
Guarantee Fees	(34,153)	-	(34,220)	-
Cross currency swaps	-	-	-	-
Interest rate swaps	(634,619)	-	(571,124)	-
Assets (cash receivables)				
Loans to aff. comp.	2,959,032	5,298,495	2,933,287	7,349,136
Cross currency swaps	-	-	-	-
Interest rate swaps	792,512	-	713,227	-
Total	(29,261)	45,232	(46,898)	53,288
Total cash flow for the year		15,971		6,390

The following tables show the liquidity analysis as of December 31, 2014:

thousands of €	Cashflows in				
	2015	2016	2017-2019	2020-2024	2025 and thereafter
Liabilities (cash payments)					
Bonds and other securitized liabilities	(4,621,840)	(3,426,758)	(8,266,372)	(8,306,990)	(10,607,291)
Bank Loans	(181,681)	(142,660)	-	-	-
Guarantee Fees	(16,596)	(14,069)	(34,112)	(37,515)	(36,149)
Cross currency swaps	(1,609,568)	-	-	-	-
Interest rate swaps	(233,153)	(196,082)	(498,317)	(534,882)	(588,278)
Assets (cash receivables)					
Loans to aff. comp.	4,830,352	3,570,413	8,248,570	8,218,853	10,496,023
Cross currency swaps	1,535,061	-	-	-	-
Interest rate swaps	304,367	214,982	564,415	676,409	743,952
Total cash flow for the year	6,942	5,826	14,184	15,875	8,257

Additional disclosures on financial instruments

The following table provides carrying amounts, amounts recognized and fair values by measurement categories:

thousands of €	Category in accordance to IAS 39	Carrying amount 31.12.2015	Amounts recognized in statement of financial position according to IAS 39		Fair Value 31.12.2015
			Amortized costs	Fair value recognized in profit or loss	
Assets					
Loans to aff. comp.	LaR	21,686,378	21,686,378	-	26,668,038
Other financial assets ¹	LaR	507,342	507,342	-	-
Derivative financial assets	FAHFT	912,427	-	912,427	912,427
Liabilities					
Bonds and other securitized liabilities	FLAC	21,427,919	21,427,919	-	25,494,424
Liabilities to banks	FLAC	134,806	134,806	-	140,395
Other financial liabilities	FLAC	575,049	575,049	-	590,725
Derivative financial liabilities	FLHFT	555,717	-	555,717	555,717
Thereof aggregated according to IAS 39 categories					
Loans and Receivables	LaR	22,193,720	22,193,720	-	26,668,038
Financial Assets Held for Trading	FAHFT	912,427	-	912,427	912,427
Financial Liabilities at Amortized Cost	FLAC	22,137,774	22,137,774	-	26,225,544
Financial Liabilities Held for Trading	FLHFT	555,717	-	555,717	555,717

thousands of €	Category in accordance to IAS 39	Carrying amount 31.12.2014	Amounts recognized in statement of financial position according to IAS 39		Fair Value 31.12.2014
			Amortized costs	Fair value recognized in profit or loss	
Assets					
Loans to aff. comp.	LaR	24,183,116	24,183,116	-	28,708,610
Other financial assets ¹	LaR	582,016	582,016	-	-
Derivative financial assets	FAHFT	933,103	-	933,103	933,103
Liabilities					
Bonds and other securitized liabilities	FLAC	23,690,278	23,690,278	-	28,626,191
Liabilities to banks	FLAC	294,619	294,619	-	308,948
Other financial liabilities	FLAC	710,361	710,361	-	728,076
Derivative financial liabilities	FLHFT	598,182	-	598,182	598,182
Thereof aggregated according to IAS 39 categories					
Loans and Receivables	LaR	24,765,132	24,765,132	-	28,708,610
Financial Assets Held for Trading	FAHFT	933,103	-	933,103	933,103
Financial Liabilities at Amortized Cost	FLAC	24,695,258	24,695,258	-	29,663,215
Financial Liabilities Held for Trading	FLHFT	598,182	-	598,182	598,182

¹ We refer to the exception of IFRS 7.29(a) for the disclosure of the fair value.

LaR = Loans and Receivables

FAHFT = Financial Assets Held for Trading

FLAC = Financial Liability at Amortized Costs

Only derivative financial instruments are measured at fair value in the statement of financial position of the Company. IFRS 7 requires that the classification of financial instruments at fair value is determined by reference to the source of input used to derive the fair value. The classification uses the following three-level hierarchy: Level 1 uses quoted prices in active markets for identical assets or liabilities as input for the determination of the fair value, level 2 uses inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) and level 3 uses inputs for the asset or liability that are not based on observable market data (unobservable inputs). The derivatives of the Company are exclusively categorised under level 2 in the fair value hierarchy of IFRS 7. There have not been any transfers between level 1 and level 2 for these instruments in 2015 or 2014.

The fair values recognized in the statement of financial position generally correspond to the market prices of the financial assets. If these are not immediately available, they must be calculated using standard valuation models on the basis of current market parameters. For this calculation, the cash flows already fixed or determined by way of forward rates using the current yield curve taking into account maturity adjusted spreads are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle rates are used.

Since no quoted prices are available for the derivative financial instruments of the Company the fair value is determined with the use of standard valuation models on the basis of observable market parameters. For this calculation, the cash flows already fixed or determined by way of forward rates using the current yield curve taking into account maturity adjusted spreads are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle rates are used. A distinction between the Clean and the Dirty price is made. The Dirty Price also comprises accrued interest. The recognized Fair Values correspond to the Full Fair Value or the Dirty Price.

The classification in level 1 or level 2 of quoted bonds has been determined by the trading volume of the instrument. USD and EUR denominated bonds with relatively high nominal amounts have been classified in level 1, all other in level 2. Liabilities to banks and loans have been classified in level 2.

In 2015 and in 2014 the guarantee fees have been classified in level 2 and a fair value for the Other financial liabilities is disclosed, accordingly. The fair values of the financial instruments classified in level 1 equal the nominal amounts multiplied by the price quotations at the reporting date. All other fair values of the financial instruments classified in level 2 are calculated as present values of the payments associated with the debts, based on the applicable yield curve and DTAG's credit spread curve for specific currencies.

The following table shows the classification of financial instruments that are not recognized at fair value but whose fair values are disclosed:

thousands of €	31.12.2015		
	Level 1	Level 2	Total
Assets			
Loans to aff. comp.		26,668,038	26,668,038
Liabilities			
Financial Liabilities at Amortized Cost	21,538,609	4,686,935	26,225,544
- of which marketable securities	21,538,609		21,538,609
- of which non-marketable securities		3,955,815	3,955,815
- of which liabilities to banks		140,395	140,395
- of which other financial liabilities		590,725	590,725

thousands of €	31.12.2014		
	Level 1	Level 2	Total
Assets			
Loans to aff. comp.		28,708,610	28,708,610
Liabilities			
Financial Liabilities at Amortized Cost	24,531,800	5,131,415	29,663,215
- of which marketable securities	24,531,800		24,531,800
- of which non-marketable securities		4,094,391	4,094,391
- of which liabilities to banks		308,948	308,948
- of which other financial liabilities		728,076	728,076

The following table provides net gains and losses from interests by measurement categories:

thousands of €	From interest	From subsequent measurement	From derecognition	Net gain (loss)
		At fair value	Currency translation	2015
Loans and receivables (LaR)	1,215,409	-	1,321,614	2,537,023
Financial Instruments held for trading (FAHfT and FLHfT)	-	(194,639)	-	(194,639)
Financial liabilities measured at amortized cost (FLAC)	(1,245,781)	-	(1,081,979)	(2,327,760)

thousands of €	From interest	From subsequent measurement	From derecognition	Net gain (loss)
		At fair value	Currency translation	2014
Loans and receivables (LaR)	1,264,547	-	1,357,634	2,622,181
Financial Instruments held for trading (FAHfT and FLHfT)	-	(171,029)	-	(171,029)
Financial liabilities measured at amortized cost (FLAC)	(1,348,503)	-	(1,116,727)	(2,465,230)

The following financial instruments are subject to enforceable master netting arrangements and similar agreements. The counterparty for all those derivative financial instruments is Deutsche Telekom AG. Even though a netting option exists, netting is currently not applied. However both parties will have the potential right to settle all derivative financial instruments on a net basis in the event of default of the other party.

Offsetting 31.12.2015:

thousands of €	Derivative financial assets	Derivative financial liabilities
Net amount presented in the balance sheet	912,427	555,716
Related amounts not set off in the balance sheet	555,716	555,716
<i>thereof: financial instruments</i>	555,716	555,716
<i>thereof: collaterals</i>	-	-
Net amount	356,711	-

Offsetting 31.12.2014:

thousands of €	Derivative financial assets	Derivative financial liabilities
Net amount presented in the balance sheet	933,104	598,182
Related amounts not set off in the balance sheet	598,182	598,182
<i>thereof: financial instruments</i>	598,182	598,182
<i>thereof: collaterals</i>	-	-
Net amount	334,922	-

Interest from financial instruments is recognized in finance income (costs) and other financial income (please refer to notes 2 and 3).

Currency translation from financial instruments is recognized in other financial income (expense). We refer to note 3.

The net result from the subsequent measurement for financial instruments held for trading also includes interest and currency translation effects.

Finance expense from financial liabilities measured at amortized cost primarily consists of interest expense on bonds and other financial liabilities.

Finance income from loans and receivables primarily consists of interest income on loans to group companies.

8. Equity

The authorized share capital of the company as at December 31, 2015 amounts to EUR 2,268,901 and consists of 5,000 shares of common stock at a par value of EUR 453.78. The issued share capital amounts to EUR 453,780 and consists of 1,000 shares of common stock at a par value of EUR 453.78. The remaining 4,000 shares are un-issued. There were no movements in the number of shares in 2015 or 2014. All shares are held by DTAG.

In 2015 the Company paid EUR 4,939 dividend per share (2014: EUR 2,681). In 2014 as well as in 2015 the management assessed that the Company expects net positive cash flows for the year ending December 31, 2016 as well as in each of the following years. For the result of these assessments we refer to the liquidity analyses in note 7 of these notes.

Other disclosures

9. Notes to the statement of cash flows

The statement of cash flows has been prepared using the direct method.

Net cash from operating activities is mainly a result of the net margin earned by the Company and cash inflows for loans that have been repaid. Furthermore, the item includes cash in- and outflows for expired derivatives that were used for hedging purposes.

Net cash from financing activities mainly includes cash outflows from the repayment of bonds and bank loans and a dividend payment to the shareholder.

As far as applicable for the years 2014 and 2015 the cash in- and outflows for loan and cross currency interest rate swap repayments and for new loans granted to companies of Deutsche Telekom Group match the cash in- and outflows from issues and/or repayments of bonds and bank loans.

The net amount from the intercompany current account with DTAG is the only component of cash and cash equivalents and it is measured at cost. This amount is included in financial assets on the statement of financial position. We refer to note 6. The Company has access to credit facilities with two banks, one amounting to € 424 million and one of € 600 million. The bilateral credit agreements have an original maturity of 36 months and can, after each period of 12 months, be extended by a further 12 months to renew the maturity of 36 months.

The Company did not draw on the credit lines in 2015 and 2014. All liabilities from earlier credit line draw downs have been repaid.

10. Segment reporting

The primary activity of the Company is to finance its parent company and DTAG group companies. Therefore segment information other than geographic information and information per major customer is not separately reported. There is only one reportable segment.

Geographic information

Interest income mainly from group companies according to their country of operations:

thousands of €	31.12.2015	31.12.2014
Germany	1,182,856	1,215,581
Austria	12,880	15,174
Hungary	19,669	33,792
Others	4	-
	1,215,409	1,264,547

In 2015, more than 10 % of the total interest income has been earned from loans with DTAG (TEUR 1,182,856 or 97,32%).

In 2014, more than 10 % of the total interest income has been earned from loans with DTAG (TEUR 1,215,581 or 96.13%).

For non-current loan receivables, we refer to note 6.

11. Related parties

No other related party transactions have occurred other than those already disclosed in notes 2, 3, 4, 6, 7, 8 and 10.

Maastricht, March 15 , 2016

The Board of Management:

F. Roose

M. Schäfer

The Supervisory Board:

S. Wiemann

Dr. Ch. Dorenkamp

Dr. A. Lützner

Deutsche Telekom International Finance B.V.
Stationsplein 8-K
6221 BT Maastricht
The Netherlands

Other information

Proposed appropriation of profit

Article 19 of the articles of association states that "The profit is available for the general meeting for distributions, reservations or other options within the objects of the Company as that meeting will decide. Distribution of profit shall take place after the adoption of the annual accounts from which it appears that it is justified." Following the liquidity analysis and the proposed profit appropriation of the Board of Management, a dividend of EUR 4,577,646.02 will be distributed to the shareholder, awaiting approval of the General Meeting of Shareholders and the Supervisory Board. The related amount per share is EUR 4,578.

Post statement of financial position events

No other events occurred since December 31, 2015 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 financial statement.



Independent auditor's report

To: the general meeting and supervisory board of Deutsche Telekom International Finance B.V.

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Deutsche Telekom International Finance B.V. as at 31 December 2015, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of Deutsche Telekom International Finance B.V., Amsterdam ('the company').

The financial statements comprise:

- the statement of financial position as at 31 December 2015;
- the following statements for 2015: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of 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 section 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of Deutsche Telekom International Finance B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (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.: e0375254

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, The Netherlands

T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

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Our audit approach

Overview and context

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 managing 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 managing directors that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments in our team.

The main purpose of the company is the financing of companies belonging to the Deutsche Telekom 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 Telekom AG as disclosed in note 1 to the financial statements. Loans are issued to group companies with financial instruments in place to mitigate the interest rate risk. The company facilitates the Deutsche Telekom AG group in its financing activities for which it receives a margin.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit 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 on the individual financial statement line items and disclosures 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 €115.5 million (2014: €127 million). 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 since the company's main activity is intra-group lending. The Company facilitates the Deutsche Telekom group in its financing activities for which it receives a margin.

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

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €5.775 million (2014: €6 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our audit

The company is financing companies belonging to the Deutsche Telekom AG group which activities are covered by our audit procedures.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, 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.

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.

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 or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><i>Valuation and existence of the loans issued</i></p> <p>We consider the valuation and existence of the loans issued, as disclosed in note 6 to the financial statements for a total amount of €23.1 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. Refer to note 2.</p> <p>Loans are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method.</p> <p>The managing directors did not identify any impairment triggers regarding the loans issued.</p>	<p>We have performed audit work addressing the valuation and existence of the loans issued to Deutsche Telekom AG group companies, through:</p> <ul style="list-style-type: none">• testing input of contracts in Deutsche Telekom International Finance B.V.'s treasury management system on a sample basis;• reconciliation of the treasury management system with the general ledger;• margin analysis;• recalculating the amortised cost value based on the effective interest method;• analysis of the financial situation of the group companies to which loans have been provided;• assessing whether there were any impairments triggers; and• audit of data input to calculate the fair value, including cash flows based on underlying contracts, credit spread and market interest. <p>We concur with the position taken by the managing directors as set out in the financial statements with respect to the valuation of the loans.</p>



Derivative valuation

We consider the fair value of the derivatives portfolio as disclosed in notes 6 and 7 to the financial statements of €912 million positive and €556 million negative as a key audit matter. This is due to the nature of the portfolio that includes longer dated interest rate swaps. The market for these swaps is not always fully liquid. In addition, the recent market developments further increase the subjectivity of the valuation of these instruments as well as the number of input factors to take into account in the valuation.

We have tested the valuation of derivatives by testing the input of contracts in the Deutsche Telekom International Finance B.V. valuation system on a sample basis. We have reconciled the interest rate curves and other market data with independent sources. We have assessed whether the settings used in the valuation system and the models used are in line with market practice. We have also assessed the mathematical accuracy of the models used.

Responsibilities of the managing directors and the supervisory board

The managing directors are responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the annual report of the directors in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the managing 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 managing directors are responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the managing directors should prepare the financial statements using the going concern basis of accounting unless the managing directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The managing 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.

The supervisory board is responsible for overseeing the company's financial reporting process.

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 opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. 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.

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 the 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 Telekom International Finance B.V. on 12 May 2011 by the supervisory board following the passing of a resolution by the shareholders at the annual general meeting held on 12 May 2011 and has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of five years.

Rotterdam, 15 March 2016
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2015 of Deutsche Telekom International 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 judgement 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 the following:

- 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 managing directors.
- Concluding on the appropriateness of the managing 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 supervisory board 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 supervisory board 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 supervisory board, 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.