Annual report

for the year ended December 31, 2012

Deutsche Telekom International Finance B.V.

Amsterdam

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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, 2012.

Business activities

During 2012 the Company issued four notes under its Debt Issuance Programme (DIP). On January 20, 2012 the Company issued a note of nominal EUR 80,000,000, on October 24, 2012 a note of nominal EUR 650,000,000, on October 30, 2012 a note of nominal EUR 500,000,000 and on December 21, 2012 a note of nominal EUR 100,000,000. On the same dates, the Company granted loans to DTAG over the same amounts.

On March 6, 2012 the Company issued an USD 2,000,000,000 bond in two tranches of nominal USD 1,000,000,000 each, with maturities in 2017 and 2042. On the same date, the Company granted loans to DTAG over the same amounts.

On March 28, 2012 the Company redeemed a note with a nominal amount of EUR 500,000,000. On May 23, 2012 the Company redeemed a note with a nominal amount of EUR 500,000,000. On September 26, 2012 the Company redeemed two notes with a nominal amount of GBP 250,000,000 each. On the same dates, the corresponding loans to group companies and derivative instruments were repaid as well.

On May 29, 2012 the Company repaid a bond with a nominal amount of EUR 2,000,000,000. On the same date, the corresponding loans to group companies and derivative instruments were repaid as well.

On January 31, 2012 the Company paid the fourth contractual annual instalment of HUF 9,486,320,000 of its HUF 47,431,600,000 loan from the European Investment Bank (EIB). On the same date, the corresponding fourth contractual annual instalment of a loan to a group company was repaid as well.

On July 19, 2012 DTAG assumed GBP 20,000,000 of a GBP 80,000,000 loan to an affiliated company.

The Company achieved a net loss of EUR 49,647,530 versus a net profit of EUR 125,277,293 in 2011.

On July 1, 2012 Robin Sheridan was relieved from his function as one of the Managing Directors. Frans Roose was appointed as Managing Director on the same date. Headcount was reduced by 2 persons in 2012 as planned.

Management policy with respect to risks

We refer to note 10 of the accompanied financial statements.

Future business developments and financing

The Company expects to move away from Amsterdam to Maastricht after the first quarter of 2013.

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, 2013 as well as in each of the following years.

Events after the statement of financial position date

On January 17, 2013 and on February 11, 2013 the Company issued a note amounting to EUR 50,000,000 each under its DIP. On the same dates, the Company granted loans to DTAG over the same amounts.

On January 17, 2013 the Company issued a EUR 2,000,000,000 Bond under its DIP in two tranches amounting to EUR 1,250,000,000 with a maturity in 2021 and EUR 750,000,000 with a maturity in 2028. On the same date, the Company granted loans to DTAG over the same amounts.

On January 31, 2013 the Company paid the fifth and last contractual annual instalment of HUF 9,486,320,000 of its HUF 47,431,600,000 loan from the EIB. On the same date, the corresponding fifth and last contractual annual instalment of a loan to a group company was repaid as well.

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, 2012 and the state of affairs during 2012; and
- the annual report describes the material risks that the Company is facing.

Amsterdam, February 25, 2013
The Managing Directors,

Dirk Wehrse

Frans Roose

Financial statements

Statement of comprehensive income

thousands of €	Note	2012	2011
Finance income (expense)	1		
Interest income		1,527,431	1,668,160
Interest expense		(1,616,435)	(1,757,717)
Other financial income (expense)	2	23,409	257,291
Profit (loss) from financial activities		**(65,595)**	**167,734**
General and administrative expenses	3	(634)	(731)
Other operating income		18	21
Other operating expenses		-	(1)
Profit (loss) from operations		**(616)**	**(711)**
Profit (loss) before income taxes		**(66,211)**	**167,023**
Income taxes	4	16,563	(41,746)
Profit (loss) after income taxes		**(49,648)**	**125,277**
Other comprehensive income		**-**	**-**
Profit (loss) attributable to owners:		(49,648)	125,277
Total comprehensive income (loss) attributable to the owners:		(49,648)	125,277

Statement of financial position

thousands of €	Note	Dec. 31, 2012	Dec. 31, 2011
Assets			
Current assets		**3,894,265**	**4,284,527**
Financial assets	5	3,893,918	4,284,358
Income tax receivable	4	345	169
Other assets		2	0
Non-current assets		**25,036,521**	**25,677,449**
Property, plant and equipment		37	43
Financial assets	5	25,036,471	25,677,374
Other assets		13	32
Total Assets		**28,930,786**	**29,961,976**
Liabilities and shareholder's equity			
Current liabilities		**3,982,236**	**4,360,266**
Financial liabilities	6	3,982,147	4,360,004
Other provisions		-	143
Other liabilities		89	119
Non-current liabilities		**24,517,285**	**25,115,144**
Financial liabilities	6	24,375,906	24,955,492
Other provisions		15	15
Deferred tax liability	4	141,364	159,637
Liabilities		**28,499,521**	**29,475,410**
Shareholder's equity	7	**431,265**	**486,566**
Issued Capital		454	454
Other reserves		407,691	407,691
Retained earnings		72,768	(46,856)
Net profit (loss)		(49,648)	125,277
Total Liabilities and shareholder's equity		**28,930,786**	**29,961,976**

Statement of changes in equity

thousands of €	Note	Issued share capital	Other reserves	Retained earnings	Result for the year	Total
	7					
Balance as at January 1, 2012		454	407,691	(46,856)	125,277	486,566
Result current year					(49,648)	(49,648)
Unappropriated net profit (loss) carried forward				125,277	(125,277)	-
Dividends paid				(5,653)		(5,653)
Balance as at December 31, 2012		**454**	**407,691**	**72,768**	**(49,648)**	**431,265**

thousands of €	Note	Issued share capital	Other reserves	Retained earnings	Result for the year	Total
	7					
Balance as at January 1, 2011		454	407,691	(66,302)	25,662	367,505
Result current year					125,277	125,277
Unappropriated net profit (loss) carried forward				25,662	(25,662)	-
Dividends paid				(6,216)		(6,216)
Balance as at December 31, 2011		**454**	**407,691**	**(46,856)**	**125,277**	**486,566**

Statement of cash flows

thousands of €	Note	Dec. 31, 2012	Dec. 31, 2011
	8		
Interest received		1,595,053	1,802,412
Interest paid		(1,664,168)	(1,872,125)
Net interest received (paid) from derivatives		93,534	96,006
Guarantee fees paid		(16,659)	(17,354)
Net income tax paid		(1,887)	(1,866)
Others		(1,021)	(599)
Net cash from operating activities		**4,852**	**6,474**
Cash outflows for investments in			
- Loans		(2,813,008)	(913,055)
Proceeds from repayments of			
- Loans		3,618,512	4,606,397
Net cash inflow from investments and repayments of derivatives		42,865	31,658
Net cash used in investing activities		**848,369**	**3,725,000**
Repayment of financial liabilities		(3,661,378)	(4,638,056)
Proceeds from issue of financial liabilities		2,813,009	913,055
Dividend payments		(5,654)	(6,216)
Net cash from financing activities		**(854,023)**	**(3,731,217)**
Net increase (decrease) in cash and cash equivalents		**(802)**	**257**
Cash and cash equivalents, at the beginning of the year		**3,681**	**3,424**
Cash and cash equivalents, at the end of the year		**2,879**	**3,681**

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 at Herengracht 124-128, 1015 BT Amsterdam, 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 2012 financial year were authorised for issue by the Board of Management on February 25, 2013.

Basis of preparation

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”), effective at the time of preparing these financial statements and applied by the Company, have been adopted by the European Commission for use in the EU. The financial statements of the Company comply with IFRS as issued by the IASB and therefore 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 financial year, the Company applied the following IASB pronouncements and/or amendments to such pronouncements for the first time:

Pronouncement	Date of issue by the IASB	Title
IFRS 7	October 7, 2010	Disclosures: Transfers of Financial Assets
IAS 12	December 20, 2010	Deferred Tax: Recovery of Underlying Assets

The pronouncements and/or amendments did not have an 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

In November 2009, the IASB issued IFRS 9 “Financial Instruments.” The standard is the result of the first of three phases of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with

IFRS 9. IFRS 9 governs the classification and measurement of financial assets. The rules for impairment of financial instruments and hedge accounting are currently being revised by the IASB. IFRS 9 will be effective for the first time for financial years beginning on or after January 1, 2015. The European Union has not yet endorsed this pronouncement. The endorsement process has currently been suspended. Prior periods do not have to be adjusted when the standard is adopted for the first time, but there is a requirement to disclose the effects of first-time adoption. The Company is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

In October 2010, the IASB issued requirements on accounting for financial liabilities. These are integrated into IFRS 9 “Financial Instruments” and replace the existing provisions on this subject in IAS 39 “Financial Instruments: Recognition and Measurement.” In the new pronouncement, the requirements relating to recognition and derecognition as well as most of the requirements for classification and measurement are carried forward unchanged from IAS 39. The pronouncement will be effective for the first time for financial years beginning on or after January 1, 2015. Prior periods do not have to be adjusted when the standard is adopted for the first time, but there is a requirement to disclose the effects of first-time adoption. The European Union has not yet endorsed this pronouncement. The endorsement process has currently been suspended. The Company is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

In May 2011, the IASB published three new IFRSs (IFRS 10, IFRS 11, IFRS 12) and two revised standards (IAS 27, IAS 28) that govern the accounting for investments in subsidiaries, joint arrangements and associates. The European Union endorsed the provisions in December 2012. The provisions will be effective within the European Union for financial years beginning on or after January 1, 2014. The adoption of the new and amended IFRSs will not have an impact on the presentation of the Company's results of operations, financial position or cash flows.

The IASB is introducing a harmonized consolidation model by issuing IFRS 10 "Consolidated Financial Statements." This new standard no longer distinguishes between "traditional" subsidiaries (IAS 27) and special-purpose entities (SIC-12). Control only exists if an investor has the power over the investee, is exposed to variable returns, and is able to use power to affect its amount of variable returns. When IFRS 10 becomes effective, it will replace SIC-12 "Consolidation – Special Purpose Entities“ as well as the requirements relevant to consolidated financial statements in IAS 27 "Consolidated and Separate Financial Statements."

IFRS 11 "Joint Arrangements" will replace IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers." It governs the accounting for joint ventures and joint operations. Proportionate consolidation for joint ventures will no longer be permissible as a result of the discontinuation of IAS 31. The amended IAS 28 "Interests in Associates and Joint Ventures" governs the application of the equity method when accounting for investments in both associates and joint ventures. In case of a joint operation, the share of assets, liabilities, expenses and revenues is directly recognized in the consolidated financial statements and annual financial statements of a joint operator.

IFRS 12 "Disclosure of Interests in Other Entities" combines all disclosures required in the consolidated financial statements regarding subsidiaries, joint arrangements and associates, as well as unconsolidated structured entities.

The revised IAS 27 "Separate Financial Statements" exclusively governs the accounting for subsidiaries, joint ventures and associates in the annual financial statements and the corresponding notes (separate financial statements according to § 325 (2a) HGB).

The revised IAS 28 "Investments in Associates and Joint Ventures" governs the accounting of investments in associates and joint ventures using the equity method.

In May 2011, the IASB also published IFRS 13 "Fair Value Measurement." With this standard, the IASB has created a uniform, comprehensive standard for fair value measurement. IFRS 13 is effective for financial years beginning on or after January 1, 2013. IFRS 13 provides guidance on how to measure at fair value when other IFRSs require fair value measurement (or disclosure). A new definition of fair value applies which characterizes fair value as the selling price of an actual or hypothetical transaction between any independent market participants under normal market conditions on the reporting date. The standard is almost universally applicable, with the only exemptions being IAS 2 "Inventories," IAS 17 "Leases," and IFRS 2 "Share-based Payment." While the guidance remains virtually unchanged for financial instruments, the guidance for other items (e.g., investment property, intangible assets and property, plant and equipment) is now more comprehensively and/or precisely defined. The established three-level fair-value hierarchy has to be applied across the board. The European Union endorsed the provisions in December 2012. The Company is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

In June 2011, the IASB issued amendments to IAS 1 "Presentation of Financial Statements." The amendments require that the items listed under other comprehensive income be split into two categories, according to whether or not they will be recognized in the income statement in future periods (recycling). The amendments to IAS 1 are effective for financial years beginning on or after July 1, 2012 and were endorsed by the European Union in June 2012. The Company currently expects the disclosures in the statement of comprehensive income to change as described above.

In June 2011, the IASB also issued amendments to IAS 19 "Employee Benefits." These amendments result in the discontinuation of existing options for the recognition of actuarial gains and losses. Since the corridor method, as it is known, will no longer be permissible, actuarial gains and losses have to be recognized immediately, in full and exclusively directly in equity, which corresponds to the method we currently apply. Other amendments concern the recognition of past service cost and of the net interest income/expense resulting from defined benefit plans as well as the differentiation between termination benefits and other employee benefits. One significant consequence of these amendments is that top-up payments made as part of partial retirement programs may no longer be recognized as termination benefits and therefore have to be accrued over their vesting period. Disclosure requirements are also being extended, e.g., for characteristics of defined benefit plans and the risks arising from those plans. The amendments to IAS 19 are effective retrospectively for financial years beginning on or after January 1, 2013 and were endorsed by the European Union in June 2012. The amendments are not expected to have an impact on the presentation of the Company’s results of operations, financial position or cash flows.

In December 2011, the IASB published amendments to IAS 32 "Financial Instruments: Presentation" specifying the requirements for offsetting financial instruments. To meet the new offsetting requirements in IAS 32, an entity’s right to set off must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default or insolvency of the entity and all counterparties. It is further specified that a gross settlement mechanism also complies with the offsetting requirements according to IAS 32, provided no major credit liquidity risks remain, and receivables and payables are processed in a single settlement step, making it equivalent to a net settlement. The new requirements shall be applied retrospectively for financial years beginning on or after January 1, 2014 and were endorsed by the European Union in December 2012. The Company is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows, but does not currently expect any major changes.

In December 2011, the IASB also issued extended disclosure requirements regarding offsetting rights in IFRS 7 "Financial Instruments: Disclosures." In addition to extended disclosures on offsetting activities actually carried out pursuant to IAS 32, disclosure requirements on existing rights to set off are introduced regardless of whether the offsetting under IAS 32 is actually carried out. The new requirements shall be applied retrospectively for financial years beginning on or after January 1, 2013 and were endorsed by the European Union in December 2012. The Company is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows and is expecting additional disclosure requirements.

The IASB issued "Annual Improvements to IFRSs 2009 – 2011 Cycle" in May 2012, which amended five standards. The new requirements shall be applied retrospectively for financial years beginning on or after January 1, 2013 and have not yet been endorsed by the European Union. The Company is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows and does not expect any major changes.

The amendment to IAS 1 "Presentation of Financial Statements" clarifies that when additional comparative information is provided in the financial statements on a voluntary basis, this information must also be presented in the related notes for that additional information. As a consequence of the amendment to IAS 16 "Property, Plant and Equipment," servicing equipment is recognized as property, plant and equipment or as inventory depending on their expected useful life. The amendment to IAS 32 "Financial Instruments: Presentation" clarifies that the tax effect of distributions to holders of an equity instrument and the transaction costs of an equity transaction must be accounted for in accordance with IAS 12. Pursuant to the amendment to IAS 34 "Interim Financial Reporting," information on segment assets and liabilities is only required to be disclosed if such information is regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments to IFRS 1 "First-time Adoption of IFRS" do not have an impact on the Company.

In June 2012, the IASB published amendments to the transitional provisions for the three new consolidation standards adopted in May 2011: IFRS 10, IFRS 11, and IFRS 12 (see above). The provisions have not yet been endorsed by the European Union and are expected to be effective within the European Union for financial years beginning on or after January 1, 2014. The adoption of the new and amended IFRSs will not have an impact on the presentation of the Company's results of operations, financial position or cash flows.

The IASB issued further amendments to the consolidation standards IFRS 10, IFRS 12, and IAS 27 (see above) in November 2012. The amendments relate to the consolidation of investment companies. The provisions have not yet been endorsed by the European Union and will be effective for financial years beginning on or after January 1, 2014. The adoption of the amended IFRSs will not have an impact on the presentation of the Company's results of operations, financial position or cash flows.

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, medium term notes, 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.

The Company uses **derivative financial instruments** to hedge the interest rate and currency 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 dated, 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	
	2012	**2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
1 Pound sterling (GBP)	1.23292	1.15203	1.22643	1.19583
1000 Hungarian forints (HUF)	3.45820	3.58103	3.41775	3.18883
1 U.S. dollar (USD)	0.77820	0.71801	0.75845	0.77246

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 taxes are recognized for temporary differences between the carrying amounts in the statement of financial position and the tax base. Currently enacted tax laws and tax laws that have been substantively enacted as of the statement of financial position date are used as the basis for measuring deferred taxes. Deferred tax assets are only recognized to the extent that it is probable that future tax profits will be available.

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. Finance income (expense)

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

thousands of €	2012	2011
Interest income	1,527,431	1,668,160
Interest expense	(1,616,435)	(1,757,717)
	(89,004)	**(89,557)**

Interest income of thousands of euro (hereafter "TEUR") 1,527,428 has been earned from contracts with Deutsche Telekom group companies in 2012 (2011: TEUR 1,668,098). All interest expense in 2012 and 2011 respectively has been derived from group external debt.

2. Other financial income (expense)

The item breaks down as follows:

thousands of €	2012	2011
Gain (loss) from financial instruments	75,329	171,712
Gain (loss) from foreign exchange differences	(51,920)	85,579
	23,409	**257,291**

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 (expenses)'.

All gains and losses from financial instruments in 2012 (and 2011) are earned from derivative contracts with DTAG.

3. General and administrative expenses

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

thousands of €	2012	2011
Personnel costs		
Remuneration Management Board	120	141
Other salaries	141	149
Restructuring	9	143
Other social security costs	15	14
Total personnel costs	**285**	**447**
Other general and administrative expenses		
Office rent	48	48
Service fees	149	119
Audit and tax consultancy fees	99	59
Telephone	32	33
Computer lease	5	6
Depreciation	6	6
Other	10	13
Total other general and administrative expenses	**349**	**284**
Total general and administrative expenses	**634**	**731**

The remuneration of the Board of Management consists of short-term employee benefits. The remuneration of the Supervisory Board in 2012 was nil (2011: nil).

Total expenses recognized for defined contribution plans (state pension plan) in 2012 were TEUR 19 (2011: TEUR 24).

As at December 31, 2012 the Company employed 2 persons (2011: 4).

Service fees of TEUR 149 have been paid in 2012 for services of DTAG (2011: TEUR 119).

Furthermore, computer leasing fees of TEUR 5 have been paid in 2012 to DTAG (2011: TEUR 6).

For the audit of the financial statements, audit fees of TEUR 10 (2011: TEUR 7) have been paid to PriceWaterhouseCoopers Accountants N.V., Amsterdam and audit fees of TEUR 7 (2011: TEUR 11) have been paid to PriceWaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main.

Furthermore, fees for other audit procedures were paid to PriceWaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft amounting to TEUR 14 (2011: TEUR 15) and for other non-audit services amounting to TEUR 19 (2011: TEUR 11). Fees for other non-audit services are included in the calculation of the effective interest rate for financial liabilities at amortized costs.

4. 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 €	2012	2011
Current income taxes	1,711	1,871
Deferred tax expense (income)	(18,274)	39,875
	(16,563)	**41,746**

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

thousands of €	2012	2011
Profit before income taxes	**(66,211)**	**167,023**
Expected income tax expense*	(16,563)	41,746
Income tax expense (benefit) according to income statement	**(16,563)**	**41,746**
Effective income tax rate (%)	25.0%	25.0%

* Applicable income tax rates in the Netherlands ranged from 20% to 25.0% in 2012 (2011: 20% to 25.0%).
For the Company the average income tax rate was 25.0% in 2012 (2011: 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 345 as of December 31, 2012 (December 31, 2011: TEUR 169). All income taxes are payable in the Netherlands.

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

thousands of €	Dec. 31, 2012		Dec. 31, 2011	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current assets	**45,836**	**(3,134)**	**57,481**	**(8,344)**
Financial assets	45,836	(3,134)	57,481	(8,344)
Non-current assets	**82,620**	**(328,834)**	**67,435**	**(344,093)**
Financial assets	46,387	(328,834)	34,465	(344,093)
Prepaid expenses*	36,233	-	32,970	-
Current liabilities	**6,250**	**(92,138)**	**586**	**(94,172)**
Financial liabilities	6,250	(29,695)	586	(34,757)
Other deferred income*	-	(62,443)	-	(59,415)
Non-current liabilities	**171,156**	**(23,120)**	**182,747**	**(21,277)**
Financial liabilities	171,156	(23,120)	182,747	(21,277)
Total	**305,862**	**(447,226)**	**308,249**	**(467,886)**
Of which: non-current	253,776	(351,954)	250,182	(365,370)
Netting:	(305,862)	305,862	(308,249)	308,249
Recognition:	-	(141,364)	-	(159,637)

* 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

5. Financial assets

The following table provides a breakdown of the financial assets:

thousands of €	Dec. 31, 2012		Dec. 31, 2011	
	Total	**Of which: current**	**Total**	**Of which: current**
Loans to group companies	26,982,686	3,261,551	27,861,116	3,560,113
Derivative financial instruments	1,346,228	30,892	1,421,535	45,164
Interest receivables	598,596	598,596	675,400	675,400
Cash Pooling	2,879	2,879	3,681	3,681
	28,930,389	**3,893,918**	**29,961,732**	**4,284,358**

Under long-term a loan is included which will be partly paid back in 2013 with USD 5,563,901 (EUR 4,219,936).

As of December 31, 2011, two loans are included in long-term loans which were partly paid back in 2012 as scheduled with USD 5,256,574 (EUR 4,060,478) and HUF 9,486,320,000 (EUR 30,250,262).

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

thousands of €	Dec. 31, 2012		Dec. 31, 2011	
	Total	**Of which: current**	**Total**	**Of which: current**
Germany*	14,580,788	1,492,961	14,145,495	2,435,406
USA	10,972,837	965,273	11,637,061	497,154
Hungary	743,609	117,865	871,740	127,553
The Netherlands	300,000	300,000	800,000	500,000
Other countries	385,452	385,452	406,820	-
	26,982,686	**3,261,551**	**27,861,116**	**3,560,113**

* of which loans to shareholder: TEUR 14,461,007 (2011: TEUR 12,187,313)

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.

DTAG, having a credit-rating of Baa1 at Moody's and BBB+ at S&P and Fitch, has also entered into a guarantee agreement with the Company on November 30, 2004, which has been renewed on January 20, 2010 and on October 11, 2012. 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 2 million. Under the new guarantee agreement in force from January 1, 2013 the own risk the Company bears will increase in the coming years to a maximum of EUR 10 million.

The loans have stated coupon interest rates as per December 31, 2012 of 1.08% to 9.33% (2011: 1.95% to 9.33%) and mature in 1 to 29 years (2011: 1 to 22 years).

The Company uses derivatives entered into before 2009 to hedge the interest rate and currency risks resulting from its financing activities. From 2009 onwards, 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 Company does not hold derivatives for speculative nor 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 result under IFRS of the Company is volatile. As can be seen from the liquidity analysis under note 6 however, the Company always has net positive cash flows in every year until the last contract expires.

All interest receivables as of December 31, 2012 (and December 31, 2011 respectively) refer to accrued interest from companies of Deutsche Telekom Group, of which TEUR 414,487 relate to DTAG (2011: TEUR 397,493).

The receivable from cash pooling as of December 31, 2012 (and December 31, 2011 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 8.

6. Financial liabilities

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

thousands of €	Dec. 31, 2012			
	Total	**due within 1 year**	**due > 1 year < 5 years**	**due > 5 years**
Bonds and other securitized liablities				
Nonconvertible bonds	17,835,960	2,936,115	8,240,138	6,659,707
Medium term notes	8,765,085	306,265	2,748,220	5,710,600
Liabilities to banks	349,487	32,421	317,066	-
Guarantee fees	99,315	8,748	17,356	73,211
Interest liabilities	673,596	673,596	-	-
Derivative financial instruments	634,610	25,002	-	609,608
	28,358,053	**3,982,147**	**11,322,780**	**13,053,126**

thousands of €	Dec. 31, 2011			
	Total	due within 1 year	due > 1 year < 5 years	due > 5 years
Bonds and other securitized liablities				
Nonconvertible bonds	18,469,276	1,996,779	8,487,234	7,985,263
Medium term notes	9,001,079	1,595,959	2,935,405	4,469,715
Liabilities to banks	356,120	-	356,120	-
Guarantee fees	83,800	8,544	17,464	57,792
Interest liabilities	756,379	756,379	-	-
Derivative financial instruments	648,842	2,343	42,800	603,699
	29,315,496	**4,360,004**	**11,839,023**	**13,116,469**

In the long-term liabilities to banks due within five years as of December 31, 2011 one loan was included that was to be repaid in tranches of HUF 9,486,320,000 (EUR 30,250,262) in each of the following two years.

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 2012 and 2011 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, 2012 and as of December 31, 2011 respectively. All instruments held at December 31, 2012 (December 31, 2011 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, 2012 (December 31, 2011 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, 2012:

thousands of €	2013			2014		
	Interest (including guarantee fees) Fix	Floating	Repayments	Interest (including guarantee fees) Fix	Floating	Repayments
Liabilities (cash payments)						
Bonds	(1,003,678)	-	(2,941,055)	(857,441)	-	(568,838)
MTNs	(462,778)	(951)	(306,608)	(442,270)	(950)	(2,056,608)
Banks Loans	(22,895)	(550)	(32,422)	(22,895)	-	-
Guarantee Fees	(13,420)	-	-	(12,030)	-	-
Cross currency swaps	(6,200)	(71,860)	(85,444)	-	(56,792)	(1,211,738)
Interest rate swaps	(182,328)	(141,575)	-	(132,995)	(107,635)	-
Assets (cash receivables)						
Loans to aff. Comp.	1,343,036	73,494	3,268,811	1,161,324	57,869	2,591,649
Cross currency swaps	-	66,922	100,937	-	57,381	1,250,000
Interest rate swaps	353,823	75,934	-	310,567	51,229	-
Total	**5,560**	**1,414**	**4,219**	**4,260**	**1,102**	**4,465**
Total cash flow for the year			**11,193**			**9,827**

thousands of €	2015-2017			2018-2022		
	Interest (including guarantee fees) Fix	Floating	Repayments	Interest (including guarantee fees) Fix	Floating	Repayments
Liabilities (cash payments)						
Bonds	(2,058,242)	-	(7,714,963)	(2,039,333)	-	(2,463,520)
MTNs	(974,156)	(239)	(700,000)	(1,218,402)	-	(3,165,109)
Banks Loans	(31,579)	-	(317,941)	-	-	-
Guarantee Fees	(25,760)	-	-	(25,840)	-	-
Cross currency swaps	-	(19,648)	(1,444,745)	-	-	-
Interest rate swaps	(398,986)	(168,630)	-	(454,294)	(130,731)	-
Assets (cash receivables)						
Loans to aff. Comp.	2,959,770	19,919	8,692,678	3,156,360	-	5,660,136
Cross currency swaps	-	17,648	1,500,000	-	-	-
Interest rate swaps	535,684	153,909	-	571,171	135,608	-
Total	**6,731**	**2,959**	**15,029**	**(10,338)**	**4,877**	**31,507**
Total cash flow for the years			**24,719**			**26,046**

thousands of €	2023-2042		
	Interest (including guarantee fees) Fix	Floating	Repayments
Liabilities (cash payments)			
Bonds	(3,042,776)	-	(4,160,179)
MTNs	(825,458)	-	(2,636,608)
Banks Loans	-	-	-
Guarantee Fees	(38,295)	-	-
Cross currency swaps	-	-	-
Interest rate swaps	(602,436)	(151,028)	-
Assets (cash receivables)			
Loans to aff. Comp.	3,660,887	-	6,864,481
Cross currency swaps	-	-	-
Interest rate swaps	790,755	158,345	-
Total	**(57,323)**	**7,317**	**67,694**
Total cash flow for the years			**17,688**

The following tables show the liquidity analysis as of December 31, 2011:

thousands of €	2012 Interest (including guarantee fees) Fix	2012 Floating	2012 Repayments	2013 Interest (including guarantee fees) Fix	2013 Floating	2013 Repayments
Liabilities (cash payments)						
Bonds	(1,121,129)	-	(2,000,000)	(980,837)	-	(2,967,670)
MTNs	(467,625)	(9,019)	(1,597,915)	(421,952)	(2,129)	(298,958)
Banks Loans	(21,362)	(4,324)	(30,250)	(21,362)	(567)	(30,250)
Guarantee Fees	(13,564)	-	-	(11,627)	-	-
Cross currency swaps	(5,784)	(88,581)	(624,707)	(5,784)	(80,540)	(79,721)
Interest rate swaps	(185,402)	(210,496)	-	(185,402)	(181,037)	-
Assets (cash receivables)						
Loans to aff. Comp.	1,448,686	100,071	3,598,203	1,273,878	83,369	3,279,960
Cross currency swaps	-	116,345	658,730	-	95,088	100,937
Interest rate swaps	370,057	97,751	-	357,049	87,247	-
Total	**3,877**	**1,747**	**4,061**	**3,963**	**1,431**	**4,298**
Total cash flow for the year			**9,685**			**9,692**

thousands of €	2014-2016 Interest (including guarantee fees) Fix	2014-2016 Floating	2014-2016 Repayments	2017-2021 Interest (including guarantee fees) Fix	2017-2021 Floating	2017-2021 Repayments
Liabilities (cash payments)						
Bonds	(2,182,784)	-	(5,567,374)	(2,076,795)	-	(3,235,933)
MTNs	(996,884)	(2,673)	(2,648,958)	(1,168,836)	-	(1,798,958)
Banks Loans	(50,826)	-	(296,646)	-	-	-
Guarantee Fees	(25,582)	-	-	(20,475)	-	-
Cross currency swaps	-	(85,887)	(2,705,546)	-	-	-
Interest rate swaps	(406,355)	(289,478)	-	(516,328)	(187,554)	-
Assets (cash receivables)						
Loans to aff. Comp.	2,961,548	88,720	8,482,984	3,145,217	-	5,065,207
Cross currency swaps	-	117,714	2,750,000	-	-	-
Interest rate swaps	705,096	174,747	-	626,534	192,522	-
Total	**4,213**	**3,143**	**14,460**	**(10,683)**	**4,968**	**30,316**
Total cash flow for the years			**21,816**			**24,601**

thousands of €	2022-2033 Interest (including guarantee fees) Fix	2022-2033 Floating	2022-2033 Repayments
Liabilities (cash payments)			
Bonds	(2,689,464)	-	(4,698,581)
MTNs	(909,523)	-	(2,736,039)
Banks Loans	-	-	-
Guarantee Fees	(24,921)	-	-
Cross currency swaps	-	-	-
Interest rate swaps	(695,371)	(208,011)	-
Assets (cash receivables)			
Loans to aff. Comp.	3,338,086	-	7,510,732
Cross currency swaps	-	-	-
Interest rate swaps	912,741	216,456	-
Total	**(68,452)**	**8,445**	**76,112**
Total cash flow for the years			**16,105**

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 Dec. 31, 2012	Amounts recognized in statement of financial position according to IAS 39		Fair Value Dec. 31, 2012
			Amortized costs	Fair value recognized in profit or loss	
Assets					
Loans	LaR	26,982,686	26,982,686	-	32,130,696
Other financial assets	LaR	601,475	601,475	-	601,475
Derivative financial assets	FAHfT	1,346,228	-	1,346,228	1,346,228
Liabilities					
Nonconvertible bonds	FLAC	17,835,960	17,835,960	-	21,074,260
Medium term notes	FLAC	8,765,085	8,765,085	-	10,642,097
Liabilities to banks	FLAC	349,487	349,487	-	363,998
Other financial liabilities	FLAC	772,911	772,911	-	772,911
Derivative financial liabilities	FLHfT	634,610	-	634,610	634,610
Thereof aggregated according to IAS 39 categories					
Loans and Receivables	LaR	27,584,161	27,584,161	-	32,732,171
Financial Assets Held for Trading	FAHfT	1,346,228	-	1,346,228	1,346,228
Financial Liabilities at Amortized Cost	FLAC	27,723,443	27,723,443	-	32,853,266
Financial Liabilities Held for Trading	FLHfT	634,610	-	634,610	634,610

thousands of €	Category in accordance to IAS 39	Carrying amount Dec. 31, 2011	Amounts recognized in statement of financial position according to IAS 39		Fair Value Dec. 31, 2011
			Amortized costs	Fair value recognized in profit or loss	
Assets					
Loans	LaR	27,861,116	27,861,116	-	34,230,399
Other financial assets	LaR	679,081	679,081	-	679,081
Derivative financial assets	FAHfT	1,421,535	-	1,421,535	1,421,535
Liabilities					
Nonconvertible bonds	FLAC	18,469,276	18,469,276	-	23,529,587
Medium term notes	FLAC	9,001,079	9,001,079	-	10,658,776
Liabilities to banks	FLAC	356,120	356,120	-	382,118
Other financial liabilities	FLAC	840,179	840,179	-	840,179
Derivative financial liabilities	FLHfT	648,842	-	648,842	648,842
Thereof aggregated according to IAS 39 categories					
Loans and Receivables	LaR	28,540,197	28,540,197	-	34,909,480
Financial Assets Held for Trading	FAHfT	1,421,535	-	1,421,535	1,421,535
Financial Liabilities at Amortized Cost	FLAC	28,666,654	28,666,654	-	35,410,660
Financial Liabilities Held for Trading	FLHfT	648,842	-	648,842	648,842

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 been no transfers between level 1 and level 2 in 2012 and 2011 respectively.

The fair values of the quoted bonds equal the nominal amounts multiplied by the price quotations at the reporting date. The fair values of liabilities to banks, medium term notes and other financial liabilities 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 fair values of the Company's assets are determined similarly.

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		2012
Loans and receivables (LaR)	1,527,431	-	(82,108)	-	1,445,323
Financial Instruments held for trading (FAHfT and FLHfT)	-	75,329	-	-	75,329
Financial liabilities measured at amortized cost (FLAC)	(1,616,435)	-	30,189	-	(1,586,246)

thousands of €	**From interest**	**From subsequent measurement**		**From derecognition**	**Net gain (loss)**
		At fair value	Currency translation		2011
Loans and receivables (LaR)	1,668,160	-	461,392	-	2,129,552
Financial Instruments held for trading (FAHfT and FLHfT)	-	171,712	-	-	171,712
Financial liabilities measured at amortized cost (FLAC)	(1,757,717)	-	(375,803)	-	(2,133,520)

Interest from financial instruments is recognized in finance income (costs) and other financial income (please refer to note 1 and 2).

Currency translation from financial instruments is recognized in other financial income (expense). We refer to note 2.

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.

7. Equity

The authorized share capital of the company as at December 31, 2012 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 of EUR 453.78. The remaining 4,000 shares are un-issued. There were no movements in the number of shares in 2012 or 2011. All shares are held by DTAG.
In 2012, the Company paid a dividend of 5,653.75 EUR per share (2011: 6,216.78 EUR).

Other disclosures

8. 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.

Net cash used in investing activities mainly comprises cash outflows for loans granted to companies of the Deutsche Telekom Group 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 inflows from the issuance of bonds, medium term notes and bank loans and cash outflows from the repayment of these instruments.

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, medium term loans and bank loans.

The net amount from the cash pooling 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 5. The Company has credit facilities with two banks of € 600 million each. 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 2012 or 2011. All liabilities from earlier credit line draw downs have been paid back.

9. Segment reporting

The primary activity of the Company is to finance its parent company and affiliated 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 €	Dec. 31, 2012	Dec. 31, 2011
Germany	806,828	953,949
USA	630,586	598,802
Other countries	90,017	115,409
	1,527,431	**1,668,160**

In 2012, more than 10 % of the total interest income has been earned from loans with DTAG (TEUR 737,038 or 48.25%) and T-Mobile USA Inc., Bellevue (TEUR 630,586 or 41.28%).

In 2011, more than 10 % of the total interest income has been earned from loans with DTAG (TEUR 734,516 or 44.03%), T-Mobile USA Inc., Bellevue (TEUR 598,802 or 35.9%) and Telekom Deutschland GmbH, Bonn (TEUR 213,659 or 12.81%).

For non-current loan receivables, we refer to note 5.

10. 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, bonds and medium term notes. 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 2012 and 2011, 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 interest rate risk, liquidity risk, currency risk and credit 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.

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 mainly 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.
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.

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 either directly denominated in the functional currency or have been transferred to the functional currency by means of derivatives closed before 2009.
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 or transferred to the functional currency by means of derivatives closed before 2009. 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, 2012, other financial income would have been EUR 21.1 million lower (higher) (December 31, 2011: EUR 18,9 million lower (higher)). The hypothetical effect on profit or loss before income taxes of EUR -21.1 million mainly results from the currency sensitivities EUR/USD: EUR -21.4 million (2011: EUR -19.3 million); EUR/HUF: EUR 0.3 million (2011: EUR 0.5 million); EUR/GBP: EUR 0.0 million (2011: EUR -0.1 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 does nevertheless arise at the level of the Company is hedged by means of derivatives 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.

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, 2012, the profit or loss before income taxes would have been EUR 82.1 million lower (higher) (December 31, 2011: EUR 112.8 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, 2012, the profit or loss before income taxes would have been EUR 8.3 million lower (December 31, 2011: EUR 9.1 million lower). If the rating of DTAG had been downgraded as of December 31, 2012, 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, under the guarantee agreement between DTAG and the company, DTAG guarantees all repayments of loans to affiliated companies, above a maximum of EUR 2 million which the Company must bear. Under the new guarantee agreement in force from January 1, 2013 the own risk the Company bears will increase in the coming years to a maximum of EUR 10 million. The loans are unsecured.

Liquidity risk

Please refer to Note 6.

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 the shareholder.

11. Related parties

No other related party transactions have occurred other than those already disclosed in notes 1, 2, 3, 5, 6, 7 and 9. Related party transactions were on terms equivalent to at arm's length transactions.

Amsterdam, February 25, 2013

The Board of Management:

F. Roose

D. Wehrse

The Supervisory Board:

G. Mischke

D. Cazzonelli

Dr. A. Lützner

Deutsche Telekom International Finance B.V.
Herengracht 124-128
1015 BT Amsterdam
The Netherlands

Other information

Proposed appropriation of loss

Following the proposed loss appropriation of the Board of Management, no dividend will be distributed to the shareholder and the loss will be offset against retained earnings, awaiting approval of the General Meeting of Shareholders and the Supervisory Board.

Post statement of financial position events

No other events occurred since December 31, 2012, 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.

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Independent auditor's report

To: the General Meeting of Shareholders of Deutsche Telekom International Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 as set out on pages 5 to 34 of Deutsche Telekom International Finance B.V., Amsterdam, which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Deutsche Telekom International Finance B.V. as at 31 December 2012, 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 and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, 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 under Section 2:392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 25 February 2013
PricewaterhouseCoopers Accountants N.V.

Original has been signed by J. van der Hilst RA