Annual report

for the year ended December 31, 2011

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, 2011.

Business activities

During 2011 the Company has not issued any bonds or Medium Term Notes (MTNs) under its Debt Issuance Programme (DIP).

On April 11, 2011 the Company issued a bond of nominal USD 1,250,000,000. On the same date the Company granted a new loan to DTAG for the same nominal amount.

On November 26, 2010 the Company entered into a finance contract with the European Investment Bank (EIB) for a credit of an amount equivalent to up to EUR 150,000,000. On January 31, 2011, the last tranche of this credit amounting to HUF 14,022,500,000 (equal to EUR 50,000,000) was disbursed.

On April 13, 2011 the Company redeemed an MTN with a nominal amount of EUR 750,000,000.

On March 23, 2011 the Company repaid a bond with a nominal amount of USD 500,000,000 and on July 11, 2011 the Company repaid a bond amounting to EUR 3,500,000,000. On the same date, two loans to DTAG were assumed by another group company for the total amount of EUR 73,000,000.

On January 31, 2011 the Company paid the third contractual annual instalment of HUF 9,486,320,000 of its HUF 47,431,600,000 loan from the European Investment Bank (EIB).

The Company achieved a net profit of EUR 125,277,293 versus a net profit of EUR 25,662,117 in 2010.

On November 3, 2011 Dr. Igor Soczynski was relieved from his function as one of the Managing Directors and was replaced by Dirk Wehrse on the same date. The proxy of Jakob Poggensee was repealed on November 3, 2011 and conferred to Dr. Igor Soczynski.

Future business developments and financing

Headcount is expected to be reduced by 2 persons in 2012 and the Company expects to move away from Amsterdam to the Maastricht-area in the course 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 amortised costs, the result of the Company under IFRS is volatile. However, we expect net positive cash flows for the year ending December 31, 2012 as well as in each of the following years.

Events after the statement of financial position date

On January 20, 2012 the Company issued an MTN amounting to EUR 80,000,000. On the same date the Company granted a new loan to DTAG for the same nominal amount.

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 EIB.

Amsterdam, February 22, 2012

The Managing Directors,

Dirk Wehrse Robin Sheridan

Financial statements

Statement of comprehensive income

thousands of €	Note	2011	2010
Finance income (expense)	1		
Interest income		1.668.160	1.892.652
Interest expense		(1.757.717)	(1.990.370)
Other financial income (expense)	2	257.291	129.565
Profit (loss) from financial activities		**167.734**	**31.847**
General and administrative expenses	3	(731)	(667)
Other operating income		21	36
Other operating expenses		(1)	(0)
Profit (loss) from operations		**(711)**	**(631)**
Profit (loss) before income taxes		**167.023**	**31.216**
Income taxes	4	(41.746)	(5.554)
Profit (loss) after income taxes		**125.277**	**25.662**
Other comprehensive income		**-**	**-**
Profit attributable to owners:		125.277	25.662
Total comprehensive income attributable to the owners:		125.277	25.662

Statement of financial position

thousands of €	Note	Dec. 31, 2011	Dec. 31, 2010
Assets			
Current assets		**4,284,527**	**5,459,733**
Financial assets	5	4,284,358	5,459,562
Income tax receivable	4	169	171
Non-current assets		**25,677,449**	**27,518,958**
Property, plant and equipment		43	44
Financial assets	5	25,677,374	27,518,902
Other assets		32	12
Total Assets		**29,961,976**	**32,978,691**
Liabilities and shareholder's equity			
Current liabilities		**4,360,266**	**5,548,717**
Financial liabilities	6	4,360,004	5,548,484
Other provisions		143	-
Other liabilities		119	233
Non-current liabilities		**25,115,144**	**27,062,469**
Financial liabilities	6	24,955,492	26,942,691
Other provisions		15	15
Deferred tax liability	4	159,637	119,763
Liabilities		**29,475,410**	**32,611,186**
Shareholder's equity	7	**486,566**	**367,505**
Issued Capital		454	454
Other reserves		407,691	407,691
Retained earnings		(46,856)	(66,302)
Net profit (loss)		125,277	25,662
Total Liabilities and shareholder's equity		**29,961,976**	**32,978,691**

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, 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**

thousands of €	Note	Issued share capital	Other reserves	Retained earnings	Result for the year	Total
	7					
Balance as at January 1, 2010		454	407.691	(77.811)	18.042	348.376
Result current year					25.662	25.662
Unappropriated net profit (loss) carried forward				18.042	(18.042)	-
Dividends paid				(6.533)		(6.533)
Balance as at December 31, 2010		**454**	**407.691**	**(66.302)**	**25.662**	**367.505**

Statement of cash flows

thousands of €	Note	Dec. 31, 2011	Dec. 31, 2010
	8		
Interest received		1,802,412	1,898,654
Interest paid		(1,872,125)	(1,994,619)
Net interest received (paid) from derivatives		96,006	121,898
Guarantee fees paid		(17,354)	(16,183)
Net income tax paid		(1,866)	(666)
Others		(599)	(728)
Net cash from operating activities		**6,474**	**8,356**
Cash outflows for investments in			
- Loans		(913,055)	(2,827,830)
Proceeds from disposal of			
- Loans		4,606,397	4,879,488
Net cash inflow from investments and disposals of derivatives		31,658	80,836
Net cash used in investing activities		**3,725,000**	**2,132,494**
Repayment of financial liabilities		(4,638,056)	(4,960,323)
Proceeds from issue of financial liabilities		913,055	2,827,829
Dividend payments		(6,216)	(6,533)
Net cash from financing activities		**(3,731,217)**	**(2,139,027)**
Net increase (decrease) in cash and cash equivalents		**257**	**1,823**
Cash and cash equivalents, at the beginning of the year		**3,424**	**1,601**
Cash and cash equivalents, at the end of the year		**3,681**	**3,424**

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 2011 financial year were authorised for issue by the Board of Management on February 22, 2012.

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 preparation 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
IAS 32	October 8, 2009	Financial Instruments: Presentation
IAS 24	November 4, 2009	Related Party Disclosure
IFRIC 14	November 26, 2009	Prepayments of a Minimum Funding Requirement
IFRIC 19	November 26, 2009	Extinguishing Financial Liabilities with Equity Instruments
Annual Improvement Project	May 6, 2010	Improvements to IFRSs 2010

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 European Union has not yet endorsed the amendments. 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 requires financial assets to be assigned to one of the following two measurement categories: "at amortized cost" or "at fair value." IFRS 9 also grants a fair value option which allows financial assets that would normally be assigned to the "at amortized cost" category to be designated as “at fair value” if the fair value designation would eliminate or significantly reduce measurement or recognition inconsistency. It is mandatory to assign equity instruments to the "at fair value" category. If, however, the equity instrument is not held for trading, the standard allows an irrevocable option to be made at initial recognition to designate it as “at fair value” through other comprehensive income. Dividend income resulting from the equity instrument is recognized in profit or loss. IFRS 9 is effective for financial years beginning on or after January 1, 2015. Prior periods do not have to be adjusted for first-time adoption, 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 the pronouncement “Disclosures – Transfers of Financial Assets” as an amendment to IFRS 7 "Financial Instruments: Disclosures." The amendment requires quantitative and qualitative disclosures to be made for transfers of financial assets where the transferred assets are derecognized in their entirety or the transferor retains continuing involvement. The amendment is intended to provide greater transparency around such transactions (e.g., securitizations) and help users understand the possible effects of any risks that may remain with the entity that transferred the assets. The amendment also requires supplementary information to be disclosed if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period. The amendments are applicable for financial years beginning on or after July 1, 2011. The European Union endorsed this pronouncement in November 2011. The pronouncement is not expected to have an impact on the presentation of the Company’s results of operations, financial position or cash flows.

Also 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 new IFRS 9 modifies the requirements relating to fair value option for financial liabilities to address the issue of an entity's own credit risk. The

prohibition of fair value measurement of derivative liabilities that are linked to an unquoted equity instrument and must be settled by delivery of an unquoted equity instrument, has been eliminated. The pronouncement is effective for financial years beginning on or after January 1, 2015. Prior periods do not have to be adjusted for first-time adoption, but there is a requirement to disclose the effects of first-time adoption. The European Union has not yet endorsed this pronouncement. The pronouncement is not expected to have an impact on the presentation of the Company's results of operations, financial position or cash flows.

In December 2010, the IASB issued the pronouncements "Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12." The amendment sets presumptions for the recovery of certain assets. This is relevant in those cases where different tax consequences can arise depending on how the carrying amounts are recovered. The pronouncement introduces a rebuttable presumption that the carrying amount of an investment property that is measured using the fair value model in IAS 40 "Investment Property" will be recovered through sale. In any case, there is also a non-rebuttable presumption that the carrying amount of a non-depreciable asset that is measured using the fair value model in IAS 16 "Property, Plant and Equipment" will be recovered through sale. Interpretation SIC-21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" was replaced by the new pronouncement. The pronouncement is effective for financial years beginning on or after January 1, 2012 and has not yet been endorsed by the European Union. The pronouncements are not expected to have an impact on the presentation of the Company's 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 provisions have not yet been endorsed by the European Union and are effective for financial years beginning on or after January 1, 2013. 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 does away with the distinction between "traditional" subsidiaries (IAS 27) and special-purpose entities (SIC-12). Control only exists if an investor has the power, is exposed to variable returns, and is able to use power to affect its amount of variable returns. Upon its entry into force, IFRS 10 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 amended IAS 27 "Separate Financial Statements" exclusively governs the accounting for subsidiaries, joint ventures and associates in the annual financial statements and the corresponding notes. The amended 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 adoption of IFRS 13 is likely to result in additional disclosures in the Company’s financial statements. The European Union has not yet endorsed the new IFRS standard.

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 have not yet been endorsed by the European Union. 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 June 2011, the IASB also issued amendments to IAS 19 "Employee Benefits." These amendments mean the discontinuation of existing options for the recognition of actuarial gains and losses. As the corridor method, as it is known, will no longer be permissible, with immediate effect actuarial gains and losses have to be recognized in full and exclusively directly in equity. Other amendments concern the recognition of past service costs 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 have not yet been endorsed by the European Union. 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 system also complies with the offsetting requirements according to IAS 32, provided no major credit liquidity risks remain, receivables and payables are processed in a single settlement step, making it equivalent to a net settlement. The new requirements must be applied retrospectively for financial years beginning on or after January 1, 2014 and have not yet been endorsed by the European Union. 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 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 must be applied retrospectively for financial years beginning on or after January 1, 2013 and have not yet been endorsed by the European Union. The new requirements are not expected to 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 amortised 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. 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	
	2011	2010	Dec. 31, 2011	Dec. 31, 2010
1 Pound sterling (GBP)	1.15203	1.16553	1.19583	1.15979
1000 Hungarian forints (HUF)	3.58103	3.63022	3.18883	3.59999
1 U.S. dollar (USD)	0.71801	0.75398	0.77246	0.74698

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 €	2011	2010
Interest income	1,668,160	1,892,652
Interest expense	(1,757,717)	(1,990,370)
	(89,557)	**(97,718)**

Interest income of thousands of euro (hereafter "TEUR") 1,668,098 has been earned from contracts with Deutsche Telekom group companies in 2011 (2010: TEUR 1,892,629). All interest expense in 2011 and 2010 respectively has been derived from group external debt.

2. Other financial income (expense)

The item breaks down as follows:

thousands of €	2011	2010
Gain (loss) from financial instruments	171,712	(84,045)
Gain (loss) from foreign exchange differences	85,579	213,610
	257,291	**129,565**

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 2011 (and 2010) 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 €	2011	2010
Personnel costs		
Remuneration Management Board	141	136
Other salaries	149	171
Restructuring	143	-
Other social security costs	14	17
Total personnel costs	**447**	**324**
Other general and administrative expenses		
Office rent	48	47
Service fees	119	119
Audit and tax consultancy fees	59	100
Telephone	33	34
Computer lease	6	7
Depreciation	6	6
Other	13	30
Total other general and administrative expenses	**284**	**343**
Total general and administrative expenses	**731**	**667**

The remuneration of the Board of Management consists of short-term employee benefits. The remuneration of the Supervisory Board in 2011 was nil (2010: nil).

Total expenses recognized for defined contribution plans (state pension plan) in 2011 were TEUR 24 (2010: TEUR 23).

As at December 31, 2011 the Company employed 4 persons (2010: 4).

Service fees of TEUR 119 have been paid in 2011 for services of DTAG (2010: TEUR 119).

Furthermore, computer leasing fees of TEUR 6 have been paid in 2011 to DTAG (2010: TEUR 7).

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 €	2011	2010
Current income taxes	1,871	2,113
Deferred tax expense (income)	39,875	3,441
	41,746	**5,554**

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

thousands of €	2011	2010
Profit before income taxes	**167,023**	**31,216**
Expected income tax expense*	41,746	7,794
Effect from the change in income tax as of 1.1.2011 on deferred taxes in prior years**	-	(2,281)
Effect from the change in income tax as of 1.1.2011 on deferred taxes in the current year**	-	(114)
Income tax expense (benefit) according to income statement	**41,746**	**5,554**
Effective income tax rate (%)	24.99%	17.79%

* Applicable income tax rates in the Netherlands ranged from 20% to 25.0% in 2011 (2010: 20% to 25.5%). For the Company the average income tax rate was 25.0% in 2011 (2010: 17.3%).

** Top corporate income tax rate changed from 25.5% to 25% as of 1.1.2011. This corporate income tax rate change in the Netherlands was substantively enacted as of December 31, 2010.

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 169 as of December 31, 2011 (December 31, 2010: TEUR 171). All income taxes are payable in the Netherlands.

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

thousands of €	Dec. 31, 2011		Dec. 31, 2010	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Current assets	**57,481**	**(8,344)**	**151,305**	**(100,120)**
Financial assets	57,481	(8,344)	151,305	(100,120)
Non-current assets	**67,435**	**(344,093)**	**106,382**	**(253,196)**
Financial assets	34,465	(344,093)	67,125	(253,196)
Prepaid expenses*	32,970	-	39,257	-
Current liabilities	**586**	**(94,172)**	**6,139**	**(104,465)**
Financial liabilities	586	(34,757)	6,139	(40,429)
Other deferred income*	-	(59,415)	-	(64,036)
Non-current liabilities	**182,747**	**(21,277)**	**99,784**	**(25,592)**
Financial liabilities	182,747	(21,277)	99,784	(25,592)
Total	**308,249**	**(467,886)**	**363,610**	**(483,373)**
Of which: non-current	250,182	(365,370)	206,166	(278,788)
Netting:	(308,249)	308,249	(363,610)	363,610
Recognition:	-	(159,637)	-	(119,763)

* 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, 2011		Dec. 31, 2010	
	Total	Of which: current	Total	Of which: current
Loans to group companies	27,861,116	3,560,113	31,092,487	4,586,369
Derivative financial	1,421,535	45,164	1,072,318	59,534
Interest receivables	675,400	675,400	810,235	810,235
Cash Pooling	3,681	3,681	3,424	3,424
	29,961,732	**4,284,358**	**32,978,464**	**5,459,562**

Under long-term two loans are included which will be partly paid back in 2012 with USD 5,256,574 (EUR 4,060,478) and HUF 9,486,320,000 (EUR 30,250,262).

As of December 31, 2010, two loans are included in long-term loans which were partly paid back in 2011 as scheduled with USD 4,966,211 (EUR 3,709,668) and HUF 9,486,320,000 (EUR 34,150,657).

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

thousands of €	Dec. 31, 2011		Dec. 31, 2010	
	Total	Of which: current	Total	Of which: current
Germany*	14,145,495	2,435,406	16,638,564	3,500,393
USA	11,637,061	497,154	11,682,949	373,333
Hungary	871,740	127,553	1,067,689	212,643
The Netherlands	800,000	500,000	1,300,000	500,000
Other countries	406,820	-	403,285	-
	27,861,116	**3,560,113**	**31,092,487**	**4,586,369**

* of which loans to shareholder: TEUR 12,187,313 (2010: TEUR 13,035,766)

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. 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.

The loans have stated coupon interest rates as per December 31, 2011 of 1.95% to 9.33% (2010: 1.53% to 9.33%) and mature in 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. It 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 amortised 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, 2011 (and December 31, 2010 respectively) refer to accrued interest from companies of Deutsche Telekom Group, of which TEUR 397,493 relate to DTAG (2010: TEUR 478,440).

The receivable from cash pooling as of December 31, 2011 (and December 31, 2010 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, 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**

thousands of €	Dec. 31, 2010			
	Total	**due within 1 year**	**due > 1 year < 5 years**	**due > 5 years**
Bonds and other securitized liablities				
Nonconvertible bonds	21,117,603	3,876,360	8,673,888	8,567,355
Medium term notes	9,661,471	749,607	3,991,642	4,920,222
Liabilities to banks	385,700	-	283,932	101,768
Guarantee fees	90,707	9,733	17,058	63,916
Interest liabilities	892,022	892,022	-	-
Derivative financial instruments	343,672	20,762	64,080	258,830
	32,491,175	**5,548,484**	**13,030,600**	**13,912,091**

In the long-term liabilities to banks due within five years one loan is included that will be repaid in tranches of HUF 9,486,320,000 (EUR 30,250,262) in each of the following two years. As per 31 December, 2010 three tranches of HUF 9,486,320,000 (EUR 34,150,657) each remained.

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 mainly relate to the interest payment dates of the external financial liabilities.

In 2011 and 2010 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, 2011 and as of December 31, 2010 respectively. All instruments held at December 31, 2011 (December 31, 2010 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, 2011 (December 31, 2010 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, 2011:

thousands of €	2012			2013		
	Interest (including guarantee fees) Fix	Floating	Repayments	Interest (including guarantee fees) Fix	Floating	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			2017-2021		
	Interest (including guarantee fees) Fix	Floating	Repayments	Interest (including guarantee fees) Fix	Floating	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	Floating	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**

The following tables show the liquidity analysis as of December 31, 2010:

thousands of €	2011			2012		
	Interest (including guarantee fees) Fix	Floating	Repayments	Interest (including guarantee fees) Fix	Floating	Repayments
Liabilities (cash payments)						
Bonds	(1.332.914)	-	(3.873.491)	(1.073.501)	-	(2.000.000)
MTNs	(492.291)	(15.692)	(750.000)	(458.876)	(7.070)	(1.579.895)
Banks Loans	(23.702)	(4.540)	(34.151)	(24.116)	(2.585)	(34.151)
Guarantee Fees	(15.421)	-	-	(12.833)	-	-
Cross currency swaps	(20.185)	(96.375)	(350.216)	(6.530)	(78.932)	(624.757)
Interest rate swaps	(204.812)	(203.441)	-	(179.812)	(177.250)	-
Assets (cash receivables)						
Loans to aff. Comp.	1.689.500	110.466	4.624.704	1.394.712	87.224	3.583.999
Cross currency swaps	684	108.575	386.864	-	95.461	658.730
Interest rate swaps	403.258	103.477	-	364.191	84.853	-
Total	**4.117**	**2.470**	**3.710**	**3.235**	**1.701**	**3.926**
Total cash flow for the year			**10.297**			**8.862**

thousands of €	2013-2015			2016-2020		
	Interest (including guarantee fees) Fix	Floating	Repayments	Interest (including guarantee fees) Fix	Floating	Repayments
Liabilities (cash payments)						
Bonds	(2.415.600)	-	(6.729.502)	(2.239.356)	-	(3.942.153)
MTNs	(1.111.233)	(4.005)	(2.429.895)	(1.259.747)	-	(1.939.948)
Banks Loans	(72.349)	(519)	(216.260)	(9.147)	-	(152.785)
Guarantee Fees	(29.329)	-	-	(23.479)	-	-
Cross currency swaps	(6.530)	(145.698)	(2.706.315)	-	-	-
Interest rate swaps	(441.781)	(365.891)	-	(551.174)	(183.962)	-
Assets (cash receivables)						
Loans to aff. Comp.	3.188.200	150.514	9.244.247	3.426.795	-	6.062.584
Cross currency swaps	-	195.192	2.850.937	-	-	-
Interest rate swaps	894.045	173.886	-	649.207	188.769	-
Total	**5.423**	**3.479**	**13.212**	**(6.901)**	**4.807**	**27.698**
Total cash flow for the years			**22.114**			**25.604**

thousands of €	2021-2033		
	Interest (including guarantee fees) Fix	Floating	Repayments
Liabilities (cash payments)			
Bonds	(2.946.147)	-	(4.585.865)
MTNs	(1.084.796)	-	(3.051.801)
Banks Loans	-	-	-
Guarantee Fees	(28.142)	-	-
Cross currency swaps	-	-	-
Interest rate swaps	(751.547)	(182.043)	-
Assets (cash receivables)			
Loans to aff. Comp.	3.753.945	-	7.717.816
Cross currency swaps	-	-	-
Interest rate swaps	986.478	191.170	-
Total	**(70.209)**	**9.127**	**80.150**
Total cash flow for the years			**19.068**

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, 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	-	31,294,432
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	-	21,069,746
Medium term notes	FLAC	9,001,079	9,001,079	-	10,218,035
Liabilities to banks	FLAC	356,120	356,120	-	342,515
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	-	31,973,513
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	-	32,470,475
Financial Liabilities Held for Trading	FLHfT	648,842	-	648,842	648,842

thousands of €	Category in accordance to IAS 39	Carrying amount Dec. 31, 2010	Amounts recognized in statement of financial position according to IAS 39		Fair Value Dec. 31, 2010
			Amortized costs	Fair value recognized in profit or loss	
Assets					
Loans	LaR	31,092,487	31,092,487	-	34,230,399
Other financial assets	LaR	813,659	813,659	-	813,659
Derivative financial assets	FAHfT	1,072,318	-	1,072,318	1,072,318
Liabilities					
Nonconvertible bonds	FLAC	21,117,603	21,117,603	-	23,529,587
Medium term notes	FLAC	9,661,471	9,661,471	-	10,658,776
Liabilities to banks	FLAC	385,700	385,700	-	382,118
Other financial liabilities	FLAC	982,729	982,729	-	982,729
Derivative financial liabilities	FLHfT	343,672	-	343,672	343,672
Thereof aggregated according to IAS 39 categories					
Loans and Receivables	LaR	31,906,146	31,906,146	-	35,044,058
Financial Assets Held for Trading	FAHfT	1,072,318	-	1,072,318	1,072,318
Financial Liabilities at Amortized Cost	FLAC	32,147,504	32,147,504	-	35,553,210
Financial Liabilities Held for Trading	FLHfT	343,672	-	343,672	343,672

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 2011 and 2010 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		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)

thousands of €	From interest	From subsequent measurement		From derecognition	Net gain (loss)
		At fair value	Currency translation		2010
Loans and receivables (LaR)	1,892,652	-	1,235,073	-	3,127,725
Financial Instruments held for trading (FAHfT and FLHfT)	-	(84,045)	-	-	(84,045)
Financial liabilities measured at amortized cost (FLAC)	(1,990,370)	-	(1,021,477)	-	(3,011,847)

Interest from financial instruments is recognized in finance income (costs) and other financial income (please refer to note 1 and 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, 2011 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 2011 or 2010. All shares are held by DTAG.
In 2011, the Company paid a dividend of 6,216.78 EUR per share (2010: 6,532.14 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 three 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. One bank did not extend its facility in 2010 and therefore this agreement expires in 2012. The other two banks did expand their credit lines in 2011.

The Company did not draw on the credit lines in 2011 or 2010. 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, 2011	Dec. 31, 2010
Germany	953,949	1,182,053
USA	598,802	548,367
Other countries	115,409	162,232
	1,668,160	**1,892,652**

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%).

In 2010, more than 10 % of the total interest income has been earned from loans with DTAG (TEUR 901,312 or 47.62%), T-Mobile USA Inc., Bellevue (TEUR 548,367 or 28.97%) and Telekom Deutschland GmbH, Bonn (TEUR 271,989 or 14.37%).

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 2011 and 2010, 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, 2011, other financial income would have been EUR 18,9 million lower (higher) (December 31, 2010: EUR 6.4 million lower (higher)). The hypothetical effect on profit or loss before income taxes of EUR -18.9 million mainly results from the currency sensitivities EUR/USD: EUR -19.3 million (2010: EUR -6.8 million); EUR/HUF: EUR 0.5 million (2010: EUR 0.4 million); EUR/GBP: EUR 0.1 million (2010: EUR 0 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, 2011, the profit or loss before income taxes would have been EUR 112.8 million lower (higher) (December 31, 2010: EUR 131.5 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, 2011, the profit or loss before income taxes would have been EUR 9.1 million lower (December 31, 2010: EUR 9.5 million lower). If the rating of DTAG had been downgraded as of December 31, 2011, 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, DTAG has issued a letter of comfort for all repayments of loans to affiliated companies, above a maximum of EUR 2 million which the Company must bear.

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 22, 2012

The Board of Management:

R. Sheridan

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

Profit appropriation according to the Articles of Association

According to article 19.1 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders for distributions, reservations or other options within the objects of the Company.

Proposed appropriation of profit

Following the proposed profit appropriation of the Board of Management, and pursuant to article 19 of the Articles of Association, an amount of EUR 5,653,747.18 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 5,653.75.

Post statement of financial position events

No other events occurred since December 31, 2011, 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.