

DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V.
MAASTRICHT

Annual Report
for the year ended December 31, 2020

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Company boards reports

Report of the Management Board

The Management Board is pleased to present the financial statements of Deutsche Telekom International Finance B.V. (“the Company”) for the financial year ended December 31, 2020. The Company was incorporated in the Netherlands in 1995 as a wholly owned subsidiary of Deutsche Telekom AG (DTAG). The purpose of the Company is to finance business and companies belonging to the DTAG Group by raising funds from the capital markets.

Coronavirus pandemic

In December 2019, a coronavirus was reported in Wuhan, China. The World Health Organization declared the outbreak of the virus to constitute a “Public Health Emergency of International Concern.” The coronavirus outbreak has developed rapidly in many countries in the world including in Germany and the Netherlands. Health measures taken to contain the coronavirus, including limitation of the movement of people, have affected the economic activities globally and has developed into a global economic crisis. This also affected revenues and the results of operations in several of the business areas of DTAG. Nevertheless, the overall effect hereof to the financials of DTAG and most of the DTAG group companies has been minimal due to contrasting fluctuations. So far, it can be concluded that the impact is likely to be felt less severely by the telecommunications industry than by other industries.

The Management has reviewed the impact of the pandemic-economic crisis to the collectability of its financial assets and concluded that no impairment for this reason had to be recognized by the Company in 2020 and that the Company’s risk related to the coronavirus pandemic is limited. Economic activity is not expected to return to pre-pandemic levels (i.e., as at the end of 2019) until the start of 2022. While it is impossible to quantify the long-term impact of the coronavirus pandemic, the Management foresees that uncertainties will remain in 2021.

Business activities

In 2020 the Company did not issue any new bonds, nor did it conclude any new bank loans.

In 2020 the Company redeemed two USD bonds with a total nominal amount of USD 1,250 million and four EUR bonds with a total nominal amount of EUR 2,075 million. Furthermore, the Company partially prepaid three EUR bonds with original maturities in 2021 and two USD bonds with original maturities in 2021 and 2022 after having tendered these bonds. The total prepaid nominal amounts were USD 1,444 million and EUR 781 million. Loans granted to DTAG were prepaid for the same total nominal amounts.

The Company made a net loss of EUR 57,543 thousand in 2020 versus a net profit of EUR 1,599 thousand in 2019. The net result of the Company under IFRS is volatile since derivatives are carried at fair value and the non-derivative financial instruments at amortized cost. The net profit in 2019 was additionally affected by the deferred tax position the Company had taken due to assumed changes in the corporate income tax rates in the Netherlands. We refer to note 5 of the notes to the financial statements for further details.

Management Board policy with respect to risks

The Management Board is responsible for the strategy, operations, financial position, financial reporting and compliance of the Company. Within each of these fields the Company faces certain risks which are managed by the Management Board. Each of the risk fields are reviewed and discussed in the Management Board meetings and measurements are mitigated.

The strategic decisions are liaised with DTAG - Group Treasury and the Supervisory Board of the Company. Therefore, the risks related to the Company’s strategy are minimized.

The operational activities of the Company are performed by a small team of experienced staff. Nevertheless, management has established a fall-back procedure for mitigating the risks relating to the operational activities. Furthermore, the Company participates in the DTAG's Internal Control System (ICS). The accounting-related ICS comprises both preventive and detective controls which include general IT management checks, 4 eyes principle, segregation of functions and the monitoring of the accounting reporting process. The internal audit department of DTAG is responsible for independently reviewing the functionality and effectiveness of the ICS and the Audit Committee of DTAG monitors the effectiveness of the ICS and the DTAG risk management system. The control tests in July 2020 and December 2020 have proved that the ICS of the Company is effective.

The main financial risks arising from the Company's financial instruments are currency risk, interest rate risk and liquidity risk. Additionally, there is a limited credit and counterparty default risk. Management of these risks is performed in accordance with DTAG Group financial risk management policy. We regard effective management of the interest rate risk and foreign currency risk as one of our main tasks. The currency risk is mitigated by means of raising the funds in the same currency as the corresponding financing provided to the borrowers. However, currency results under IFRS arise because the Company concluded some USD interest financial instruments in the past which are classified and valued differently compared to the USD loans for which these contracts were concluded. The interest rates on and the maturity dates of the Company's funding do in principle match with the interest rates on and the maturity dates of the corresponding loans provided by the Company. The credit and counterparty default risk is mainly covered by the guarantee agreement with DTAG. In this guarantee agreement the own risk for the Company is limited to EUR 10 million in total for all outstanding financial assets.

The Company has obligations to disclose annual and non-audited semi-annual external financial reporting and a monthly internal financial reporting. Since the activities of the Company and the kind of transactions closed do not differ much from previous ones, the risk of false or misleading reporting is low.

Compliance with rules and regulations is a main risk which has a narrow focus with the Management Board. Within DTAG there is close contact with the departments Group Compliance, Legal and Tax in order to mitigate the risks related to relevant changes in laws and regulations. Furthermore, the Management Board has access to a network of external legal and tax advisors in order to mitigate possible risks and uncertainties.

For further details of the risk policies we refer to note 1 of the notes to the financial statements.

Future business developments and financing

The Management Board does not expect new financings in 2021. Since derivatives are carried at fair value and the non-derivative instruments at amortized costs, the financial result under IFRS of the Company is expected to remain volatile. However, management expects net positive cash flow for the year ending December 31, 2021 as well as in each of the following years.

According to the regulations of the Dutch Civil Law (Wet Toezicht Bestuur effective as of 1 January 2013) the Company's Management Board is unbalanced since less than 30% of its members are female. The Company's Management Board has only two members and they have been appointed based on qualifications and availability, irrespective of gender. In order to create more balance, the Boards will take these regulations into account to the extent possible with respect to future appointments of Board members.

Events after the statement of financial position date

On January 18, 2021 the Company redeemed a EUR Bond with a remaining nominal amount of EUR 1,001 million and loans to DTAG group companies with the same total nominal amount were repaid to the Company. These repayments will cause a negative impact on the interest result of TEUR 300 and TEUR 225 on equity of the Company in 2021.

Management representation

The members of the Management Board certify 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, 2020 and the business activities during 2020; and
- the annual report describes the material risks that the Company is facing.

Maastricht, March 3, 2021

The members of the Management Board,

Markus Schäfer

Frans Roose

Report of the Supervisory Board

As per December 31, 2020 the Supervisory Board of Deutsche Telekom International Finance B.V. comprised the following members:

- Mr. S. Wiemann (chairman)
- Dr. Ch. Dorenkamp
- Dr. A. Lützner

The Supervisory Board met once on March 4, 2020. During this meeting the Management Board presented the business results for the year 2019 and a forecast for 2020. Furthermore, the result of the audit tender process was discussed and it was resolved to that the Policy on Commissioning the Services of Auditors will also apply to the proposed future independent statutory auditor of the company for the years starting 2021 and that the Management Board is authorized to take appropriate measures to ensure the independency of that audit firm.

In the reporting year, bonds and assignable loans to group companies matured in aggregate volumes per currency of EUR 2,075 million and USD 1,250 million, respectively. Furthermore, the Company tendered bonds for prepayment with total nominal amounts of EUR 781 million and USD 1,444 million respectively.

The Supervisory Board has taken notice of and agrees with the conclusion of the Management Board that the COVID-19 pandemic outbreak in 2020 and the global economic crisis as a consequence thereof did not trigger impairment of the financial assets.

According to the regulations of the Dutch Civil Law (Wet Toezicht Bestuur effective as of 1 January 2013) the Company's Supervisory Board is unbalanced since less than 30% of its members are female. The Company's Supervisory Board members have been appointed based on qualifications and availability, irrespective of gender. In order to create more balance, the Boards will take these regulations into account to the extent possible with respect to future appointments of Board members.

The financial statements for the year 2020 as presented by the Management Board have been audited and were given an unqualified opinion by the independent external auditor of PricewaterhouseCoopers Accountants N.V. The independent auditor's report is included in this report. The Supervisory Board has authorized the financial statements for the year 2020 of Deutsche Telekom International Finance B.V. for issue by the management Board on March 3, 2021 for approval of the General Meeting of Shareholders. The Supervisory Board recommends that the General Meeting of Shareholders adopts the financial statements for the year 2020.

The statement of comprehensive income for the year 2020 discloses a net loss of EUR 57,543 thousand. The Management Board has performed an equity, liquidity and solvency test and based on the outcome of these tests the Supervisory Board has approved the proposal made by the Management Board to distribute an amount of EUR 11,418,614.07 to the shareholder.

The Supervisory Board takes this opportunity to express its appreciation for the performance of the Management Board during the financial year 2020.

Maastricht, March 3, 2021

Dr. Ch. Dorenkamp

Dr. A. Lützner

S. Wiemann

Financial Statements

Statement of comprehensive income

thousands of €	Note	2020	2019
Finance income	2		
Interest income		1,055,039	1,165,314
Interest expense		(1,075,081)	(1,185,917)
Impairment reversals on financial assets	3, 6	-	445
Impairment on financial assets	3, 6	(39,366)	-
Other financial income (expense)	3	(6,658)	28,025
Profit (loss) from financial activities		(66,066)	7,867
General and administrative expenses	4	(352)	(351)
Other operating income		92	83
Loss from operations		(260)	(268)
Profit (loss) before income taxes		(66,326)	7,599
Income taxes	5	8,783	(6,000)
Profit (loss) after income taxes		(57,543)	1,599
Other comprehensive income		-	-
Profit (loss) attributable to owners:		(57,543)	1,599
Total comprehensive profit (loss) attributable to the owners:		(57,543)	1,599

Statement of financial position

(Before proposed appropriation of result)

thousands of €				
	Note		31.12.2020	31.12.2019
ASSETS				
Non-current assets			25,603,950	31,064,762
Financial assets	6		25,603,950	31,064,762
Current assets			2,908,813	3,601,346
Financial assets	6		2,891,343	3,585,590
Other assets			3	4
Cash and cash equivalents			17,467	15,752
TOTAL ASSETS			28,512,763	34,666,108
SHAREHOLDER'S EQUITY AND LIABILITIES				
Shareholder's equity	8		198,754	266,195
Issued Capital			500	500
Retained earnings			255,797	264,096
Net profit (loss)			(57,543)	1,599
Non-current liabilities			25,431,985	30,823,661
Financial liabilities	7		25,372,889	30,755,236
Deferred tax liability	5		59,096	68,425
Current liabilities			2,882,024	3,576,252
Financial liabilities	7		2,881,388	3,574,905
Income tax liability	5		495	1,259
Other liabilities			141	88
Liabilities			28,314,009	34,399,913
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES			28,512,763	34,666,108

Statement of changes in equity

thousands of €	Note	Issued share capital	Retained earnings	Result for the year	Total
	8				
Balance as at January 1, 2019		500	254,222	18,818	273,540
Movements					
Net profit				1,599	1,599
Appropriation of result			18,818	(18,818)	-
Transactions with owners					
Dividends paid			(8,944)		(8,944)
Balance as at December 31, 2019		500	264,096	1,599	266,195

thousands of €	Note	Issued share capital	Retained earnings	Result for the year	Total
	8				
Balance as at January 1, 2020		500	264,096	1,599	266,195
Movements					
Net loss				(57,543)	(57,543)
Appropriation of result			1,599	(1,599)	-
Transactions with owners					
Dividends paid			(9,898)		(9,898)
Balance as at December 31, 2020		500	255,797	(57,543)	198,754

Statement of cash flows

thousands of €			
	Note	2020	2019
	9		
Proceeds from repayments of loans	6	5,295,962	2,367,616
Interest received	2	1,073,286	1,177,756
Interest paid	2	(1,056,628)	(1,162,546)
Net interest received from derivatives	3	29,445	30,746
Guarantee fees paid	7	(32,701)	(32,297)
Net income tax paid	5	(1,268)	(3,381)
Others	4	(521)	(431)
Net cash generated from operating activities		5,307,575	2,377,463
Repayment of financial liabilities	7	(5,295,962)	(2,367,616)
Dividend payments	8	(9,898)	(8,944)
Net cash used in financing activities		(5,305,860)	(2,376,560)
Net increase in cash and cash equivalents		1,715	903
Cash and cash equivalents, at the beginning of the year		15,752	14,849
Cash and cash equivalents, at the end of the year		17,467	15,752

Notes to the financial statements

General information

Deutsche Telekom International Finance B.V. (hereafter “the Company”) is the financing company of Deutsche Telekom AG, Bonn, Germany (hereafter “DTAG”). Its principal activities consist of the issuance of debt instruments and funding of the Deutsche Telekom Group. The Company has its registered office at Stationsplein 8-K, Maastricht, the Netherlands, registered under number 33274743 with the Dutch trade register “Kamer van Koophandel” and 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 2020 financial year were authorised for issue by the Management Board on March 3, 2021.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities. The financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter “IFRS”) as adopted by the EU and with Book 2, Title 9 of the Dutch Civil Code. All IFRSs issued by the International Accounting Standards Board (hereafter “IASB”) adopted by the European Commission for use in the EU and effective at the time of preparing these financial statements have been applied by the Company. The financial year corresponds to the calendar year. Both the functional and presentation currency of the Company is Euro (EUR). All values are rounded to the nearest thousand except when indicated otherwise.

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

In the 2020 financial year, the Company applied the following IASB pronouncements and/or amendments to such pronouncements for the first time:

Pronouncement	Title	Applied by the		Impact on the presentation of the Company’s results of operations and financial position
		Company from	Changes	
Amendments to References to the Conceptual Framework	References to the Conceptual Framework	January 1, 2020	Updating of the cross references to the revised conceptual framework in the corresponding standards and interpretations.	No material impact.
Amendments to IAS 1 and IAS 8	Definition of Material	January 1, 2020	Clarification of the definition of materiality.	No material impact.
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	January 1, 2020	The amendments relate, in particular, to specific practical expedients for hedge accounting requirements and are mandatory for all hedges affected by interest rate benchmark reform. Further information on this is also planned.	No material impact.

The reform of interbank offered rates (IBORs) is currently generating uncertainty regarding the timing of implementation and the precise content of the planned changes. The Company has concluded interest rate derivative contracts with DTAG where USD-LIBOR is part of the contract. But as the LIBOR legs of the derivatives cancel out each other the Company does not expect the changes in the benchmark rates to have a material impact.

Standards, interpretations and amendments issued, but not yet to be applied

Pronouncement	Title	To be applied by		Expected impact on the presentation of the Company's results of operations and financial position
		the Company from	Changes	
IFRSS endorsed by the EU				
Amendments to IFRS 16	Covid-19-related Rent Concessions	January 1, 2021	Practical expedient for lessee accounting of rent concessions granted due to the Covid-19 pandemic. Instead of assessing whether a rent concession is a lease modification, the lessee can account for the changes in lease payments as if they were not lease modifications.	No material impact.
Amendments to IFRS 4	Insurance Contracts – deferral of IFRS 9	January 1, 2021	Deferral of first-time application of IFRS 9 for insurance companies.	No material impact.
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (Phase 2)	January 1, 2021	The amendments address the impact of modifications of financial instruments required as a direct consequence of IBOR reform, hedge accounting requirements, and the accompanying disclosures.	No material impact.
IFRSS not yet endorsed by the EU ^a				
Amendments to IAS 16	Proceeds before Intended Use	January 1, 2022	The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Clarification of the definition of the costs of testing. Revenue and cost that relate to items produced that are not an output of the entity's ordinary activities must be presented separately. Disclosure of the line item in the statement of comprehensive item that includes such revenue.	No material impact.
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022	Clarification that the cost of fulfilling a contract includes all directly attributable costs. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract (such as direct wage and material costs) and an allocation of other costs that relate directly to fulfilling contracts. In addition, it is clarified that before a provision for an onerous contract is established, an entity should recognize any impairment loss that has occurred on assets used in (previously: dedicated to) fulfilling the contract.	No material impact.
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022	Reference to the revised IFRS Conceptual Framework. Requirement that, for identifying liabilities within the scope of IAS 37 or IFRIC 21, an acquirer should apply IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022	Addition of an explicit statement that an acquirer should not recognize contingent assets acquired in a business combination.	No material impact.
IFRS 17	Insurance Contracts	January 1, 2023	IFRS 17 governs the accounting for insurance contracts and replaces IFRS 4.	No material impact.
Amendments to IFRS 17	Insurance Contracts	January 1, 2023	Deferral of first-time application of IFRS 17 to January 1, 2023. The fundamental principles under IFRS 17 remain unaffected. The amendments to the standard, which refer to specific topics, are aimed at helping entities implement the standard and, at the same time, avoiding a significant loss of useful information.	No material impact.
Amendments to IAS 1	Presentation of Financial Statements	January 1, 2023	Clarification of the classification of liabilities as current or non-current	No material impact.

^a For standards not yet endorsed by the EU, the date of first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption.

With the exception of the standards, interpretations, and amendments of standards and interpretations that are effective for the first time in the financial year, the Company did not make any major changes in its accounting policies.

Accounting policies

Key assets and liabilities shown in the statement of financial position are subsequently measured as follows:

Items in the statement of financial position	Measurement principle
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	Amortized cost
Other financial assets	
Loans to group companies	Amortized cost
Derivative financial instruments	At fair value through profit and loss
Interest receivables	Amortized cost
ASSETS	
NON-CURRENT ASSETS	
Other financial assets	
Loans to group companies	Amortized cost
Derivative financial instruments	At fair value through profit and loss
Deferred tax assets	Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled
SHAREHOLDERS' EQUITY AND LIABILITIES	
CURRENT LIABILITIES	
Financial liabilities	
Bonds and other securitized liabilities	Amortized cost
Derivative financial instruments	At fair value through profit and loss
Income tax liabilities	Amount expected to be paid to the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period
Other liabilities	Amortized cost
SHAREHOLDERS' EQUITY AND LIABILITIES	
NON-CURRENT LIABILITIES	
Financial liabilities	
Bonds and other securitized liabilities	Amortized cost
Derivative financial instruments	At fair value through profit and loss
Deferred tax liabilities	Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled

The material principles on recognition and measurement outlined below were applied uniformly to all accounting periods presented in these financial statements.

Cash and cash equivalents, which include the balance from bank accounts included in the cash pooling and the inter-company current account with DTAG, are generally measured at amortized cost.

FINANCIAL INSTRUMENTS

Financial instruments are 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, the settlement date is relevant for the initial recognition and derecognition. This is the day on which the asset is delivered to or by the Company. In general, financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a right to offset the recognized amounts and intends to settle on a net basis. Transferred financial assets are derecognized in full if substantially all the risks and rewards of ownership are transferred or if some of the risks and rewards of ownership are transferred (risk sharing) and the acquirer has both the legal and the practical ability to sell the assets to a third party. If, in cases where risk is shared, the acquirer is unable to sell the assets to a third party, the assets will

continue to be recognized to the extent the maximum risk retained. Financial liabilities are derecognized when the obligation specified in the contract expires or if there is a substantial modification of the terms of the contract.

The Company has not yet made use of the option to designate financial instruments upon initial recognition as at fair value through profit or loss.

Financial assets include loans to group companies, interest receivables and derivative financial assets. They are measured at fair value upon 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 recognized plus, in the case of loans to group companies, a loss account for expected credit losses. The fair values recognized in the statement of financial position are generally based on market prices of the financial assets. If these are not available, the fair value is determined using standard valuation models based on 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.

For the classification and measurement of Loans to group companies, the respective business model for managing the loans and whether the instruments have the characteristics of a standard loan, i.e., whether the cash flows are solely payments of principal and interest, is relevant. Assuming the assets have these characteristics and if the business model is to hold to collect the asset's contractual cash flows, they are measured at amortized cost. This is computed using the effective interest method. 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 determines the recoverable amount of the assets by the calculation of the expected credit losses contributable to each of the items.

At initial recognition, Loans to group companies are measured including a loss allowance account for expected credit losses. The loss allowance is determined at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Otherwise, the loss allowance is calculated at an amount equal to twelve-month expected credit losses. In this case, losses incurred later than twelve months after the reporting date would therefore not be considered.

When a loss allowance for expected credit losses is being determined, the historical probability of default supplemented by the relevant future parameters for the credit risk is used as the basis for the calculation. For all Loans to group companies, publicly available market data related to the Deutsche Telekom Group debt portfolio is used to determine the loss allowance for expected credit losses.

Derivative financial assets are measured at fair value through profit or loss.

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 a component of the carrying amount. Subsequent to initial recognition all non-derivative financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires.

Derivative financial liabilities are measured at fair value through profit or loss.

The Company uses **derivative financial instruments** to mitigate the interest rate risk resulting from its activities. The Company does not hold derivatives for speculative nor trading purposes. The Company does not apply hedge accounting as defined under IFRS 9. Derivatives that are not part of an effective hedging relationship as set out in IFRS 9 must be classified as 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.

INCOME TAXES

Income taxes include current income taxes as well as deferred taxes. Current and deferred tax assets and liabilities must be recognized where they are probable. They are measured in accordance with the tax laws applicable or already announced as of the reporting date, provided said announcement has the effect of actual enactment. Where current and deferred tax is recognized, it must be reported as income or expense except to the extent that the tax arises from a transaction which is recognized outside profit and loss, either in other comprehensive income or directly in equity, or in connection with a business combination. Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset in the statement of financial position if the Company has a legally enforceable right to set off current tax assets against current tax liabilities, has an intention to settle net, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

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

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

Other liabilities comprise provisions and other current obligations and are generally measured at amortized cost.

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 shareholder.

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	
	2020	2019	31.12.2020	31.12.2019
1 Pound sterling (GBP)	1.12416	1.13925	1.11352	1.17481
1 Hong Kong dollar (HKD)	0.11289	0.11400	0.10513	0.11437
1 U.S. dollar (USD)	0.87553	0.89325	0.81510	0.89055

General administrative expenses include personnel costs, service fees, audit and consultancy fees and operational leases (telephone, computer equipment and office rent) and are recognized at cost.

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).

Coronavirus pandemic

The coronavirus pandemic has developed into a global economic crisis in 2020 and will continue to shape its course in 2021. Higher demand for certain telecommunications services means the impact of the crisis is being felt less severely by the telecommunications industry than by other industries. Business activities and thus the results of operations and financial position of DTAG were impacted by the coronavirus pandemic in various business areas, affecting revenue and earnings, although not to any significant extent.

Nevertheless, there is still uncertainty regarding the extent to which business activities and thus the results of operations and financial position of DTAG could be affected overall depending on how the pandemic develops. Possible future effects on the measurement of individual assets and liabilities are being analyzed on an ongoing basis. DTAG has informed the Company that it has put in place cost-saving measures to mitigate potential effects on earnings.

Based on the analyses made by the Company and DTAG, the Company trusts that DTAG will continue to be able to fulfil their liabilities towards the Company and judges the default risk being limited. The effects of the coronavirus pandemic and the economic crisis as a result thereof will not have a direct impact on the results, equity or valuation of the financial assets of the Company. The Company itself has taken additional measures to mitigate its operational risks.

Notes to the statement of comprehensive income

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

Principles of risk management

The Company's principal financial liabilities, other than derivatives, mainly comprise issued bonds and the Company's financial assets, other than derivatives, mainly comprise loans to group companies. These financial liabilities and assets are the result of the Company's main purpose, i.e. to raise funds for DTAG or group companies of DTAG.

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

Historically, the Company has entered into various derivative transactions, primarily interest rate swaps and cross currency interest rate swaps, to mitigate the interest rate risk and currency translation 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 2020 and 2019, the Company has not concluded any new derivative contracts.

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

Currency risk

Currency risk as defined by IFRS 7 arises on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature. The Company's currency risk relates to positions in GBP, HKD and USD. The currency risk is mitigated by means of raising the funds in the same currency as the financing provided to the borrowers.

The currency sensitivity analysis is based on the following assumptions:

- Major non-derivative monetary financial instruments (loans and other financial assets and interest-bearing and non-interest-bearing liabilities) are directly denominated in the functional currency.
- Whereas derivatives are valued at fair value, non-derivative financial instruments are carried at amortized cost. The currency valuation result of both derivatives and non-derivative financial instruments are included in other financial income (expenses). Therefore, a change in exchange rates has an impact on the result of the Company.
- Interest income and interest expense from financial instruments are recorded directly in the functional currency. The Company does not hedge the future net margins. This has an impact on the net profit margin of the Company.

If the euro had gained 10 percent against all currencies at December 31, 2020, other financial income would have been EUR 25.4 million lower and the equity would have been EUR 19.0 million lower (December 31, 2019: respectively EUR 29.1 million lower and EUR 22.8 million lower). If the euro had lost 10 percent against all currencies at December 31, 2020 the result would be in the opposite direction.

The hypothetical effect on profit or loss before income taxes of EUR 25.4 million mainly result from the currency sensitivity EUR/USD: EUR 25.3 million (2019: EUR 29.0 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 arose nevertheless historically at the level of the Company has been mitigated by means of derivative contracts with DTAG so there will effectively be no interest rate risk with respect to cash flows at the level of the Company. However, as these derivatives are valued at fair value, a change in interest rates has an impact on the result of the company of the respective year.

The following table provides a breakdown of the USD Interest Rate Swaps concluded with DTAG.

maturity		notional	pay	receive
June 15, 2030	USD	1,685,000,000	6.285%	6MUSLibor +1.120%
June 15, 2030	USD	1,685,000,000	6MUSLibor +1.045%	8.250%

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

- Changes in the market interest rates of non-derivative financial fixed instruments do not affect income because they are not measured at fair value but at amortized cost.
- Changes in the market interest rates of non-derivative financial variable instruments do not affect income because these instruments are back to back transactions.
- Changes in the market interest rate of derivatives 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 IFRS 9. 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, 2020, the profit or loss before income taxes would have been EUR 29.3 million lower (higher) and the equity would have been EUR 21.9 million lower (higher) (December 31, 2019: respectively EUR 17.1 million lower (higher) and 13.4 lower (higher)).

Some issued bonds and attributed loan contracts granted to DTAG include a step-clause. If the rating of DTAG changes and triggers the step-clause of the specific bonds and loan contracts, the interest rates of those contracts are adjusted. If the rating of DTAG had been upgraded to A3 and A- as of December 31, 2020, this would trigger interest rates of two Bonds and three loan contracts being lowered by 0.5%. Two loan contracts have been concluded with different starting date and interest levels as the underlying bond which were hedged by the derivatives concluded with DTAG. Consequently, by the decrease of the interest rate by 0.5% the profit or loss before income taxes would have been EUR 3.8 million lower (December 31, 2019: EUR 4.8 million lower). If the rating of DTAG had been downgraded below Baa1 and BBB+ as of December 31, 2020, the interest rates of two other bonds and two other loan contracts would have been increased by 0.5%. However, in that case the profit or loss before income taxes and equity would not have materially changed.

Credit and counterparty default risk

Loans are granted to DTAG and DTAG group companies only. The maximum exposure to credit and counterparty default risk is generally represented by the carrying amounts of the financial assets that are carried in the statement of financial position, including derivatives with positive market values. However, the Company has concluded a guarantee agreement with DTAG in favour of the owners of financial liabilities issued by the Company. Basically, it covers all interest payments and repayments of loans granted to affiliated companies for which the Company pays a fix guarantee fee plus a onetime premium on occasion of default, calculated as a ratio of the loan amount in default divided by the total amount of loans outstanding multiplied by EUR 10 million. This guarantee agreement also covers all derivatives closed with DTAG. These derivatives have been closed only for the reason of covering all interest exposures related to the loans to affiliates companies and therefore no IFRS 13, measurement of CVA/DVA, is required.

The loans are unsecured and management does not expect any losses from non-performance by the counterparties of these loans. Under IFRS 9 it is required to recognize and measure potential impairments in loans and receivables which are measured at Amortized Cost by the expected credit loss model. The general approach is applied. As per 31.12.2019 the provision on financial assets under IFRS 9 amounted to 72 thousands of euro (hereafter "TEUR") and as per 31.12.2020 this was calculated at an amount of TEUR 39,438. This increase of the impairment is due to the increased one year default probability rate of DTAG per 31.12.2020 compared to 31.12.2019. This increase was mainly driven by the merger of T-Mobile US with Sprint which had negative impacts on key financial figures of DTAG. The difference of TEUR 39,366 has been recognized through comprehensive profit (loss). Please also refer to Note 6.

Liquidity risk

Please refer to Note 7.

Capital management

The overriding aim of the Company's capital management is to match amounts, return and maturities of its financial assets with its financial liabilities in order to ensure its capability to repay its debt. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders.

2. Finance income

The following table provides a breakdown of finance income:

thousands of €	2020	2019
Interest income	1,055,039	1,165,314
Interest expense	(1,075,081)	(1,185,917)
	(20,042)	(20,603)

Interest income of TEUR 1,055,039 has been earned from loan contracts with Deutsche Telekom group companies in 2020 (2019: TEUR 1,165,314). All interest expense in 2020 and 2019 respectively has been derived from group external debt. The negative interest result is mainly due to the fact that hedge accounting as defined in IFRS 9 is not applied. We refer to Note 1, 3 and 6.

3. Other financial income (expense)

The impairment and impairment reversals on financial assets in 2020 and 2019 are the recognition and release of provisions related to the expected credit losses on loans to group companies in accordance with IFRS 9. We refer to note 6.

The item "Other financial income" breaks down as follows:

thousands of €	2020	2019
Gain (loss) from financial instruments	(5,331)	27,437
Gain (loss) from foreign exchange differences	(1,327)	588
	(6,658)	28,025

The position "Gain (loss) from financial instruments" in 2020 (and 2019) comprise the fair value change of two USD derivatives which were concluded with DTAG. 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'. The position "Gain (loss) from foreign exchange differences" includes a gain of TEUR 2 (2019: a loss of TEUR 1) resulted from spot trades (the exchange of interest margin in foreign currencies into euro) and is not disclosed in the net gain/loss by measurement category in Note 7.

4. General and administrative expenses

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

thousands of €	2020	2019
Personnel costs		
Remuneration Management Board	99	97
Other personnel benefits	3	6
Other social security costs	10	12
Total personnel costs	112	115
Other general and administrative expenses		
Office rent	16	15
Service fees	141	141
Audit and tax consultancy fees	62	67
Telephone	1	1
Computer lease	9	6
Other	11	6
Total other general and administrative expenses	240	236
Total general and administrative expenses	352	351

As at December 31, 2020 the Company employed 1 person (2019: 1).

Service fees of TEUR 141 have been paid in 2020 for services related to accounting, mainly provided by the shared service centre of DTAG (2019: TEUR 141). Furthermore, computer and software leasing fees of TEUR 9 have been paid in 2020 to DTAG (2019: TEUR 6).

The Audit and tax consultancy fees listed above relate to the procedures applied to the Company by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. An amount of TEUR 55 (2019: TEUR 52) has been recognized as fees for the audit of the 2020 financial statements and TEUR 7 (2019: TEUR 15) for tax services, regardless of whether the work was performed during the financial year. In 2020 fees of TEUR 26 (2019: TEUR 25) for other audit services were recognized in the position Interest expense in the Statement of comprehensive profit.

Remuneration Management Board and Supervisory Board

The remuneration of the Management Board consists of short-term employee benefits and complies with the "bezoldiging bestuurders" in accordance with Dutch law article "2:383 BW". There are no long-term benefits. The remuneration of the Supervisory Board in 2020 was nil (2019: nil). As per 31.12.2020 and 31.12.2019 respectively no loan contracts were outstanding with the Management Board or the Supervisory Board.

5. Income taxes

Income taxes in the statement of comprehensive income:

thousands of €	2020	2019
Current income tax (expenses)	(545)	(3,248)
Deferred tax (expenses) income	9,329	(2,752)
	8,783	(6,000)

The Company has concluded an Advance Pricing Agreement (APA) with the Dutch Tax Authority in which a fix spread has been agreed upon based on an at arm's length transfer pricing assessment. The amount in "Current income tax expenses" reflects the calculated amount of

income tax due over the year without having received a final assessment.

The position of current income tax (expenses) in 2020 has been reduced by a refund of income tax paid of TEUR 2,429. It was assessed that the profit in 2017 had to be shifted partly to the parent company DTAG.

In 2019 the Dutch Government announced lower income tax rates to be enacted in the years 2021 and 2022. In December 2020 it was decided that the income tax rates to be enacted would be different from the announced rates in 2019. The Company used the announced income tax rates for its calculation of the deferred tax assets and liabilities in 2019 and 2020 respectively which resulted in additional deferred tax expenses in 2019 and deferred tax income in 2020.

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

thousands of €	2020	2019
Profit (Loss) before income taxes	(66,326)	7,599
Expected income tax (expense) / benefit*	19,028	(1,864)
Income tax refund	2,429	
Effect from the change in income tax as of 1.1.2021 on deferred taxes in the current year and the reversal of the calculated effect in 2019**	7,801	(4,138)
Income tax benefit according to income statement	8,783	(6,000)
Effective income tax rate (%)	21.3%	24.5%

* Applicable income tax rates in the Netherlands ranged from 16.5% to 25.0% in 2020 (2019: 19% to 25.0%).

For the Company the average income tax rate was 25% in 2019 (2019: 24.5%).

** Corporate income tax rate change in the Netherlands substantively enacted. Corporate income tax rates will change from 16.5% resp. 25% to 15% and 25% as from 1.1.2021.

Income taxes in the statement of financial position:

Current income taxes in the statement of financial position refer to payable income taxes amounting to TEUR 495 as of December 31, 2020 (December 31, 2019: payable income taxes of TEUR 1,259). All income taxes are payable in the Netherlands.

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

thousands of €	31.12.2020		31.12.2019	
Deferred taxes related to following key statement of financial position item:	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current assets	1,640	-	1,872	-
Financial assets	1,640		1,872	-
Non-current assets	63,435	(194,398)	57,550	(162,222)
Financial assets	33,889	(194,398)	26,495	(162,222)
Prepaid expenses*	29,546		31,055	-
Current liabilities	-	(52,595)	-	(54,920)
Financial liabilities	-	(2,658)	-	(2,922)
Other deferred income*	-	(49,937)	-	(51,998)
Non-current liabilities	130,224	(7,402)	98,972	(9,677)
Financial liabilities	130,224	(7,402)	98,972	(9,677)
Total	195,299	(254,395)	158,394	(226,819)
Of which: non-current	193,659	(201,800)	156,522	(171,899)
Netting:	(195,299)	195,299	(158,394)	158,394
Recognition:	-	(59,096)	-	(68,425)

* refers to tax balance sheet item

All deferred taxes relate to temporary differences between IFRS balance amounts and fiscal balance amounts and are volatile from year to year, mainly due to fair value movements of derivatives as no hedge accounting is being applied. Changes in deferred taxes are recognized in Income taxes in the statement of comprehensive income. There are no deferred taxes that relate to loss carry-forwards.

Notes to the statement of financial position

6. Financial assets

The following table provides a breakdown of the financial assets:

thousands of €	31.12.2020		31.12.2019	
	Total	Of which: current	Total	Of which: current
Loans to group companies	27,381,259	2,554,902	33,512,490	3,195,294
Derivative financial instruments	777,593	-	747,566	-
Interest receivables	336,441	336,441	390,296	390,296
	28,495,293	2,891,343	34,650,352	3,585,590

In 2020, loans to group companies were repaid to the Company for a total nominal amount of TEUR 5,295,962. Other movements in the value of "Loans to group companies" compared to 2019 consist of FX differences, impairment and amortization.

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

thousands of €	31.12.2020		31.12.2019	
	Total	Of which: current	Total	Of which: current
Germany*	27,121,380	2,295,023	33,253,023	3,195,294
Hungary	259,879	259,879	259,467	-
	27,381,259	2,554,902	33,512,490	3,195,294

* of which loans to shareholder: TEUR 27,121,380 (2019: TEUR 33,253,023)

The following table shows the movement of the provision on financial assets under IFRS 9:

Movement of provision in accordance with IFRS 9	2020	2019
thousands of €		
Provision previous year	(72)	(517)
Provision in the year through comprehensive profit (loss)	(39,366)	-
Release of provision in the year through comprehensive profit (loss)	-	445
Provision end of year	(39,438)	(72)

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

The Management Board calculates the provision on financial assets under IFRS 9 by using the 1-year Default Probability (PD) rate of DTAG. As per 31.12.2020 all non-current financial assets relate to loans to the shareholder DTAG. The rating of DTAG is BBB (according to Standard & Poor's), BBB+ (according to Fitch) and Baa1 (according to Moody's). In 2020 Standard & Poor's downgraded the rating of DTAG from BBB+ to BBB after the merger of T-Mobile US and Sprint was effectuated. With this the 1-year PD of DTAG increased considerably resulting in the TEUR 39,438 provision as per 31.12.2020.

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

The loans have stated coupon interest rates as per December 31, 2020 of 0.15% to 9.33% (2019: 0.13% to 9.33%) and mature up to 21 years (2019: up to 22 years). The average interest rate of the loans was 3.41% as of December 31, 2020 (2019: 3.21%).

The Company does not hold derivatives for speculative nor for trading purposes. All derivatives have been contracted with the parent company DTAG. The Company does not make use of hedge accounting as defined under IFRS 9. Since derivatives are carried at fair value and the non-derivative instruments at amortized costs, the financial result under IFRS of the Company is volatile. As shown by the liquidity analysis under note 7 the Company always has net positive cash flows in every year until the last contract expires.

All interest receivables as of December 31, 2020 (and December 31, 2019 respectively) refer to accrued interest from companies of DTAG Group, of which TEUR 330,606 relate to DTAG (2019: TEUR 384,470).

7. Financial liabilities

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

thousands of €	31.12.2020			
	Total	due within 1 year	due > 1 year < 5 years	due > 5 years
Bonds and other securitized liabilities	27,284,177	2,546,838	10,575,851	14,161,488
Guarantee fees payable	127,017	12,364	28,025	86,628
Interest liabilities	322,186	322,186	-	-
Derivative financial instruments	520,897	-	-	520,897
	28,254,277	2,881,388	10,603,876	14,769,013

thousands of €	31.12.2019			
	Total	due within 1 year	due > 1 year < 5 years	due > 5 years
Bonds and other securitized liabilities	33,343,192	3,187,660	13,499,051	16,656,481
Guarantee fees payable	157,729	14,118	34,859	108,752
Interest liabilities	373,127	373,127	-	-
Derivative financial instruments	456,093	-	-	456,093
	34,330,141	3,574,905	13,533,910	17,221,326

The average interest rate for bonds is 3.42% as of December 31, 2020 (2019: 3.20%).

Guarantee fee liabilities to be paid to DTAG are paid over the terms of the external financial instruments. DTAG provides a full and irrevocable guarantee for all liabilities issued by the Company, except for the own risk of EUR 10 million the Company is exposed to. Payment dates of guarantee fees are generally matched with interest payment dates of the external financial liabilities.

In 2020 (and 2019 respectively) all interest liabilities refer to group external debt.

In 2020, bonds were repaid by the Company for a total nominal amount of TEUR 5,295,962. Other movements in the value of "Bonds and other securitized liabilities" compared to 2019 consist of FX differences and amortization.

Liquidity analysis

The following table shows 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, 2020 and as of December 31, 2019 respectively. All instruments held at December 31, 2020 (December 31, 2019 respectively) and for which payments were already contractually agreed are included. Planning data for future new assets or 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, 2020 (December 31, 2019 respectively). Based on this liquidity analysis the Company expects net positive cash flows in all years presented herein.

The following tables show the undiscounted liquidity analysis as of December 31, 2020:

thousands of €	2021	2022-2025	>2025	Total cash flows	Carrying amount
Non derivative borrowings (cash payables)	(3,488,019)	(13,724,425)	(17,689,381)	(34,901,825)	(27,284,177)
Bonds fix	(3,488,019)	(13,324,425)	(17,689,381)	(34,501,825)	
Bonds floating	-	(400,000)	-	(400,000)	
Guarantees payable	(24,639)	(71,879)	(55,452)	(151,970)	(127,017)
Derivatives	28,032	112,072	126,081	266,185	256,696
IR Derivatives outflow	(104,402)	(416,859)	(468,966)	(990,227)	
IR Derivatives inflow	132,434	528,931	595,047	1,256,412	
Loans granted (cash receivables)	3,495,213	13,716,939	17,643,514	34,855,666	27,381,259
Loans to aff. comp. fix	3,494,601	13,316,335	17,643,514	34,454,450	
Loans to aff. comp. floating	612	400,604	-	401,216	
Total Cash Flow	10,587	32,707	24,762	68,056	

The following tables show the liquidity analysis as of December 31, 2019:

thousands of €	2020	2021-2024	>2024	Total cash flows	Carrying amount
Non derivative borrowings (cash payables)	(4,246,370)	(17,129,208)	(21,215,328)	(42,590,906)	(33,343,192)
Bonds fix	(2,312,798)	(16,729,208)	(21,215,328)	(40,257,334)	
Bonds floating	(1,933,572)	(400,000)	-	(2,333,572)	
Guarantees payable	(29,722)	(86,098)	(74,248)	(190,068)	(157,729)
Derivatives	30,031	120,063	165,087	315,181	291,473
IR Derivatives outflow	(136,401)	(543,954)	(747,937)	(1,428,292)	
IR Derivatives inflow	166,432	664,017	913,024	1,743,473	
Loans granted (cash receivables)	4,257,076	17,131,215	21,154,958	42,543,249	33,512,490
Loans to aff. comp. fix	2,321,881	16,730,008	21,154,958	40,206,847	
Loans to aff. comp. floating	1,935,195	401,207	-	2,336,402	
Total Cash Flow	11,015	35,972	30,469	77,456	

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 IFRS 9	Carrying amount 31.12.2020	Amounts recognized in statement of financial position according to IFRS 9		Fair Value 31.12.2020
			Amortized cost	Fair value recognized in profit or loss	
Assets					
Cash and cash equivalents ¹	AC	17,467	17,467	-	-
Loans to aff. comp.	AC	27,381,259	27,381,259	-	32,540,911
Other financial assets ¹	AC	336,441	336,441	-	-
Derivative financial assets	FVTPL	777,593	-	777,593	777,593
Liabilities					
Bonds and other securitized liabilities	AC	27,284,177	27,284,177	-	32,518,490
Other financial liabilities	AC	449,203	449,203	-	461,317
Derivative financial liabilities	FVTPL	520,897	-	520,897	520,897
Thereof aggregated according to IFRS 9 categories					
Assets					
Financial assets carried at amortized cost	AC	27,717,700	27,717,700	-	32,540,911
Financial assets at fair value through profit and loss	FVTPL	777,593	-	777,593	777,593
Liabilities					
Financial liabilities carried at amortized cost	AC	27,733,380	27,733,380	-	32,979,807
Financial liabilities at fair value through profit and loss	FVTPL	520,897	-	520,897	520,897

¹ We refer to the exception of IFRS 7.29(a) for the disclosure of the fair value. The amounts disclosed are approximately equal to the fair values.

AC = Amortized Cost

FVTPL = Fair Value and changes in Profit and Loss

thousands of €					
	Category in accordance to IFRS 9	Carrying amount 31.12.2019	Amounts recognized in statement of financial position according to IFRS 9		Fair Value 31.12.2019
			Amortized cost	Fair value recognized in profit or loss	
Assets					
Cash and cash equivalents ¹	AC	15,752	15,752	-	-
Loans to aff. comp.	AC	33,512,490	33,512,490	-	38,456,058
Other financial assets ¹	AC	390,296	390,296	-	-
Derivative financial assets	FVTPL	747,566	-	747,566	747,566
Liabilities					
Bonds and other securitized liabilities	AC	33,343,192	33,343,192	-	37,832,487
Other financial liabilities	AC	530,856	530,856	-	543,387
Derivative financial liabilities	FVTPL	456,093	-	456,093	456,093
Thereof aggregated according to IFRS 9 categories					
Assets					
Financial assets carried at amortized cost	AC	33,902,786	33,902,786	-	38,456,058
Financial assets at fair value through profit and loss	FVTPL	747,566	-	747,566	747,566
Liabilities					
Financial liabilities carried at amortized cost	AC	33,874,048	33,874,048	-	38,375,874
Financial liabilities at fair value through profit and loss	FVTPL	456,093	-	456,093	456,093

¹ We refer to the exception of IFRS 7.29(a) for the disclosure of the fair value. The amounts disclosed are approximately equal to the fair values.

AC = Amortized Cost

FVTPL = Fair Value and changes in Profit and Loss

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.

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 based on current market parameters. For this calculation, the cash flows already fixed or determined by way of forward rates using the current yield curve taking into account maturity adjusted spreads are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle rates are used.

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

The classification in level 1 or level 2 of quoted bonds has been determined by the trading volume of the instrument. USD and EUR denominated bonds traded in an active market have been classified in level 1, all other, traded in less liquid markets, in level 2.

In 2020 and in 2019 the guarantee fees have been classified in level 2 and a fair value for the Other financial liabilities is disclosed accordingly. The fair values of the financial instruments classified in level 1 equal the nominal amounts multiplied by the price quotations at the reporting date. All other fair values of the financial instruments classified in level 2 are calculated as present values of the payments associated with the debts, based on the applicable yield curve and DTAG's credit spread curve for specific currencies.

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

thousands of €	31.12.2020		
	Level 1	Level 2	Total
Assets			
Loans to aff. comp.		32,540,911	32,540,911
Liabilities			
Financial liabilities at amortized cost	22,242,234	10,737,573	32,979,807
- of which marketable securities	22,242,234		22,242,234
- of which non-marketable securities		10,276,256	10,276,256
- of which other financial liabilities		461,317	461,317

thousands of €	31.12.2019		
	Level 1	Level 2	Total
Assets			
Loans to aff. comp.		38,456,058	38,456,058
Liabilities			
Financial liabilities at amortized cost	23,010,670	23,010,670	46,021,340
- of which marketable securities	23,010,670		23,010,670
- of which non-marketable securities		14,821,817	14,821,817
- of which other financial liabilities		543,387	543,387

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		
					2020
Financial Assets at Amortized Cost (AC)	1,055,039	-	(825,147)	(39,366)	190,526
Financial Instruments measure at Fair Value and changes in Profit and Loss		(5,331)		-	(5,331)
Financial liabilities measured at amortized cost (AC)	(1,075,081)	-	823,819	-	(251,262)

thousands of €					
	From interest	From subsequent measurement		From derecognition	Net gain (loss)
		At fair value	Currency translation		
					2019
Financial Assets at Amortized Cost (AC)	1,165,314	-	400,621	445	1,566,380
Financial Instruments measure at Fair Value and changes in Profit and Loss		27,437		-	27,437
Financial liabilities measured at amortized cost (AC)	(1,185,917)	-	(400,032)	-	(1,585,949)

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

Offsetting 31.12.2019:

thousands of €		
	Derivative financial assets	Derivative financial liabilities
Net amount presented in the balance sheet	747,566	456,093
Related amounts not set off in the balance sheet	456,093	456,093
<i>thereof: financial instruments</i>	456,093	456,093
<i>thereof: collaterals</i>	-	-
Net amount	291,473	-
Net amount	256,696	-

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

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

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

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

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

8. Equity

The issued share capital amounts to EUR 500,000 and consists of 1,000 shares of common stock at a par value of EUR 500. There were no movements in the number of shares in 2020 or 2019. All shares are held by DTAG.

In 2020 the Company paid EUR 9,897.62 dividend per share (2019: EUR 8,944.10). In 2019 as well as in 2020 the Management Board

assessed that the Company expects net positive cash flows for the year ending December 31, 2021 as well as in each of the following years. For the result of these assessments we refer to the liquidity analyses in note 7 of these notes.

9. Notes to the statement of cash flows

The statement of cash flows has been prepared using the direct method, showing each major class of gross receipts and gross cash payments.

The position of "Cash and cash equivalents" refers to the balance from bank accounts included in the cash pooling and the inter-company current account, both with DTAG and is completely available for use by the Company.

Net cash generated from operating activities is mainly a result of the net margin earned by the Company and cash inflows for loans that have been repaid to the Company.

Net cash used in financing activities mainly includes cash inflows from bonds issued by the Company and cash outflows for the redeemed bonds and dividend payment to the Companies' shareholder.

As far as applicable for the years 2019 and 2020 the cash in- and outflows for loan and derivative repayments and for new loans granted to companies of DTAG Group matched the cash in- and outflows from issues and/or repayments of bonds.

The Company has access to credit facilities with two banks, one amounting to € 431 million and one of € 600 million at year end of 2020. The bilateral credit agreements, concluded by and for which fees are paid by DTAG, 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 2020 and 2019. All liabilities from earlier credit line drawings have been redeemed.

10. Segment reporting

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

Geographic information

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

thousands of €	31.12.2020	31.12.2019
Germany	1,044,602	1,152,540
Austria	-	2,386
Hungary	10,437	10,388
	1,055,039	1,165,314

In 2020, more than 10% of the total interest income has been earned from loans with DTAG (TEUR 1,044,602 or 99.0%).

In 2019, more than 10% of the total interest income has been earned from loans with DTAG (TEUR 1,152,540 or 98.9%).

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

11. Events after the statement of financial position date

On January 18, 2021 the Company redeemed an EUR Bond with a remaining outstanding nominal amount of EUR 1,001 million and loans to DTAG group companies with the same total nominal amount were repaid to the Company. These repayments will cause a negative impact on the interest result of TEUR 300 and TEUR 225 on equity of the Company in 2021.

No other events have occurred since December 31, 2020 which would make the present financial position materially different from that shown in the statement of financial position as of that date or which would require adjustment to or disclosure in the financial statement.

12. Related parties

The Company is a group finance company and hence all material transactions are with related parties as disclosed in notes 2, 3, 4, 6, 7, 8 and 10. All transactions with DTAG and other Deutsche Telekom group companies are based on the arm's length principle.

Maastricht, March 3, 2021

The Management Board:

The Supervisory Board:

F. Roose

S. Wiemann

M. Schäfer

Dr. Ch. Dorenkamp

Dr. A. Lützner

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

Other information

Proposed appropriation of result

Article 21.2 of the articles of association states that “The General Meeting has the authority to make distributions. If the Company is required by law to maintain reserves, this authority only applies to the extent that the equity exceeds these reserves. No resolution of the General Meeting to distribute shall have effect without the consent of the Management Board. The Management Board may withhold such consent only if it knows or reasonably should expect that after the distribution, the Company will be unable to continue the payment of its due debts.”

Based on its assessment, the liquidity analysis referred to in note 7 and the proposed profit appropriation of the Management Board, the dividend of EUR 11,418,614.07 will be distributed to the shareholder, awaiting approval of the Supervisory Board and resolution by the General Meeting of Shareholders. The related amount per share is EUR 11,418.61.

Independent audit

The company is required by Dutch law to have its annual account audited. We refer to the independent auditor’s report as set out on the next pages.



Independent auditor's report

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

Report on the financial statements 2020

Our opinion

In our opinion, the financial statements of Deutsche Telekom International Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Deutsche Telekom International Finance B.V., Maastricht.

The financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the following statements for 2020: the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

KYAM7AQZVCJ-1334750363-21

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Independence

We are independent of Deutsche Telekom International Finance B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

The Company's main activity is the financing of group companies, through bond offerings on the international capital markets. The repayment of the bonds to the investors is guaranteed by Deutsche Telekom A.G. as disclosed in notes 6 and 7 to the financial statements. The Company has derivative financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the note 'Judgements and estimates' to the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the measurement of expected credit losses, valuation of the loans to group companies and derivative valuation, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of the loans issued as key audit matter because of the importance of existence for users of the financial statements.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

Due to COVID-19 measures we were not able to perform our audit procedures on location but virtually through electronic way of working. This way of working made it more challenging for us to perform audit procedures and to gather sufficient and appropriate audit evidence. To overcome this we, when planning our audit, have taken this into account as part of our risk assessment and we have planned and executed additional audit procedures where considered necessary. We therefore believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

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

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.



Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €285,127,000 (2019: €346,661,000). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the stakeholders. Inherent to the nature of the Company's business, the amounts in the statement financial position are large in proportion to the income statement line items general and administrative expenses, other operating income and income taxes. Based on qualitative considerations we performed audit procedures on those income statement line items, applying a benchmark of 10% of the total of those expenses.

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

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €14,256,000 (2019: €17,333,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year there have been no changes in key audit matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<i>Measurement of expected credit losses</i> <i>Note 6</i> We considered the valuation of the loans to group companies, as disclosed in note 6 to the financial statements for a total amount of €27,381,259,000 to be a key audit matter. This is due to the size of the loan portfolio and relevant impairment rules.	<ul style="list-style-type: none">We evaluated the financial position of Deutsche Telekom AG by assessing observable data from rating agencies, the latest available financial information and other publicly available data in order to assess if there are no adverse conditions present suggesting to classify the loans as stage 2 or stage 3 loans.

Key audit matter

The management have determined that all loans to group companies are categorised as stage 1 loans, hence only a 12-month expected credit loss ('ECL') has been recognised. As stated in the note 'Coronavirus pandemic' to the financial statements, the management of the Company have assessed that the impact of Covid-19 has been limited on the Company, due to the sector in which the group operates (Telecommunications sector).

The impairment rules in IFRS 9 are complex and require judgement to calculate the ECL. Amongst other things, this applies to choices and judgements made in the impairment methodology, including the determination of the point in time probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD'). These calculations also take into account forward-looking information of macro-economic factors considering multiple scenarios. The management monitors the need for changes in the methods, significant assumptions or the data used in making the accounting estimate by monitoring key performance indicators that may indicate unexpected or inconsistent performance. Mainly with respect to the PD and LGD used in the determination of the expected credit losses, the management have applied significant judgement given the low default character of the entity's loan portfolio. As a result, there is limited internal historical data to support and back-test the PD and LGD. In the absence of internal historical losses and default information, the management used data from external data source providers in determining the ECL.

Existence of the loans issued

Note 6

We consider the existence of the loans issued, as disclosed in note 6 to the financial statements for a total amount of €27,381,259,000 to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.

How our audit addressed the matter

We have assessed and challenged the management's position on the impact of the COVID-19 on the financial position of the counterparties of the loans to group companies as part of our procedures.

- For the expected credit loss, we assessed that the impairment methodology and model applied by the entity were in accordance with the requirements of IFRS 9. We assessed that the forward-looking information used by the client as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of the Company. We have assessed and challenged the management's position on the impact of the COVID-19 on the forward-looking information as part of our procedures.
- We assessed for a sample of financial instruments that the PD and LGD and the assumptions applied by the management, are appropriate and were based upon data from external data source providers including indicators for potential management bias. We have recalculated the impairment recorded in the financial statements.

We found the management's assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

We performed the following procedures to support the existence of the loans issued to Deutsche Telekom AG group companies:

- We confirmed the existence of all loans with the counterparties.
- We performed a substantive analytical procedure on the relationship between the interest expenses versus interest income, taken into consideration the applicable spread.
- We compared interest receipts with bank statements.
- We recalculated the amortized cost value based on the effective interest method.

Based on the procedures as set out above, we found no material differences.

Key audit matter**Derivative valuation***Notes 6 and 7*

We consider the fair value of the derivatives portfolio of €777,593,000 positive and €520,897,000 negative as disclosed in notes 6 and 7 to the financial statements to be a key audit matter. This is due to the nature of the portfolio that includes longer-dated interest rate swaps. The market for these swaps is not fully liquid, and therefore valuation is a complex area.

How our audit addressed the matter

We performed the following procedures to support the valuation of derivatives:

- We reconciled the interest rate curves and other market data with independent sources.
- We assessed whether the settings used in the models are in line with market practice.
- We also tested the mathematical accuracy of the models used and reconciled the outcome of the valuation system with the general ledger.

We found management's assumptions used in the valuation of derivatives to be reasonable compared to market data and the chosen models to be in line with market practice. Based on the procedures as set out above we found no material differences.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the management board;
- the report of the supervisory board; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.



Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Deutsche Telekom International Finance B.V. on 12 May 2011 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 12 May 2011. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of ten years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 4 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 3 March 2021
PricewaterhouseCoopers Accountants N.V.

Original signed by: V.S. van der Reijden RA

Appendix to our auditor's report on the financial statements 2020 of Deutsche Telekom International Finance B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.



We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.