

DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V.

MAASTRICHT

MANAGEMENT REPORT

for the year ended December 31, 2016

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Company board and management

Management report of the directors

Directors' report

The Board of Management is pleased to present the management report and financial statements of Deutsche Telekom International Finance B.V. ("the Company") for the financial year ended December 31, 2016.

Business activities

In 2016 the Company issued a number of bonds comprised as follows:

Name	Start	Maturity	CCY	Amount
EUR 4Y-float	23.03.2016	03.04.2020	EUR	1,250,000,000
EUR 7Y-fix	23.03.2016	03.04.2023	EUR	1,750,000,000
EUR 12Y-fix	23.03.2016	03.04.2028	EUR	1,500,000,000
EUR 5Y-fix	19.04.2016	19.04.2021	EUR	500,000,000
EUR 4Y-float (tap)	29.12.2016	03.04.2020	EUR	125,000,000
GBP 7Y-fix	06.10.2016	06.10.2023	GBP	300,000,000
USD 3Y-float	19.09.2016	19.09.2019	USD	250,000,000
USD 3Y-fix	19.09.2016	19.09.2019	USD	750,000,000
USD 5Y-fix	19.09.2016	19.09.2021	USD	1,000,000,000
USD 7Y-fix	19.09.2016	19.09.2023	USD	750,000,000

In 2016 the Company repaid two USD bonds with nominal amounts of USD 1 billion and USD 1.25 billion respectively. Furthermore the Company repaid a EUR 500 million bond and two loans from the European Investment Bank (EIB) amounting to HUF 42.4 billion.

On September 15, 2016 a part of an existing loan granted to DTAG was assumed by Magyar Telekom NYRT with a nominal value of EUR 130,000,000.

The Company made a net loss of EUR 2,427,711 versus a net profit of EUR 10,746,252 in 2015.

Management policy with respect to risks

The Board of Management 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 have to be managed by the Board of Management. Each of the risk fields are reviewed and discussed in the Board of Management meetings and measurements are mitigated.

The strategic decisions are liaised with DTAG Group Treasury and the Supervisory Board of the Company. Therefore normally the risks related to the Company's strategy will be limited.

The operational activities of the Company are performed by a small team of experienced staff. Nevertheless it is essential to have 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) and the tests during 2016 and in the beginning of 2017 have proved that this ICS is effective. The accounting-related ICS comprises both preventive and detective controls which include general IT management checks, 4 eyes principle, segregation of functions and the process of monitoring the accounting reporting process. The Internal audit department of DTAG is responsible for independently reviewing the functionality and effectiveness of the ICS and the Audit Committee of DTAG monitors the effectiveness of the ICS and the DTAG

risk management system.

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

The Company has obligations to disclose annual and 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 Board of Management. Within the Deutsche Telekom Group 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 Board of Management 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.

Future business developments and financing

The management does not anticipate any major changes of its financing activities during the current financial year. Since derivatives are carried at fair value and the non-derivative instruments at amortized costs and no hedge accounting is applied, the result of the Company under IFRS is volatile. However, we expect net positive cash flows for the year ending December 31, 2017 as well as in each of the following years.

Other Events

On January 11, 2016 a limited power of attorney was granted to Mr. Jürgen Kistner.

On February 29, 2016 Mr. Gerhard Mischke resigned from his position on the Supervisory Board of the Company.

On March 7, 2016 Mr. Stephan Wiemann was appointed as a member and chairman of the Supervisory Board. As per April 1, 2016 the Company entered into a renewed office rental contract for a period of another three years.

On April 11, 2016 the Articles of Association of the Company were amended and filed with the trade register (Kamer van Koophandel).

On December 12, 2016 a new Advance Pricing Agreement for the years 2017 until and including 2021 was concluded with the Dutch tax authority ("Belastingdienst").

Events after the statement of financial position date

On January 19, 2017 the Company issued an USD bond in three fixed rate tranches and one floating rate tranche with a total nominal amount of USD 3.5 billion and maturities in 2020, 2022 and 2027. The proceeds were lent on to DTAG for same amounts and same maturities.

On January 20, 2017 the Company redeemed a bond with a nominal amount of EUR 2 billion.

On January 30, 2017 the Company issued an EUR bond in three fixed rate tranches with a total nominal amount of EUR 3.5 billion and maturities in 2021, 2024 and 2027. The proceeds were lent on to DTAG for same amounts and same maturities.

On March 6, 2017 the Company redeemed a bond with a nominal amount of USD 1 billion.

Management representation

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

- the financial statements give a true and fair view, in all material respects, of the assets, the liabilities, the financial position and profit and loss of the Company;
- the annual report gives a true and fair view, in all material respects, of the Company as per December 31, 2016 and the business activities during 2016; and
- the annual report describes the material risks that the Company is facing.

Maastricht, March 8, 2017

The Managing Directors,

Markus Schäfer

Frans Roose

Management report of the Supervisory Board

As per December 31, 2016 the Supervisory Board comprised the following members:

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

The composition of the members of the Supervisory Board changed during the reporting year. Mr. Mischke resigned from his position on February 29, 2016 and Mr. Wiemann was appointed on March 7, 2016.

The Supervisory Board met once on March 15, 2016. During this meeting the Board of Management presented the business results for the year 2015 which were discussed and approved by the Supervisory Board. Also the planned activities of the company were discussed and the budget for 2016 was approved. The Supervisory Board was informed about the intended amendment of the Company's Articles of Association which thereafter was executed on April 11, 2016. Furthermore the upcoming renewal of the Advance Pricing Agreement (tax ruling) was discussed with the Board of Management.

In the reporting year bonds, bank loans and assignable loans to group companies matured in aggregate volumes per currency of HUF 42.44 billion, USD 2.25 billion and EUR 500 million, respectively. In 2016 the Company issued several bonds in total aggregate volumes per currency of EUR 5.125 billion, GBP 300 million and USD 2.75 billion. The proceeds were lent on to DTAG with the same nominal amounts and maturity dates as the external bonds.

The financial statements 2016 have been audited and were given an unqualified opinion by the independent auditor of PricewaterhouseCoopers Accountants N.V.. The independent auditor's report is included in this report.

The statement of comprehensive income for the year 2016 discloses a Net Loss of € 2.4 million. The Supervisory Board approves the proposal made by the Board of Management to distribute an amount of EUR 4,920,693.92 to the shareholder. Distribution is allowed based on the analyses performed by the Board of Management.

The Supervisory Board recommends that the General Meeting of Shareholders adopts the financial statements for the year 2016. The Supervisory Board takes this opportunity to express its appreciation for the performance of the management during the past year.

Maastricht, March 8, 2017

S. Wiemann

Dr. Ch. Dorenkamp

Dr. A. Lützner

Financial statements

Statement of comprehensive income

thousands of €	Note	2016	2015
Finance income (expense)	2		
Interest income		1,147,338	1,215,409
Interest expense		(1,164,558)	(1,245,781)
Other financial income (expense)	3	14,317	44,996
Profit (loss) from financial activities		(2,903)	14,624
General and administrative expenses	4	(382)	(324)
Other operating income		43	16
Loss from operations		(339)	(308)
Profit (loss) before income taxes		(3,242)	14,316
Income taxes	5	814	(3,570)
Profit (loss) after income taxes		(2,428)	10,746
Other comprehensive income		-	-
Profit (loss) attributable to owners:		(2,428)	10,746
Total comprehensive profit (loss) attributable to the owners:		(2,428)	10,746

Statement of financial position

thousands of €	Note	31.12.2016	31.12.2015
Assets			
Current assets		3,567,512	3,213,763
Cash and cash equivalents		-	-
Financial assets	6	3,567,509	3,213,278
Income tax receivable	5	-	482
Other assets		3	3
Non-current assets		24,760,590	19,892,871
Property, plant and equipment		2	2
Financial assets	6	24,760,588	19,892,869
Total Assets		28,328,102	23,106,634
Liabilities and shareholder's equity			
Current liabilities		3,544,089	3,191,384
Financial liabilities	7	3,543,965	3,191,326
Income tax liability	5	6	-
Other liabilities		118	58
Non-current liabilities		24,477,515	19,601,792
Financial liabilities	7	24,380,338	19,502,165
Deferred tax liability	5	97,177	99,627
Liabilities		28,021,604	22,793,176
Shareholder's equity	8	306,498	313,458
Issued Capital		500	454
Other reserves		407,691	407,691
Retained earnings (loss)		(99,265)	(105,433)
Net profit (loss)		(2,428)	10,746
Total Liabilities and shareholder's equity		28,328,102	23,106,634

Statement of changes in equity

thousands of €	Note	Issued share capital	Other reserves	Retained earnings (loss)	Result for the year	Total
	8					
Balance as at January 1, 2016		454	407,691	(105,433)	10,746	313,458
Movements						
Capital increase		46				46
Net profit (loss)					(2,428)	(2,428)
Appropriation of result				10,746	(10,746)	-
Dividends paid				(4,578)		(4,578)
Balance as at December 31, 2016		500	407,691	(99,265)	(2,428)	306,498

thousands of €	Note	Issued share capital	Other reserves	Retained earnings (loss)	Result for the year	Total
	8					
Balance as at January 1, 2015		454	407,691	(89,654)	(10,840)	307,651
Movements						
Result current year					10,746	10,746
Appropriation of result				(10,840)	10,840	-
Dividends paid				(4,939)		(4,939)
Balance as at December 31, 2015		454	407,691	(105,433)	10,746	313,458

Statement of cash flows

thousands of €	Note	2016	2015
	9		
Proceeds from repayments of loans		2,628,224	3,818,392
Cash outflows for investments in loans		(7,876,376)	-
Net cash outflow from repayments of derivatives		-	(301,904)
Interest received		1,117,504	1,289,427
Interest paid		(1,117,696)	(1,353,292)
Net interest received from derivatives		21,593	85,477
Guarantee fees paid		(15,160)	(17,204)
Net income tax paid		(1,148)	(1,471)
Others		(413)	(445)
Net cash (used in)/generated from operating activities		(5,243,472)	3,518,980
Repayment of financial liabilities		(2,628,224)	(3,513,748)
Proceeds from issue of financial liabilities		7,876,376	-
Dividend payments		(4,578)	(4,939)
Capital increase		46	
Net cash (used in)/generated from financing activities		5,243,620	(3,518,687)
Net increase in cash and cash equivalents		148	293
Cash and cash equivalents, at the beginning of the year		10,973	10,680
Cash and cash equivalents, at the end of the year		11,121	10,973

Notes to the financial statements

General information

Deutsche Telekom International Finance B.V. (hereafter “the Company”) is the financing company of Deutsche Telekom AG, Bonn, Germany (hereafter “DTAG”). Its principal activities consist of the issuance of debt instruments and funding of the Deutsche Telekom Group. The Company with its registered office at Stationsplein 8-K, Maastricht, the Netherlands, and registered under registration number 33274743 with the Dutch trade register, Kamer van Koophandel, 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 2016 financial year were authorised for issue by the Board of Management on March 8, 2017.

Basis of preparation

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

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

In the 2016 financial year, the Company applied the following IASB pronouncements and/or amendments to such pronouncements for the first time:

Pronouncement	Title	To be applied Company	Expected amendments	Impact on the presentation of the Company's results of operations and financial position
Amendments to IAS 1	Disclosure Initiative	January 1, 2011	The amendments will allow disclosures in the financial statements to be simplified, with a focus on materiality.	No material impact.
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2011	A revenue-based depreciation method for property, plant and equipment is not permissible, whereas for intangible assets there is only a rebuttable assumption that such a method is not appropriate.	No material impact.
Amendments to IAS 16 and IAS 41	Bearer Plants	January 1, 2011	The amendments to the standard relate to bearer plants.	No relevance for the Company.
Amendments to IAS 19	Defined Benefit Plans – Employee Contributions	January 1, 2011	by revising IAS 19, the IASB aims to simplify the accounting for contributions from employees or third parties to a defined benefit plan. The simplified accounting permits such contributions to be recognized as a reduction in the current service cost in the period in which the related service is rendered if the amounts of the contributions are independent of the number of years of service.	No relevance for the Company.
Amendments to IAS 27	Equity Method in Separate Financial Statements	January 1, 2011	The standard is relevant for IFRS separate financial statements	No relevance for the Company.
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2011	Investment entities are not covered by IFRS 10 and are therefore exempt from the provisions on consolidation in this standard. The consolidation exception is substantiated in four points.	No relevance for the Company.
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2011	When an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3 is acquired, all of the principles on business combinations accounting in IFRS 3 and other IFRSs are to be applied, except for those principles that conflict with the guidance in IFRS 11.	No relevance for the Company.
Annual Improvements Project	Annual Improvements to IFRSs 2010-2012 Cycle	January 1, 2011	Clarification of many published standards.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2011	Clarification of many published standards.	No material impact.

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

Pronouncement	Title	To be applied by the Company	Expected amendments	Expected impact on the presentation of the Company's results of operations and financial position
Standards endorsed by the EU				
IFRS 9	Financial Instruments	January 1, 201	IFRS 9 introduces new classification and measurement requirements for financial instruments and replaces IAS 39.	Although the Company has not yet finalized the detailed analysis of IFRS 9, the first-time adoption of this standard is not expected to have a material impact on the financial statements. In some cases, the new provisions on the classification of financial assets depending on the business model existing for these assets will give rise to changes in measurement and presentation. The new provisions on accounting for impairment losses will lead to expected losses having to be expensed earlier in certain cases.
IFRS 15	Revenue from Contracts with Customers	January 1, 201	This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular the existing standards IAS 18 "Revenue" and IAS 11 "Construction Contracts." When applying IFRS 15 for the first time, an entity shall apply the standard in full for the current period. In respect of prior periods, the transition guidance grants entities an option to either apply IFRS 15 in full to prior periods (with certain limited practical expedients being available) or to retain prior-period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 to all contracts that had not yet been completed at the beginning of the reporting period as an adjustment to the opening balance of equity at the date of first-time adoption (beginning of current reporting period).	No relevance for the Company.
Amendments to IFRS 15	Effective date of IFRS 15	January 1, 201	Mandatory adoption of IFRS 15 for reporting periods beginning on or after January 1, 2018	No relevance for the Company.
Standards not yet endorsed by the EU ³				
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely	The amendments affect transactions between an investor and its associate or joint venture and provide for full gain or loss recognition on the loss of control of a business and partial recognition of the gain or loss resulting from the sale or contribution of assets that do not constitute a business, regardless of whether that business is housed in a subsidiary or not.	No relevance for the Company.
IFRS 14	Regulatory Deferral Accounts	January 1, 201	This standard is applicable to first-time adopters of IFRSs only.	No relevance for the Company. In addition, the European Commission has decided not to endorse IFRS 14.
Amendments to IAS 7	Disclosure Initiative	January 1, 201	This pronouncement requires that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	No material impact.
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 201	Clarification of the accounting for deferred tax assets for unrealized losses on debt instruments that are classified as available-for-sale financial assets.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2014–2016 Cycle	January 1, 201 (IFRS 12) January 1, 201 (IFRS 1 and IAS 28)	Clarification of many published standards.	No material impact.
Amendments to IAS 40	Transfers of Investment Property	January 1, 201	Clarification of transfers into or out of investment property.	No relevance for the Company.
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	January 1, 201	Clarification of classification and measurement of share-based payment transactions	No material impact.
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 201	Entities falling within the scope of IFRS 4 and whose predominant activity is issuing insurance contracts may, by way of temporary exemption, defer application of IFRS 9 until such time as the new standard for insurance contracts has come into force. In the interim, such entities are thus subject to the provision of IAS 39. Other entities falling within the scope of IFRS 4 may recognize, in other comprehensive income instead of in profit and loss, some of the income or expenses arising from designated financial assets.	No relevance for the Company.
Amendments to IFRS 15	Clarification to IFRS 15	January 1, 201	Clarifications address the following topics to the transition to IFRS 15: Identification of performance obligations (when a promised good or service is distinct from other promises in the contract); Differentiation of principal-agent relationships, application guidance on the concept of the transfer of control in case of services provided by third parties; Clarification of the conditions for the timing of the recognition of revenue arising from the licensing of the intellectual property. Further simplifications for the transition to IFRS 15 were also added.	No relevance for the Company.

IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2011	IFRIC 22 clarifies what exchange rate is to be applied on initial recognition of a foreign-currency transaction in an entity's functional currency in cases where the entity receives or pays consideration before the related asset, expense or income is recognized. The exchange rate for the underlying asset, expense or income is taken as that prevailing on the date of initial recognition of the non-monetary prepayment asset or deferred income liability.	No material impact.
IFRS 16	Leases	January 1, 2019	IFRS 16 principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. Going forward, lessees will therefore no longer be required to make the distinction between finance and operating leases that was required in the past in accordance with IAS 17. For all leases, the lessee will recognize a lease liability in its statement of financial position for the obligation to make future lease payments. At the same time, the lessee will capitalize a right of use to the underlying asset which is equivalent to the present value of the future lease payments plus directly attributable expenditure. Similar to the guidance on finance leases in IAS 17, the lease liability will be adjusted over the lease term for any remeasurement, while the right-of-use asset will be depreciated, which in contrast to the current lease expense normally leads to higher expenses at the inception date of a lease. For the lessor, on the other hand, the provisions of the new standard are similar to the existing guidance in IAS 17. IFRS 16 also includes new provisions on the definition of a lease and its presentation, on disclosures in the notes and on sale-and leaseback transactions.	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.

Accounting policies

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

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

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

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

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

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

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

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

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

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

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

The Company uses **derivative financial instruments** to hedge the interest rate risk resulting from its activities. The Company does not hold derivatives for speculative nor trading purposes. The Company does not apply hedge accounting as defined under IAS 39. Derivatives that are not part of an effective hedging relationship as set out in IAS 39 must be classified as held for trading and reported at fair value through profit or loss. If the fair values are negative, the derivatives are recognized as financial liabilities. Derivatives are recognized initially at fair value. Subsequent to initial recognition derivatives are measured at fair value and changes in the fair value of derivatives are recognized immediately in other financial income (expense) in profit or loss. In the case that no market value is available, the fair value must be calculated using standard financial valuation models. The fair value of derivatives is the value that the Company would receive or have to pay if the financial instrument was discontinued at the reporting date. This is calculated on the basis of the contracting parties' relevant exchange rates, interest rates and credit ratings at the reporting date. Calculations are made using mid rates. Currency basis and inter-tenor spreads are taken into account. In the case of interest-bearing derivatives, a distinction is made between the "clean price" and the "dirty price". In contrast to the clean price the dirty price also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

Property, plant and equipment is carried at cost less straight-line accumulated depreciation and impairment losses. The depreciation period is based on the expected useful life. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. For equipment a useful life of 13 years has been estimated. The residual values, useful lives and the depreciation method of the assets are reviewed at least at each financial year-end and if expectations differ from previous estimates the changes are accounted for as changes in accounting estimates in accordance with IAS 8 and adjusted if appropriate at the end of each financial year end. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Impairment of property, plant and equipment is identified by comparing the carrying amount with the recoverable amounts. At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amounts of the asset must be determined. Impairment losses are reversed if the reasons of recognizing the original impairment loss no longer apply.

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

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

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

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

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

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

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

The exchange rates of significant currencies changed as follows:

in €	Average rate		Rate at balance sheet date	
	2016	2015	31.12.2016	31.12.2015
1 Pound sterling (GBP)	1.22035	1.3776	1.16939	1.3618
1000 Hungarian forints (HUF)	3.21352	3.22570	3.22612	3.17145
1 U.S. dollar (USD)	0.90377	0.90117	0.94872	0.91819

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.

General administrative expenses include operational leases (computer equipment and office rent) and contribution to the state pensions plan 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).

Notes to the statement of comprehensive income

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

Principles of risk management

The Company's principal financial liabilities, other than derivatives, mainly comprise bank loans and bonds. These financial liabilities are the result of the Company's main purpose, i.e. to raise funds for group companies of DTAG. The company's financial assets, other than derivatives, mainly comprise loans to group companies. Before 2009 the Company has entered into derivative transactions, primarily interest rate swaps and cross currency interest rate swaps, to manage the interest rate risk and currency risk arising from the group's operations and its sources of funding. It is the Company's policy that derivatives are exclusively used as hedging instruments, i.e. neither for trading nor other speculative purposes. In 2016 and 2015, the Company has not closed any new derivative contracts because it was not necessary in order to manage an interest rate or currency risk.

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

For the presentation of market risks IFRS 7 requires sensitivity 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, USD and HUF. The currency risk is either hedged by means of raising the funds in the same currency as the financing provided to the borrowers or by a swap agreement.

The currency sensitivity analysis is based on the following assumptions:

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

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

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

If the euro had gained (lost) 10 percent against all currencies at December 31, 2016, other financial income would have been EUR 35.6 million lower (higher) (December 31, 2015: EUR 36.5 million lower (higher)). This hypothetical effect on profit or loss before income taxes of EUR 35.6 million mainly results from the currency sensitivity EUR/USD: EUR 35.6million (2015: EUR 36.4 million).

Interest rate risk

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

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

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

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

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

If the market interest rates had been 100 basis points higher (lower) at December 31, 2016, the profit or loss before income taxes would have been EUR 19,6 million lower (higher) (December 31, 2015: EUR 25.4 million lower (higher)).

Some loan contracts of the Company include a step-clause. If the rating of DTAG changes and triggers the step-clause of the contracts, the interest rate of those contracts is adjusted. If the rating of DTAG had been upgraded to A3/A- as of December 31, 2016, the profit or loss before income taxes would have been EUR 7.4 million lower (December 31, 2015: EUR 7.9 million lower). If the rating of DTAG had been downgraded as of December 31, 2016, the profit or loss before income taxes would not have materially changed.

Credit risk

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

Liquidity risk

Please refer to Note 7.

Capital management

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

2. Finance income (expense)

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

thousands of €	2016	2015
Interest income	1,147,338	1,215,409
Interest expense	(1,164,558)	(1,245,781)
	(17,220)	(30,372)

Interest income of thousands of euro (hereafter "TEUR") 1,147,338 has been earned from contracts with Deutsche Telekom group companies in 2016 (2015: TEUR 1,215,409). All interest expense in 2016 and 2015 respectively has been derived from group external debt. The negative interest result is mainly due to the fact that hedge accounting as defined under IAS 39 is not applied. We refer to Note 1 and Note 6.

3. Other financial income (expense)

The item breaks down as follows:

thousands of €	2016	2015
Gain (Loss) from financial instruments	13,814	(194,639)
Gain (Loss) from foreign exchange differences	503	239,635
	14,317	44,996

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

All gains and losses from financial instruments in 2016 (and 2015) are earned from derivative contracts with DTAG.

Gain (Loss) from foreign exchange differences includes a loss of TEUR 18 resulted from spot trades (the sale and exchange into euro of interest margin in foreign currencies) and 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 €	2016	2015
Personnel costs		
Remuneration Management Board	83	78
Other salaries	7	17
Other social security costs	9	11
Total personnel costs	99	106
Other general and administrative expenses		
Office rent	15	14
Service fees	141	141
Audit and tax consultancy fees	116	45
Telephone	1	2
Computer lease	4	8
Depreciation	1	1
Other	5	7
Total other general and administrative expenses	283	218
Total general and administrative expenses	382	324

The remuneration of the Board of Management consists of short-term employee benefits and complies with the “bezoldiging bestuurders” in accordance with Dutch law article “2:383 BW”. The remuneration of the Supervisory Board in 2016 was nil (2015: nil).

Total expenses recognized for defined contribution plans (state pension plan) in 2016 were TEUR 6 (2015: TEUR 12).

As at December 31, 2016 the Company employed 1 person (2015: 1).

Service fees of TEUR 141 have been paid in 2016 for services provided by DTAG (2015: TEUR 141).

Furthermore, computer leasing fees of TEUR 4 have been paid in 2016 to DTAG (2015: TEUR 8).

For the audit of the financial statements, audit fees of TEUR 16 (2015: TEUR 13) have been paid to PricewaterhouseCoopers Accountants N.V., Amsterdam and audit fees of TEUR 5 (2015: TEUR 8) have been paid to PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. Fees for other non-audit services were paid to PricewaterhouseCoopers Accountants N.V., Amsterdam of TEUR 24.

In 2016 fees for other audit procedures were paid to PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft amounting to TEUR 19.

5. Income taxes

Income taxes in the statement of comprehensive income:

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

thousands of €	2016	2015
Current income taxes	(1,635)	(1,514)
Deferred tax income/(expense)	2,449	(2,056)
	814	(3,570)

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

thousands of €	2016	2015
(Loss)/Profit before income taxes	(3,242)	14,316
Expected income tax benefit/(expense)*	815	(3,570)
Income tax benefit/(expense) according to income statement	814	(3,570)
Effective income tax rate (%)	25.1%	24.9%

* Applicable income tax rates in the Netherlands ranged from 20% to 25.0% in 2016 (2015: 20% to 25.0%).
For the Company the average income tax rate was 25.0% in 2016 (2015: 25.0%).

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 6 as of December 31, 2016 (December 31, 2015: recoverable income taxes of TEUR 482). All income taxes are payable in the Netherlands.

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

thousands of €	31.12.2016		31.12.2015	
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	11,218	(438)	10,356	(397)
Financial assets	11,218	(438)	10,356	(397)
Non-current assets	62,508	(209,485)	45,206	(228,107)
Financial assets	27,329	(209,485)	18,230	(228,107)
Prepaid expenses*	35,179	-	26,976	-
Current liabilities	-	(79,096)	1,404	(71,916)
Financial liabilities	-	(13,365)	-	(12,711)
Other deferred income*	-	(65,731)	1,404	(59,205)
Non-current liabilities	125,130	(7,014)	147,555	(3,728)
Financial liabilities	125,130	(7,014)	147,555	(3,728)
Total	198,856	(296,033)	204,521	(304,148)
Of which: non-current	187,638	(216,499)	192,761	(231,835)
Netting:	(198,856)	198,856	(204,521)	204,521
Recognition:	-	(97,177)	-	(99,627)

* refers to tax balance sheet item

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

Notes to the statement of financial position

6. Financial assets

The following table provides a breakdown of the financial assets:

thousands of €	31.12.2016		31.12.2015	
	Total	Of which: current	Total	Of which: current
Loans to group companies	26,977,566	3,054,917	21,686,378	2,705,936
Derivative financial instruments	837,939	-	912,427	-
Interest receivables	501,471	501,471	496,369	496,369
Cash Pooling	11,121	11,121	10,973	10,973
	28,328,097	3,567,509	23,106,147	3,213,278

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

thousands of €	31.12.2016		31.12.2015	
	Total	Of which: current	Total	Of which: current
Germany*	26,436,612	2,951,371	21,030,488	2,461,373
Hungary	331,279	22,993	336,417	134,592
Austria	209,675	79,985	319,473	109,972
	26,977,566	3,054,349	21,686,378	2,705,937

* of which loans to shareholder: TEUR 26,436,612 (2015: TEUR 21,030,488)

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

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

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

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

The loans have stated coupon interest rates as per December 31, 2016 of 0.18% to 9.33% (2015: 2.13% to 9.33%) and mature up to 25 years (2015: up to 26 years). The average interest rate of the loans was 4.27% as of December 31, 2016 (2015: 5.45%).

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

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

All interest receivables as of December 31, 2016 (and December 31, 2015 respectively) refer to accrued interest from companies of Deutsche Telekom Group, of which TEUR 491,562 relate to DTAG (2015: TEUR 486,126).

The receivable from cash pooling as of December 31, 2016 (and December 31, 2015 respectively) refers to the balance of the inter-company clearing account with DTAG. This item is also the only component of cash and cash equivalent in the statement of cash flows. We refer to note 9.

7. Financial liabilities

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

thousands of €	31.12.2016			
	Total	due within 1 year	due > 1 year < 5 years	due > 5 years
Bonds and other securitized liabilities	26,819,259	3,048,048	8,680,924	15,090,287
Liabilities to banks	-	-	-	-
Guarantee fees payable	131,179	11,059	23,762	96,358
Interest liabilities	484,858	484,858	-	-
Derivative financial instruments	489,007	-	38,485	450,522
	27,924,303	3,543,965	8,743,171	15,637,167

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

The average interest rate for bonds is 4.29% as of December 31, 2016 (2015: 5.51%).

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

In 2016 (and 2015 respectively) all interest liabilities refer to external debt.

Liquidity analysis

The following tables show the contractually agreed (undiscounted) interest and guarantee payments and repayments of the non-derivative financial instruments and the derivatives with positive and negative values as of December 31, 2016 and as of December 31, 2015 respectively. All instruments held at December 31, 2016 (December 31, 2015 respectively) and for which payments were already contractually agreed are included. Planning data for future new liabilities were not included. Each amount in foreign currency was translated at the closing rate prevailing on reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2016 (December 31, 2015 respectively). Based on this liquidity analysis the Company expects net positive cash flows in all years presented herein.

The following tables show the liquidity analysis as of December 31, 2016:

thousands of €	2017			2018		
	Interest (including guarantee fees)		Repayments	Interest (including guarantee fees)		Repayments
	Fix	Floating		Fix	Floating	
Liabilities (cash payments)						
Bonds	(1,151,652)	(3,974)	(3,048,722)	(1,004,852)	(3,914)	(1,356,413)
Bank Loans	-	-	-	-	-	-
Guarantee Fees	(21,189)	-	-	(19,597)	-	-
Interest rate swaps	(166,360)	(81,878)	-	(166,360)	(82,477)	-
Assets (cash receivables)						
Loans to aff. comp.	1,150,934	6,099	3,055,347	1,000,909	6,039	1,363,426
Interest rate swaps	186,924	83,098	-	186,924	83,696	-
Total	(1,343)	3,345	6,625	(2,976)	3,344	7,013
Total cash flow for the year			8,627			7,381

thousands of €	2019-2021			2022-2026		
	Interest (including guarantee fees)		Repayments	Interest (including guarantee fees)		Repayments
	Fix	Floating		Fix	Floating	
Liabilities (cash payments)						
Bonds	(2,554,216)	(3,479)	(7,376,331)	(3,080,940)	(433)	(6,330,927)
Bank Loans	-	-	-	-	-	-
Guarantee Fees	(49,606)	-	-	(43,173)	-	-
Interest rate swaps	(301,427)	(114,987)	-	(502,379)	(191,576)	-
Assets (cash receivables)						
Loans to aff. comp.	2,498,267	7,344	7,399,927	2,929,834	-	6,380,396
Interest rate swaps	395,652	118,650	-	659,421	197,677	-
Total	(11,330)	7,528	23,596	(37,237)	5,668	49,469
Total cash flow for the years			19,794			17,900

thousands of €	2027-2042		
	Interest (including guarantee fees)		Repayments
	Fix	Floating	
Liabilities (cash payments)			
Bonds	(2,654,804)	-	(8,844,206)
Bank Loans	-	-	-
Guarantee Fees	(32,686)	-	-
Interest rate swaps	(351,665)	(134,082)	-
Assets (cash receivables)			
Loans to aff. comp.	2,543,007	-	8,888,217
Interest rate swaps	461,595	138,352	-
Total	(34,553)	4,270	44,011
Total cash flow for the years			13,728

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

thousands of €	2016			2017		
	Interest (including guarantee fees)		Repayments	Interest (including guarantee fees)		Repayments
	Fix	Floating		Fix	Floating	
Liabilities (cash payments)						
Bonds	(1,138,327)	-	(2,565,926)	(1,059,916)	-	(3,018,189)
Bank Loans	(8,058)	-	(134,598)	-	-	-
Guarantee Fees	(14,673)	-	-	(13,025)	-	-
Interest rate swaps	(161,006)	(65,103)	-	(161,006)	(68,919)	-
Assets (cash receivables)						
Loans to aff. comp.	1,140,058	-	2,706,582	1,051,051	-	3,024,602
Interest rate swaps	180,908	66,287	-	180,908	70,100	-
Total	(1,098)	1,184	6,058	(1,988)	1,181	6,413
Total cash flow for the year			6,144			5,606

thousands of €	2018-2020			2021-2025		
	Interest (including guarantee fees)		Repayments	Interest (including guarantee fees)		Repayments
	Fix	Floating		Fix	Floating	
Liabilities (cash payments)						
Bonds	(2,520,971)	-	(3,359,554)	(3,112,033)	-	(5,253,263)
Bank Loans	-	-	-	-	-	-
Guarantee Fees	(32,204)	-	-	(34,153)	-	-
Interest rate swaps	(355,490)	(128,117)	-	(486,211)	(148,408)	-
Assets (cash receivables)						
Loans to aff. comp.	2,460,706	-	3,381,129	2,959,032	-	5,298,495
Interest rate swaps	436,188	131,661	-	638,199	154,313	-
Total	(11,771)	3,544	21,575	(35,166)	5,905	45,232
Total cash flow for the years			13,348			15,971

thousands of €	2026-2042		
	Interest (including guarantee fees)		Repayments
	Fix	Floating	
Liabilities (cash payments)			
Bonds	(3,088,068)	-	(7,295,848)
Bank Loans	-	-	-
Guarantee Fees	(34,220)	-	-
Interest rate swaps	(437,590)	(133,534)	-
Assets (cash receivables)			
Loans to aff. comp.	2,933,287	-	7,349,136
Interest rate swaps	574,379	138,848	-
Total	(52,212)	5,314	53,288
Total cash flow for the years			6,390

Additional disclosures on financial instruments

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

thousands of €	Category in accordance to IAS 39	Carrying amount 31.12.2016	Amounts recognized in statement of financial position according to IAS 39		Fair Value 31.12.2016
			Amortized costs	Fair value recognized in profit or loss	
Assets					
Loans to aff. comp.	LaR	26,977,566	26,977,566	-	32,423,383
Other financial assets ¹	LaR	512,592	512,592	-	-
Derivative financial assets	FAHFT	837,939	-	837,939	837,939
Liabilities					
Bonds and other securitized liabilities	FLAC	26,819,259	26,819,259	-	31,220,204
Liabilities to banks	FLAC	-	-	-	-
Other financial liabilities	FLAC	616,036	616,036	-	631,908
Derivative financial liabilities	FLHFT	489,007	-	489,007	489,007
Thereof aggregated according to IAS 39 categories					
Loans and Receivables	LaR	27,490,158	27,490,158	-	32,423,383
Financial Assets Held for Trading	FAHFT	837,939	-	837,939	837,939
Financial Liabilities at Amortized Cost	FLAC	27,435,295	27,435,295	-	31,852,112
Financial Liabilities Held for Trading	FLHFT	489,007	-	489,007	489,007

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

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

LaR = Loans and Receivables

FAHFT = Financial Assets Held for Trading

FLAC = Financial Liability at Amortized Costs

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

on observable market data (unobservable inputs). The derivatives of the Company are exclusively categorised under level 2 in the fair value hierarchy of IFRS 7. There have not been any transfers between level 1 and level 2 for these instruments in 2016 or 2015.

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

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

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

In 2016 and in 2015 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 €	31.12.2016		
	Level 1	Level 2	Total
Assets			
Loans to aff. comp.		32,423,383	32,423,383
Liabilities			
Financial Liabilities at Amortized Cost	27,566,315	4,411,043	31,977,358
- of which marketable securities	27,566,315		27,566,315
- of which non-marketable securities		3,779,135	3,779,135
- of which liabilities to banks		-	-
- of which other financial liabilities		631,908	631,908

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

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	2016
Loans and receivables (LaR)	1,147,338	-	30,890	1,178,228
Financial Instruments held for trading (FAHfT and FLHfT)	-	13,814	-	13,814
Financial liabilities measured at amortized cost (FLAC)	(1,164,558)	-	(30,369)	(1,194,927)

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

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

Offsetting 31.12.2016:

thousands of €	Derivative financial assets	Derivative financial liabilities
Net amount presented in the balance sheet	837,939	489,007
Related amounts not set off in the balance sheet	489,007	489,007
<i>thereof: financial instruments</i>	489,007	489,007
<i>thereof: collaterals</i>	-	-
Net amount	348,932	-

Offsetting 31.12.2015:

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

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

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

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

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

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

8. Equity

Upon the amendment of the articles of association becoming effective on April 11, 2016 the nominal value of all shares of the Company were converted to five hundred euro (EUR 500). The issued share capital now amounts to EUR 500,000 and consists of 1,000 shares of common stock at a par value of EUR 500. The increase of the Company's issued share capital resulting from the aforementioned change of denomination of the shares amounts to EUR 46,220, There were no movements in the number of shares in 2016 or 2015. All shares are held by DTAG.

The position "Other reserves" consists of the result from the conversion of the used Generally Accepted Accounting Principles (GAAP) in 2008. Before 2008 for its preparation of the financial statements the company used the Dutch accounting standards and guidelines, known also as "Dutch GAAP". As per the financial year 2008 it was decided by the Company to prepare the financial statements in accordance with International Financial Accounting Standards as adopted by the European union (IFRS, which is also applied by the company's parent.

In 2016 the Company paid EUR 4,578 dividend per share (2015: EUR 4,939). In 2015 as well as in 2016 the management assessed that the Company expects net positive cash flows for the year ending December 31, 2017 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.

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

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

As far as applicable for the years 2015 and 2016 the cash in- and outflows for loan and cross currency interest rate swap repayments and for new loans granted to companies of Deutsche Telekom Group match the cash in- and outflows from issues and/or repayments of bonds and bank loans.

The net amount from the intercompany current account with DTAG is the only component of cash and cash equivalents and it is measured at cost. This amount is included in financial assets on the statement of financial position. We refer to note 6.

The Company has access to credit facilities with two banks, one amounting to € 421 million and one of € 600 million. The bilateral credit agreements have an original maturity of 36 months and can, after each period of 12 months, be extended by a further 12 months to renew the maturity of 36 months.

The Company did not draw on the credit lines in 2016 and 2015. All liabilities from earlier credit line draw downs have been repaid.

10. Segment reporting

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

Geographic information

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

thousands of €	31.12.2016	31.12.2015
Germany	1,120,941	1,182,856
Austria	9,685	12,880
Hungary	16,712	19,669
Others		4
	1,147,338	1,215,409

In 2016, more than 10 % of the total interest income has been earned from loans with DTAG (TEUR 1,120,941 or 97,7%).

In 2015, more than 10 % of the total interest income has been earned from loans with DTAG (TEUR 1,182,856 or 97,3%).

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

11. 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.”

Following the liquidity analysis and the proposed profit appropriation of the Board of Management, the dividend of EUR 4,920,693.92 will be distributed to the shareholder, awaiting approval of the General Meeting of Shareholders and the Supervisory Board. The related amount per share is EUR 4,920.69.

12. Events after the statement of financial position date

On January 19, 2017 the Company issued an USD Bond in three fixed rate tranches and one floating rate tranche with a total nominal amount of USD 3,5 billion and maturities in 2020, 2022 and 2027. The proceeds were lent on to DTAG for same amounts and same maturities.

On January 20, 2017 the Company redeemed a bond with a nominal value of EUR 2 billion.

On January 30, 2017 the Company issued an EUR bond in three fixed rate tranches with a total nominal amount of EUR 3.5 million and maturities in 2021, 2024 and 2027. The proceeds were lent on to DTAG for same amounts and same maturities.

On March 6, 2017 the Company redeemed a bond with a nominal amount of USD 1 billion.

13. Post statement of financial position events

No other events have occurred since December 31, 2016 which would make the present financial position substantially 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.

14. Related parties

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

Maastricht, March 8 , 2017

The Board of Management:

F. Roose

M. Schäfer

The Supervisory Board:

S. Wiemann

Dr. Ch. Dorenkamp

Dr. A. Lützner

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

Other information

The company is required by 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 supervisory board of Deutsche Telekom International Finance B.V.

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Deutsche Telekom International Finance B.V. as at 31 December 2016, 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 2016 of Deutsche Telekom International Finance B.V., Maastricht ('the company').

The financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the following statements for 2016: the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

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

The basis for our opinion

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

Independence

We are independent of Deutsche Telekom International Finance B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Ref.: e0397472

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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 AG as disclosed in note 7 to the financial statements. The company has financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus following from the operations of the company, as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

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

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

Materiality

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

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €283,000,000 (2015: €115,500,000). We determined materiality based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders to be the most important stakeholders. Based thereon we applied a benchmark of 1% of total assets. Inherent to the nature of the company's business, the amounts in the financial statements are large in proportion to the statement of comprehensive income line items general and administrative expenses, other operating income and income taxes. Based on qualitative considerations we performed audit procedures on those statement of comprehensive income line items, applying a benchmark of 5% of profit before tax. As the company records a loss for the year ended 31 December 2016, we have calculated the benchmark over the two-year average.

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 €14,150,000 (2015: €5,775,000) 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, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

Due to the nature of the company's business we recognise that key audit matters which we reported in our independent auditor's report on the financial statements 2015 may be long-standing and therefore may not change significantly year over year. As compared to last year there have been no changes in key audit matters.

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

Key audit matter

How our audit addressed the matter

Valuation and existence of the loans issued

We performed the following procedures to test the existence of the loans issued to Deutsche Telekom AG group companies and to test the management board's assessment of possible loss events to address the valuation:

Note 6

We consider the valuation and existence of the loans issued, as disclosed in note 6 to the financial statements for a total amount of €26,977,566,000, to be a key audit matter. This is due to the size of the loan portfolio in combination with the fact that the management board's assessment of objective evidence of impairment is very important and judgmental. As a result, any impairment may have a material effect on the financial statements.

- We evaluated the financial situation of the group companies to which loans have been provided by analysing their respective current financial data (such as result and equity) and their ability to repay the notional and interest payments to the company.
- We evaluated the financial position of Deutsche Telekom AG by verifying observable data from rating agencies, developments in credit spreads and other publicly available data.
- We analysed if there were any loss events at an individual loan level by challenging the valuation assessments prepared by the management board, which we did by analysing the financial situation of the group companies to which loans have been provided.
- We performed a margin analysis.
- We recalculated the amortised cost value based on the effective interest method.
- We audited data input to calculate the fair value of the loans, including cash flows, based on underlying contracts, credit spread and market interest.
- We performed confirmation procedures with the counterparties of the loans.

The management board did not identify any objective evidence that a loan is impaired.



Key audit matter

How our audit addressed the matter

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

Derivative valuation**Note 6 and 7**

We consider the fair value of the derivatives portfolio of €837,939,000 positive and €489,007,000 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 and cross-currency interest rate swaps. The market for these swaps is not always fully liquid and therefore valuation is a complex area.

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

- We tested the valuation of derivatives by testing the input of contracts in the company's valuation system on a sample basis.
- We reconciled the interest rate curves and other market data with independent sources.
- We assessed whether the settings used in the valuation system and the models are in line with market practice.

Based on these procedures we found the management board'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. We also tested the mathematical accuracy of the models used and reconciled the outcome of the valuation system with the general ledger. 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 management report of the directors;
- the management 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;
- contains all 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 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.

The management board is responsible for the preparation of the other information, including the management report of the directors and the other information pursuant to Part 9 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 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of six years.

Responsibilities for the financial statements and the audit

Responsibilities of the managing directors and the supervisory board for the financial statements

The managing directors are responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board 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, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board 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 audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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.

Rotterdam, 8 March 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.P.A. Corver RA



Appendix to our auditor's report on the financial statements 2016 of Deutsche Telekom International Finance B.V.

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among 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 the management board.
- Concluding on the appropriateness of the management board'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.

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



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